INTERIM REPORT
JANUARY–SEPTEMBER 2008

BLACK EARTH FARMING LTD.

Night harvesting in Lipetsk

Unloading of harvested wheat from combine in Voronezh

Wheat harvesting in Voronezh

Examining pollination of sunflowers in Lipetsk

Examining spill from combines harvesting Barley

Sampling of incoming grain to Agroterminal

Cleaning of grain in hangar storage

Reporting period highlights

- **Net turnover** for the first nine months of 2008 amounted to RUR 941,895 thousand (USD* 37,308 thousand) which includes gain on revaluation of biological assets and agricultural produce in the amount of RUR 432,244 thousand (USD* 17,121 thousand). Net turnover for the same period in 2007 was equal to RUR 391,242 thousand (USD* 15,496 thousand) with gain on revaluation of biological assets and agricultural produce in the amount of RUR 218,845 thousand (USD* 8,668 thousand). Due to the currently unfavorable price environment, the Company had only sold approximately 8% of this year's harvest as of 30 September 2008, the rest being held in storage.

- **Operating loss** for the first nine months of 2008 amounted to RUR 175,025 thousand (USD* 6,933 thousand) compared to a loss of RUR 168,588 thousand (USD* 6,679 thousand) for the same period in 2007. The operating income was affected by general and administrative expenses in the amount of RUR 544,529 thousand (USD* 21,569 thousand), in comparison the general and administrative expenses amounted to RUR 186,999 thousand (USD* 7,407 thousand) in the same period 2007. The largest expense item was personnel expenses – constituting about 56% of the total amount of general and administrative expense.

- **Loss after tax** for the first nine months of 2008 amounted to RUR 126,425 thousand (USD* 5,008 thousand) compared with a loss of RUR 145,472 thousand (USD* 5,763 thousand) for the same period in 2007.

- **Cash outflow from operating activities** amounted to RUR 1,665,404 thousand (USD* 65,965 thousand) compared to RUR 889,132 thousand (USD* 35,217 thousand) in 2007. The result for the period has been adjusted by depreciation and amortization charges in the amount of RUR 124,440 thousand (USD* 4,929 thousand). The largest item that affected operating cash flow for the period was increase in inventories in the amount of RUR 1,011,407 thousand (USD* 40,061 thousand).

- **Cash outflows utilized by investing activities** amounted to RUR 897,784 thousand (USD* 35,562 thousand) in comparison with RUR 1,651,791 thousand (USD* 65,427 thousand) in 2007. In 2008 the significant cash outflows were mainly concerned with acquisition of fixed assets and land plots in the combined total amount of RUR 1,298,496 thousand (USD* 51,433 thousand), compared to RUR 1,695,420 thousand (USD* 67,155 thousand) in the first half of 2007.

- **Cash inflow from financing activities** for the first nine months of 2008 amounted to RUR 451,925 thousand (USD* 17,900 thousand) compared to RUR 2,688,988 thousand (USD* 106,510 thousand) for the same period in 2007.

- **Basic loss per share** was equal to RUR 1.02 (USD* 0.04) for the first half of 2008 compared to a loss per share of RUR 1.90 (USD* 0.08) for the same period in 2007.

- **Cash position** as of 30 September 2008 was RUR 5,281,605 thousand (USD* 209,202 thousand). In light of the changing economic environment, the Company's senior management continues to carefully evaluate its budgetary requirements and has made some adjustments in terms of strategic capital deployment namely related to elevator construction. While establishing its own storage capacity still remains one of key strategic drivers, the Company now believes that cash conservation theme has become an important imperative and, therefore, the short term elevator construction projects have been scaled down as compared with previously announced plans. Cash flow generation is prioritised and the 2009 production plan has been increased.

- As of 30 September 2008 the Company controlled 332,600 hectares of land, including 83,348 hectares in registered ownership and 8,100 hectares of registered long term leases.

