



Black Earth Farming enters into agreement to sell its Russian operations and announces intention to propose distribution of proceeds to shareholders and initiate a voluntary liquidation of the company

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Black Earth Farming Ltd ("Black Earth Farming" or the "Company"), a major landowner and producer of cereals, oilseeds and vegetables in Russia's fertile Central Black Earth region, today announces that its direct wholly owned subsidiary, Planalto Enterprises Limited ("Planalto") has entered into a framework share purchase agreement regarding the sale of its indirectly wholly owned subsidiaries Agro Invest ("AIMC") and Agro Invest Regions ("AIRMC") and an assignment agreement pursuant to which Planalto assigns its claims under the intergroup loans to AIMC to Volgo-DonSelkhozInvest LLC (the "Transaction").

The total estimated purchase price is approximately USD 184,000,000 in cash, subject to any changes in the total liabilities under the intragroup loans prior to completion and certain purchase price adjustments following completion of the sale. The transaction values AIMC and AIRMC to approximately USD 200,000,000 on a cash and debt free basis. There is additional cash and working capital that will remain with Planalto and Black Earth Farming after the Transaction, which is expected to add approximately a further USD 50,000,000.

Per Åhlgren, Chairman of Black Earth Farming says: *"Having evaluated this transaction and the alternatives, including continuing running the business, we are convinced that the Sale to Volgo-DonSelkhozInvest offers the best value for all of our shareholders."*

Richard Warburton, CEO of Black Earth Farming says: *"Out of the several discussions we have conducted with interested parties, I am satisfied the transaction being proposed is the most favorable for Black Earth Farming's shareholders in terms of both value and risk. I am also especially pleased that the transaction provides continuity and stability for the company and its employees"*.

Background to and reasons for the Transaction

During 2016, the Company received a number of expressions of interest substantially above the undisturbed share price level of SEK 3.55 per share prior to the announcement on 9th August 2016 confirming that the Company were in talks with potential buyers.¹ All were from prospective Russian buyers underpinning the higher value put on the Company by potential domestic purchasers. On 9th August 2016, the Board of Directors of Black Earth Farming communicated by press release that the Company was in talks with potential buyers regarding a substantial land and asset sale in Russia. Having evaluated an asset sale versus other alternatives, the Board of Directors of Black Earth Farming has concluded that a divestment of AIMC and AIRMC to Volgo-DonSelkhozInvest is the best alternative for the Company and its shareholders. Additionally the Board of Directors believes that this alternative is a better alternative for Black Earth Farming's shareholders than continued long-term operations. It has not been possible to solicit a public takeover offer for all depositary receipts in the Company on terms more favorable than the terms of the Transaction.

¹ Closing price on 8 August 2016. Source for share price: Nasdaq Stockholm.

Transaction details

The Transaction entails an indirect divestment of 100 percent of the shares (participation interests) in the indirectly wholly owned subsidiaries AIMC and AIRMC to Volgo-DonSelkhozInvest together with any outstanding intragroup debt of AIMC owed to Planalto. The total estimated purchase price is set at an initial consideration of USD 184,000,000. The purchase price is subject to adjustment depending on certain variables such as changes in net debt and working capital as estimated at signing compared to completion.

Volgo-DonSelkhozInvest has confirmed that it has funds available to finance the Transaction through a combination of equity and bank debt. Volgo-DonSelkhozInvest has agreed to pay USD 10,000,000 as a deposit in connection with signing. Black Earth Farming is entitled to withdraw from the Transaction if the deposit is not perfected by 20th of February 2017. The rest of the purchase price shall be paid subject to and following closing of the Transaction and will be subject to adjustment based upon (i) the amount of outstanding liabilities under the intragroup loans at closing and (ii) completion accounts that will be prepared following completion by reference to 31 March 2017 subject to certain specific adjustments.

Closing of the Transaction is subject to, *inter alia*, approval by BEF's shareholders, relevant regulatory approvals and the satisfaction of certain customary closing conditions set out in the Transaction documents. Should all conditions be met, closing is expected to take place not earlier than April 2017.

Distribution of proceeds, liquidation of Black Earth Farming and delisting

The intention of the Board of Directors is to recommend, following a review of the company's need for capital, including capital required for repurchase of the Company's outstanding bonds (in the amount of approximately USD 46,900,000), funds to cover costs of running of the operations until dissolution, remaining transaction costs and post completion wrap-up costs (approximately USD 5,000,000) (the "Wrap-up Costs"), that excess proceeds from the sale and other available funds, to the extent not required to cover the Wrap up Costs, shall be distributed to the shareholders.

