

Black Earth Farming Ltd Operational Update

Black Earth Farming Ltd (“BEF” or “the Company”) announces the below operational update in conjunction with its declared intention to investigate the possibility of issuing a new bond of up to SEK 750m in order to refinance the outstanding SEK 750m 2010/14 bond. The Company had harvested 70% of the 2013 crop area as of 12 October. Harvest progress has been somewhat delayed by a very wet September.

Update on crop yields

As previously reported the winter wheat and barley crop yields were 57% and 8% up year-on-year. Potatoes are yielding well and quality is good. Expectations of good yields of corn and sunflower remain with harvesting less advanced in these later crops. As expected oilseed rape and soya are yielding poorly and this has been exacerbated by wet harvesting conditions. Actual crop yields are summarized in the table below.

Average Net Crop Yields						
(tons/hectare)	2009	2010	2011	2012	2013	% of 2013 area harvested
Winter wheat	3.5	1.9	2.4	2.1	3.3	100%
Spring wheat	2.3	1.4	1.6	2.6	1.9	100%
Spring barley	3.0	1.4	1.9	2.4	2.6	100%
Spring rape	1.4	0.6	1.1	1.3	1.0	100%
Sunflower	1.7	0.8	2.0	1.9	1.9	49%
Soya	n/a	0.2	0.9	1.2	1.1	27%
Sugar beet	n/a	n/a	25.6	25.3	27.1	42%
Potatoes	n/a	n/a	n/a	33.2	36.4	89%

Current conditions and weather impact

Precipitation levels in September were on average about 90% above the 30 year average in BEF’s regions. Harvest is delayed and wet ground conditions are making it more difficult than usual to harvest beet and potatoes. It also means higher than anticipated costs for harvesting, cleaning and drying.

2014 crop outlook

The wet September has meant that BEF’s winter wheat area is lower than planned and previous levels at circa 30k hectares for 2014 (vs. 72k hectares for 2013 crop). Unplanted winter wheat hectares are planned to be replaced with corn and sunflowers predominately. Land after beet will be mostly fallowed. As a result, 2014 planned crop area is approximately 220k hectares (-2% vs. 224k hectares in 2013). The wheat crops established were seeded early and are now emerged and in good condition.

Crop price and market development

Russian domestic grain and oilseed prices, in particular corn and sunflowers fell after 30 June 2013. During September prices have improved with floods in Eastern Russia supporting the soya price and the weather conditions improving beet, corn and quality wheat prices during September. These prices are however down by approximately 20-30% both compared to 30 June 2013 and year-on-year as highlighted in the table below.

Domestic Market Prices (inc. VAT)	30-sep-13	<i>30-jun-13</i>	<i>31-mar-13</i>	<i>31-dec-12</i>	<i>30-sep-12</i>
Wheat - class 3	6 960	8 500	10 525	10 900	8 475
Wheat - class 4	6 210	8 325	10 200	10 775	8 300
Wheat - class 5 / feed	5 330	8 138	10 000	10 525	8 050
Corn	5 350	7 988	8 600	8 700	7 750
Barley - Malting	8 000	9 050	10 100	9 800	9 000
Barley - Feed	5 650	7 350	8 450	8 788	7 313
Rapeseed	12 400	12 500	16 500	17 500	13 900
Sunflower seed	10 700	17 010	15 550	17 000	15 500
Soya	17 000	12 000	15 500	16 500	16 500
Sugar beet	1 850	1 400			1 750

At the end of September approximately 75% of the expected 2013 crop was priced via physical forward sales, with the Company's export program running smoothly, as well as additional hedge positions on international wheat and corn futures.

Wet conditions have been experienced across Ukraine and many of the cereal producing parts of Russia. Although the cut off seeding dates for winter wheat are earlier in the central regions, it is becoming widely expected that the overall winter grain area will be reduced by potentially as much as 2-3 million hectares for Russia as a whole. Expectations of lower volumes are starting to be reflected in new crop prices.

Summary

The overall outlook for 2013 is for improvements in underlying operational performance in terms of crop yield and cost per tonne, but significantly lower market prices, partially mitigated by hedging and forward sales. 30% of the area remains to be harvested and there are still many unknowns in terms of prices and yields.

About the Company

Black Earth Farming Ltd. is a leading farming company, publicly listed on Nasdaq OMX Stockholm and operating in Russia. It acquires, develops and farms agricultural land assets primarily in the fertile Black Earth region in southwest Russia. Black Earth Farming has gained a strong market position in the Kursk, Tambov, Lipetsk and Voronezh areas, controlling some 310,000 hectares of what perhaps is the world's most fertile soil. In 2013 Black Earth Farming intends to harvest over 224,000 hectares,

effectively making it one of the world's largest public farming companies by cropped area. The Company's main products are wheat, barley, corn, sunflower, soya, rapeseed, sugar beet and potatoes.

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