- On 27 August 2008 Igor Smolkin was recruited as the new CEO of the Company's Russian subsidiaries Agro-Invest

Significant events after the end of the reporting period

- As of 31 October 2008 the Company had obtained ownership of an additional 5,602 hectares of land compared to the end of the reporting period, bringing the total of owned land to 88,950 hectares.

- On 10 November 2008 Michel Orlov - President and Deputy Chairman of the Board of Directors of Black Earth Farming resigned and Sture Gustavsson - the Company's Chief Agronomist was appointed as acting president and CEO of Black Earth Farming.

** The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).*

Summary of the reporting period

Profit & Loss (USD* thousand)	Jan-Sep 2008	Jan-Sep 2007
Total revenue	37,308	15,496
Gross profit/(loss)	22,950	8,999
Operating profit/(loss)	(6,933)	(6,679)
Profit/(loss) before income tax	(4,884)	(3,394)
Net profit (loss)	(5,008)	(5,763)

Balance Sheet (USD* thousand)	30 Sep 2008	30 Jun 2008
Total assets	522,740	530,654
Property, plant and equipment	180,567	159,372
Cash and cash equivalents	209,202	248,222
Total equity	421,120	429,665
Non-current loans and borrowings	82,823	82,433

Investing Activities (USD* thousand)	Jan-Sep 2008	Jan-Sep 2007
Land plots	(17,290)	(17,847)
Property plant and equipment[1]	(34,143)	(49,308)

[1] *Excluding land plots, mainly production machinery and equipment*

Margins (%)	Jan-Sep 2008	Jan-Sep 2007
Gross margin[2]	28.6%	4.8%
Operating profit margin	neg	neg
Net profit margin	neg	neg

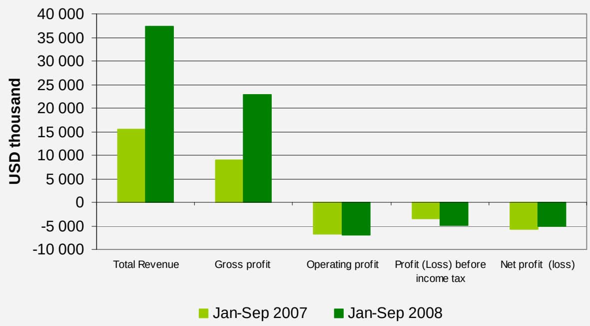
[2] *Gross margin less gain on revaluation of biological assets*

Land holdings (hectares)	30 Sep 2008	30 Jun 2008
Land under control	332,600	331,000
Whereof		
Land in ownership registration	241,152	251,900
Land in registered ownership	83,348	71,000
Land in long term lease	8,100	8,100

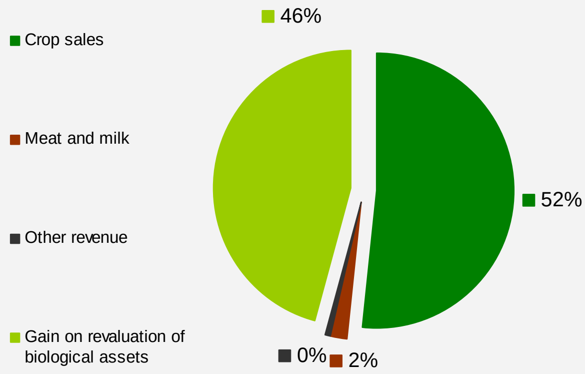
Ratios	Jan-Sep 2008	Jan-Sep 2007
Basic profit (loss) per share (USD*)	(0.04)	(0.08)
Average number of employees	2,159	1,231