The Board of Directors intention is to propose that an Extraordinary General Meeting resolves on a voluntary liquidation of Black Earth Farming as soon as practically possible following after the Company has repurchased its outstanding bonds and distributed excess proceeds to the shareholders. Concurrently, the board will initiate the process in order to delist Black Earth Farming in connection with the liquidation.

The Board of Directors will present its recommendations and proposals, which are subject to shareholder approval, in connection with the Extraordinary General Meeting.

Financial impact for Black Earth Farming and its shareholders

Following deduction of the Wrap-up Costs and additional equity contributions from warrant holders, the Board of Directors anticipates that approximately between USD 185,000,000 – 193,000,000 will be available for distribution to the shareholders. At an exchange rate of Rur 60.5 per USD and SEK 8.9 per USD, this corresponds to approximately between SEK 7.2 – 7.5 per Swedish Depository Receipt ("SDR") after dilution by up to a further 18,330,000 SDR's resulting from exercise of the Company's outstanding warrants and long term incentive programs.² This corresponds to a premium of between 96.5 – 104.7 per cent compared to the volume weighted average trading price for the three months preceding BEF's

² Assuming all warrant holders and participants in the LTIP exercises their subscription rights in full.

announcement that it was in talks with potential acquires on 9th August 2016.³ The exact amount to be distributed will depend on several variable factors such as exchange rates, market prices for crops and certain other costs. The distribution to the shareholders of Black Earth Farming is expected to be made during the spring of 2017, by way of a redemption of depository receipts, or as otherwise considered appropriate by the Board of Directors. The remaining proceeds and assets of the Company, if any, will be distributed to the shareholders as soon as possible by way of a formal liquidation procedure. The board will revert with information on estimated timing for such payment.

Shareholder approval and owner undertakings

The Board of Directors of Black Earth Farming will convene an Extraordinary General Meeting to approve the Transaction and adopt other resolutions related to the Transaction. The Extraordinary General Meeting is expected to be held by mid to end of March 2017.

The members of the Board of Directors unanimously recommend the shareholders to approve the Transaction and the other resolutions related to the Transaction proposed by the Board.

The three largest shareholders of the Company, Kinnevik AB (publ), Alecta pensionsförsäkring, ömsesidigt and GoMobile Nu AB and the Company's CEO, Richard Warburton, have made a lock-up undertaking until the Extraordinary General Meeting and undertaken to vote in favor of the Transaction and the other resolutions related to the Transaction proposed by the Board of Directors. All members of the board of directors, including Per Åhlgren, who owns GoMobile Nu, and Franco Danesi, who is employed by Kinnevik, have taken part in the board's dealings with the Transaction and participated in the board's resolution to enter into the SPA and Richard Warburton has conducted the commercial negotiations with the purchaser.

Description of Black Earth Farming

Black Earth Farming Ltd is a farming company operating in Russia. Its shares are listed as depository receipts on Nasdaq Stockholm. The company 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 244,000 hectares of what is possibly some of the world's most fertile soil. In 2015, Black Earth Farming harvested approximately 150,000 hectares, effectively making it one of the world's largest public farming companies by cropped area. The Company's main products are wheat, corn, barley, sunflower and potatoes.

Description of Volgo-DonSelkhozInvest

OOO Volgo-DonSelkhozInvest is a Russian agriculture company that operates over 200,000 hectares of farming land and several grain elevators. Its primary operations are located in the Volgograd and Lipetsk regions and it specializes in grain, corn, sunflower and cereals. The Kukura family ultimately owns Volgo-DonSelkhozInvest.

³ Average share price SEK 3.66. Source for share price: Nasdaq Stockholm.

For additional information, please contact:

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This information is information that Black Earth Farming Ltd is obliged to make public pursuant to the EU Market Abuse regulation. The information was submitted for publication, through the agency of the CEO set out above, at 13:15 CET on 13 February 2017.

Notes to Editor:

Black Earth Farming Limited is a farming company operating in Russia. Its shares are listed as depository receipts on Nasdaq OMX Stockholm. The Company 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 244,000 hectares of what is possibly some of the world's most fertile soil. In 2015, Black Earth Farming harvested approximately 150,000 hectares, effectively making it one of the world's largest public farming companies by cropped area. The Company's main products are wheat, corn, barley, sunflower and potatoes.

Corporate website: www.blackearthfarming.com

For subscription to Company Announcements, please contact us at: svetlana.abakumova@blackearthfarming.com
If you do not want to receive Black Earth Farming Ltd announcements, please send an e-mail to the same address: svetlana.abakumova@blackearthfarming.com.