	30 Sep 2008	30 Jun 2008
Debt/Equity	19.7%	19.2%
Equity/Assets	80.5%	81.0%

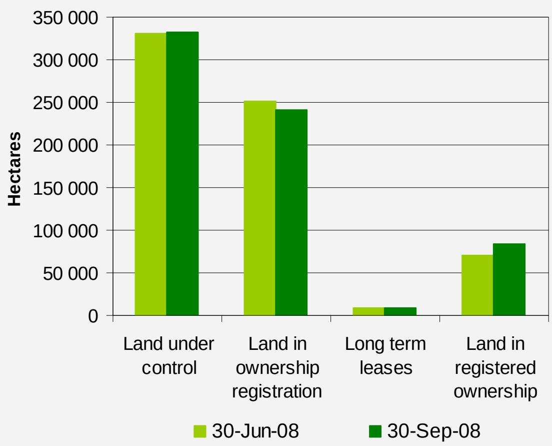
Result development



Breakdown of total revenue in first nine months of 2008



Land development in the third quarter 2008



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Management's summary

Black Earth Farming Ltd ("Black Earth Farming" or "the Company") continues to develop and has now completed its third full harvest cycle with ever increasing productivity, this year having harvested in total around 460,000 tonnes of crops on 141,933 hectares.

The 2008 harvest has been a record one in Russia and most of the northern hemisphere, especially for grain crops. Russian official sources estimate that the harvest will bring in as much as 107 million tonnes of grain compared to 82 million in 2007. The expected record output is thanks to more land having been planted for this season compared to 2007 as well as favourable weather conditions. Soft commodity prices have fallen as a consequence of the increased supply. Lately the financial crisis as well as evident lack of local storage capacity has pushed Russian prices even further down. The combination of low prices and credit freeze is currently taking its toll on the Russian agricultural sector. It is estimated that the agricultural sector needs more than USD 34 billion by the end of 2008 to pay back/refinance loans and ride out the global financial crisis. An amount they are not likely to raise in full from either government or product sales and already some companies are trying to sell off assets to finance debt repayments and working capital for 2009 harvest. There is a high possibility that there will be a retraction of planted area for 2009 harvest due to lack of capital among farmers. This will likely not be shown in numbers for the area seeded with winter crops but instead significantly impact the spring crop area, rumours suggest as much as an average 50% area reduction in Russian spring seeding plans. The story is the same in other emerging markets such as Brazil and Ukraine. A reduction in planted area will naturally lead to lower output in 2009, exactly what effect the slow down of the global economy will have on demand in 2009 is unclear.

BEF is well capitalised following the IPO in late December 2007 when it raised 300 MUSD and has the potential to take advantage of the dire situation facing many Russian producers, potentially acquiring distressed assets at very favourable valuations.

Black Earth Farming will be one of the few large Russian players that will increase the production surface for 2009, currently planned at 180,490 hectares with expected gross output around 700,000 tonnes. This accentuates the Company's position as an agent of development in the Russian agricultural sector and should further strengthen the authorities' positive view on the Company's activities. Roughly 95,000 hectares of winter crops have already been successfully seeded.

Black Earth Farming continues to build up its real estate portfolio, mainly consisting of grain storage and drying capacity. The Company has however somewhat revised its short term storage strategy, focusing on smaller, cheaper storage facilities which are faster to build, rather than full blown grain elevators. The Company does not want to tie up too much capital in large and long construction projects right now, both because of the credit freeze and wanting to have as much storage capacity as possible in preparation for the 2009 harvest.

Black Earth Farming made a net loss of about USD 5 million for the first nine months of 2008, however, only about 8% of the 2008 harvest had been sold because of low prices. The main bulk of the harvest is instead being stored in the quest for higher prices going forward.

During the spring and summer the Company has strengthened its management team with the recruitment of AgroInvest CEO - Igor Smolkin and CFO - Michael Shneyderman as well as other professionals and in an environment of global economic turmoil the company is fundamentally stronger than ever before.

The Market
Global market

The global credit crisis has affected markets of all kinds, agriculture is not an exception, especially in emerging markets. To a large extent credit has dried up for the financially weak farmers. For the strong, credit has been delayed and interest rates are higher. At the same time, or partially because of - soft commodity prices and in many cases land prices are down, lowering the value of the assets most commonly used as collateral by farmers, hence worsening the situation further. According to Arkady Zlochevsky, president of the Russian Grain Union, in the past few months loan rates for Russian farmers have in some cases jumped by half, to more than 20 percent.

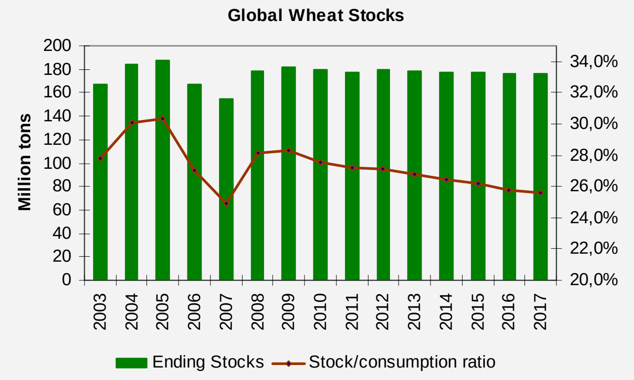
Processors usually cover half the financing needs of farmers by accepting part of the future crop as payment, now that has stopped.

The net effect of the financial crisis may end up being lower production as investment in agriculture and crops are cut and planted area retracted for next year. Production of crops takes a number of inputs - seed, fertilizer, diesel fuel, machinery, and labor. If the crops are not planted during the seasonal planting season, that crop is lost for an entire year. The agricultural sectors in the emerging markets are the ones likely to be the most affected, and it is in these markets like Russia, Ukraine and Brazil where a lot of last/this year's growth in planted area and production has taken place. Some experts estimate that global production of wheat, the most-consumed food crop, may drop 4.4 percent next year. In Brazil, the world's third-biggest exporter of corn after the U.S. and Argentina, production may fall more than 20 percent because farmers can't get loans to buy fertilizer, as Enori Barbieri, a National Corn Producers Association vice president said in an interview recently.

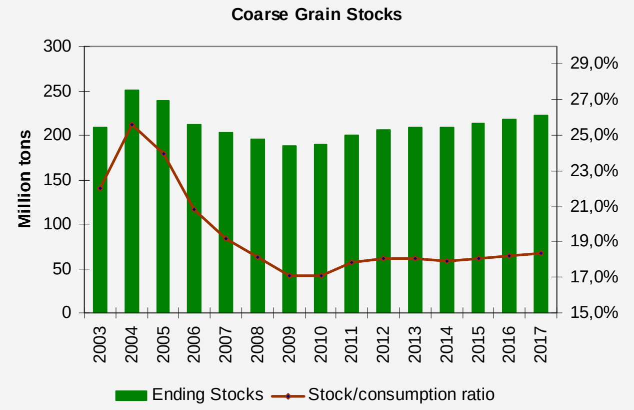
Despite the large harvests so far some this year USDA recently lowered their estimates for wheat harvests in Australia (-1.5 mln tons to 20 mln tons), China (1 mln tons to 113 mln tons) and Argentina (-1mln tons to 11 mln tons). Some U.S. data suggest that global inventories of corn, wheat and soybeans before the harvest in the Northern Hemisphere next year will be the second lowest since 1974, enough for 67 days of consumption, compared with 144 days of supplies in 1986.

The diagrams to the right show the forecasts from OECD-FAO regarding ending stocks and stock/use ratio. Although their forecasts can be discussed and one might question the use of oilseeds as an example, the general conclusion easily drawn – is that although 2007 saw an historic low in stocks and especially wheat stocks will be replenished in 2008 thanks to the large harvest, supply-demand tightness is expected to stay high or increase further.

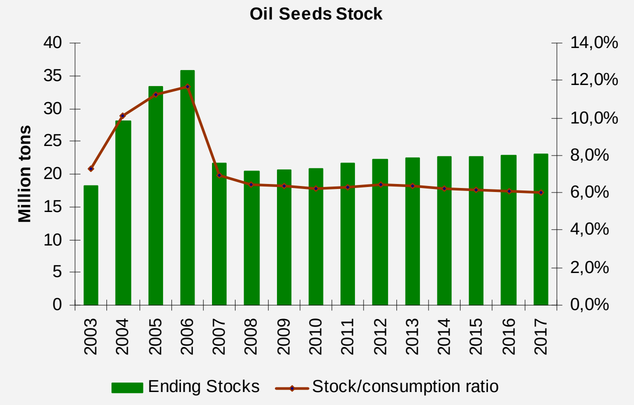
Global Supply-Demand tightness



Source: OECD-FAO Agricultural Outlook



Source: OECD-FAO Agricultural Outlook



Source: OECD-FAO Agricultural Outlook

The Market

Russian market

Russia has in 2008 experienced the biggest harvest in 15 years which has contributed to falling prices, increasing the strain on farmers struggling to repay debts incurred to buy equipment and improve crop yields. Many farmers have been forced to unload their production at low prices to repay loans. In many cases this means selling grains at prices below cost of production, given the underlying input cost levels of 2007 early 2008. Large amounts of land have also been put up for sale by companies for the same reason of debt repayments as well as financing inputs for 2009 season.

The lack of general storage capacity in Russia has become extra apparent with this year's record harvest, there simply is not enough to go around for everyone which creates extra localised volatility in prices around harvest. Many farmers have been forced to sell off field for low prices because they do not have storage facilities, nor have been able to secure third party storage when competition for the existing has been high.

Current black earth price indications (RUR/ton)

	30 Sep	Early Nov
Wheat – class 3	6,100	6,000
Wheat – class 4	4,900	5,200
Feed wheat	3,400	3,400
Malting barley	4,100	4,000
Feed barley	3,700	2,600

Source: Various Russian market sources

The export infrastructure is not equipped to remove this year's domestic oversupply fast enough and government interventions to support prices have so far been too small to make a large impact. Recent data suggest that Russia will have exported 11-12 million tons of grain by 2008 year end. The government fund for price interventions has so far acquired a bit more than 1 million tons of wheat. These figures are to be put in the perspective of about 107 million tons of total Russian grain output and consequently prices have remained low since the large fall at the start of the harvest.

Financial performance

Sales

Revenue from realisation of goods and services	RUR thousand Jan-Sep 2008	RUR thousand Jan-Sep 2007	USD* thousand Jan-Sep 2008	USD* thousand Jan-Sep 2007
Revenues from sales of crop production	485,702	149,064	19,238	5,904
Revenue from sales of milk and meat	19,342	17,902	766	709
Revenues from sales of other goods and services	4,607	5,431	182	215
	509,651	**172,397**	**20,186**	**6,828**

Sales of crops Jan-Sep 2008	From 2007 harvest RUR thousand	Tons	From 2008 harvest RUR thousand	Tons	Total RUR thousand	Tons	Average Price (RUR/ton)
Wheat	127,744	21,935	18,365	4,357	146,109	26,292	5,557
Barley	150,385	19,144	46,680	9,371	197,065	28,515	6,911
Rye	6,356	1,216	0	0	6,356	1,216	5,227
Forage Corn	41	15	733	253	774	268	2,888
Waste grains	484	149	2,833	2,024	3,317	2,173	1,526
Winter rape seed	0	0	26,179	3,402	26,179	3,402	7,694
Spring rape seed	0	0	105,902	14,700	105,902	14,700	7,204
	285,010	**42,459**	**200,692**	**34,108**	**485,702**	**76,567**	**6,344**

Sales of crops Jan-Sep 2008	USD* thousand	Tons	USD* thousand	Tons	USD* thousand	Tons	Average Price (USD/ton)
Wheat	5,060	21,935	727	4,357	5,787	26,292	220
Barley	5,957	19,144	1,849	9,371	7,806	28,515	274
Rye	252	1,216	0	0	252	1,216	207
Forage Corn	2	15	29	253	31	268	114
Waste grains	19	149	112	2,024	131	2,173	60
Winter rape seed	0	0	1,037	3,402	1,037	3,402	305
Spring rape seed	0	0	4,195	14,700	4,195	14,700	285
	11 289	**42,459**	**7,949**	**34,108**	**19,238**	**76,567**	**251**

Given the current market situation the Company is storing the bulk of this year's harvest, to be sold at a later stage when the soft commodity prices are expected to have improved. The Company has so far only sold about 8% of the 2008 harvest and it is likely that the portion of this year's harvest sold in 2008 financial year will only amount to between 12-25% if the price situation does not improve substantially in the short term, the rest being sold in 2009. Thereto, due to the financial crisis - any products the Company is looking to sell are either being sold for up-front payment or with some limited credit such as 70% up front and 30% with credit term, but only to long term stable trade partners. Everything is sold domestically in RUR.

Gain on revaluation

As of 30 September 2008 about 83% of the total area to be harvested was completed with corresponding grains in inventory, less what had been sold. Remaining 17% of area hosted crops still to be harvested, mainly Corn and Sunflowers. When calculating gain on revaluation of inventory - market prices as per 30 September 2008 have been used for the different types of crops and types. The following prices have been used for valuing wheat and barley which are the company's largest single crops. Further details regarding the Gain on Revaluation calculation can be found in Note 5 to the financial statements.

Crop	Type	RUR/ton
Wheat	3 class	6,100
Wheat	4 class	4,900
Wheat	5 class/feed	3,400

Crop	Type	RUR/ton
Barley	Malting	4,100
Barley	Food	3,700
Barley	Feed	3,400

Financial performance

Result

Total turnover for first nine months of 2008 increased 202% compared to same period in 2007 and gross profit increased 155% year-on-year. However, net loss only improved 13% compared to 2007. One reason for this being that SG&A costs increased 215% year-on-year. The large increase is mainly explained by the extensive ramp up in personnel during the year, translated into higher personnel expenses. The average number of employees for the first nine months of 2008 amounted to 2,159, of which 484 were seasonal workers. The General and Administrative costs for the reporting period also include some one-off costs related to the IPO. The significantly larger amount of crops being held and handled in the first nine months of 2008 compared to 2007 has resulted in a much higher distribution expense for storage and transport than the same period in 2007. The larger overhead is attributable to a much larger organization and production, than in 2007, however, since only about 8% of this year's harvest had been realized as of 30 September the increased overhead costs have only been somewhat offset by the larger production output the same organisation has generated.

Investments

Black Earth Farming continues to register and acquire land and build up its production as well as real estate portfolio, the latter mainly consisting of grain storage and drying capacity. This year's record Russian harvest has highlighted the scarce storage capacity in Russia. Besides the Company's elevator it has about 172,000 tons of "on farm" storage capacity. The quality of the storage differs from "lean-to" (which is more or less a roof over asphalt to) to closed warehouses with built in ventilation. The holding periods for these "on farm" storage facilities varies from 1 month storage to 6 months storage, the limiting factor being grain ventilation. If the grain is in ideal condition it could stay for longer without ventilation, but as a rule of thumb grain is not kept on farms for more than 3 months on average. The Company has, and will be upgrading as well as adding to its "on farm" storage capacity for the 2009 harvest season. In the short term erecting quality ventilated hangar storage will be prioritized over constructing large grain elevators because the Company do not wish to tie up too much capital in long construction projects in the current financial environment. Furthermore, any hangar storage projects started in the near term will be finished in time for the 2009 harvesting season at a much lower cost.

The Company has so far this year spent RUR 436,518 thousand (USD* 17,290 thousand) on land purchase and registration, RUR 861,978 thousand (USD* 34,143 thousand) on acquisition of property plant and equipment and RUR 285,496 thousand (USD* 11,308 thousand) on acquisition of subsidiaries. Before the end of the year the Company expects to invest additional funds on production equipment in the area of USD 3 million, around USD 2 million on land purchase and registration and USD 1.5 million on major repairs and construction of production facilities.


The Company's 60,000 ton elevator in Lipetsk


Hangar storage under construction in Tambov


Hangar above now completed with unloaded grain

Operational Performance

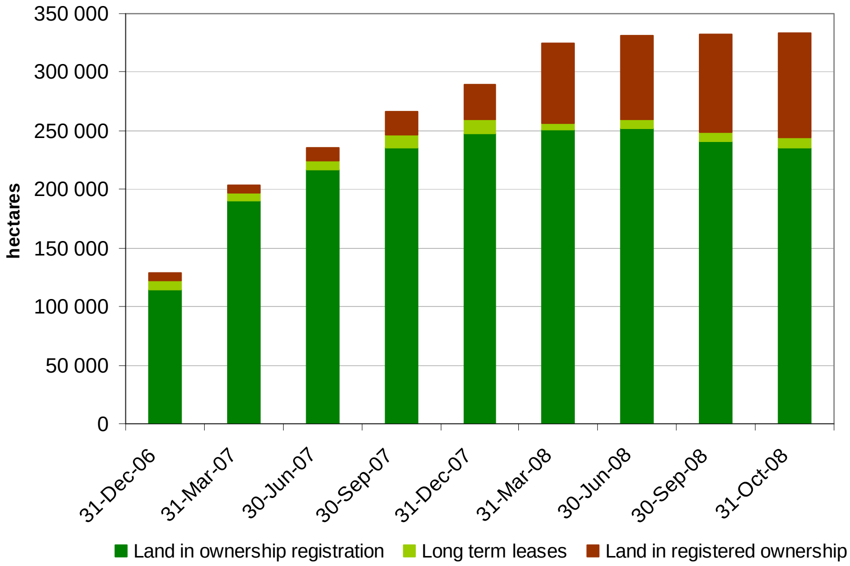
Land

In line with the Company's current land acquisition strategy the development of the Company's total land holdings has slowed down but still progressed in the third quarter of 2008. The amount of land under control as of 30 September 2008 had increased by about 1,600 hectares compared to 30 June 2008, and another 12,348 hectares were registered in full free hold ownership. As of 31 October 2008 the total holdings had marginally increased further while good progress was made in terms of ownership registration bringing the total of owned land to 88,950 hectares. Successively over time all of the controlled land is intended to be converted into ownership. The process of obtaining the ownership rights to agricultural land in Russia is as previously described, complicated as well as time-consuming and associated with certain risks.

The current focus is not a massive expansion of land under control, but consolidation and further improvement of the operational efficiencies in and around the existing production clusters. The Company is looking at different ways to further concentrate its operating asset base, and does not exclude divestment of some less beneficially located land assets as well as potential swaps of land with other external parties. Consequently it is possible that going forward inter quarterly figures could show a reduction in the total figure for land while the quality of the asset base has improved. However, the yearly targets of overall increase in land holdings stand firm although not the most prioritized objective. Currently the firm is foremost engaged in obtaining strategic leases which can later be acquired outright into ownership. This way the company can lock-in advantageous land plots with minimum cash outlays in the short term, providing some extra financial flexibility in the land budget.

The current credit squeeze and low commodity prices means that many Russian agricultural companies are in a troublesome liquidity position when debt repayments and capital outlays for 2009 production season come due. Some are trying to free capital by selling of land they have taken control over. Foreign investments have also diminished due to the financial crisis and diverging views on future soft commodity prices. The increased supply of land for sale in combination with less demand, have not surprisingly stopped the rise in land prices in Russia, with likely price falls in 2009. Being able to be opportunistic in regards to potential buyouts of distressed assets is another reason why the company prefers to have some additional financial flexibility.

Land holdings

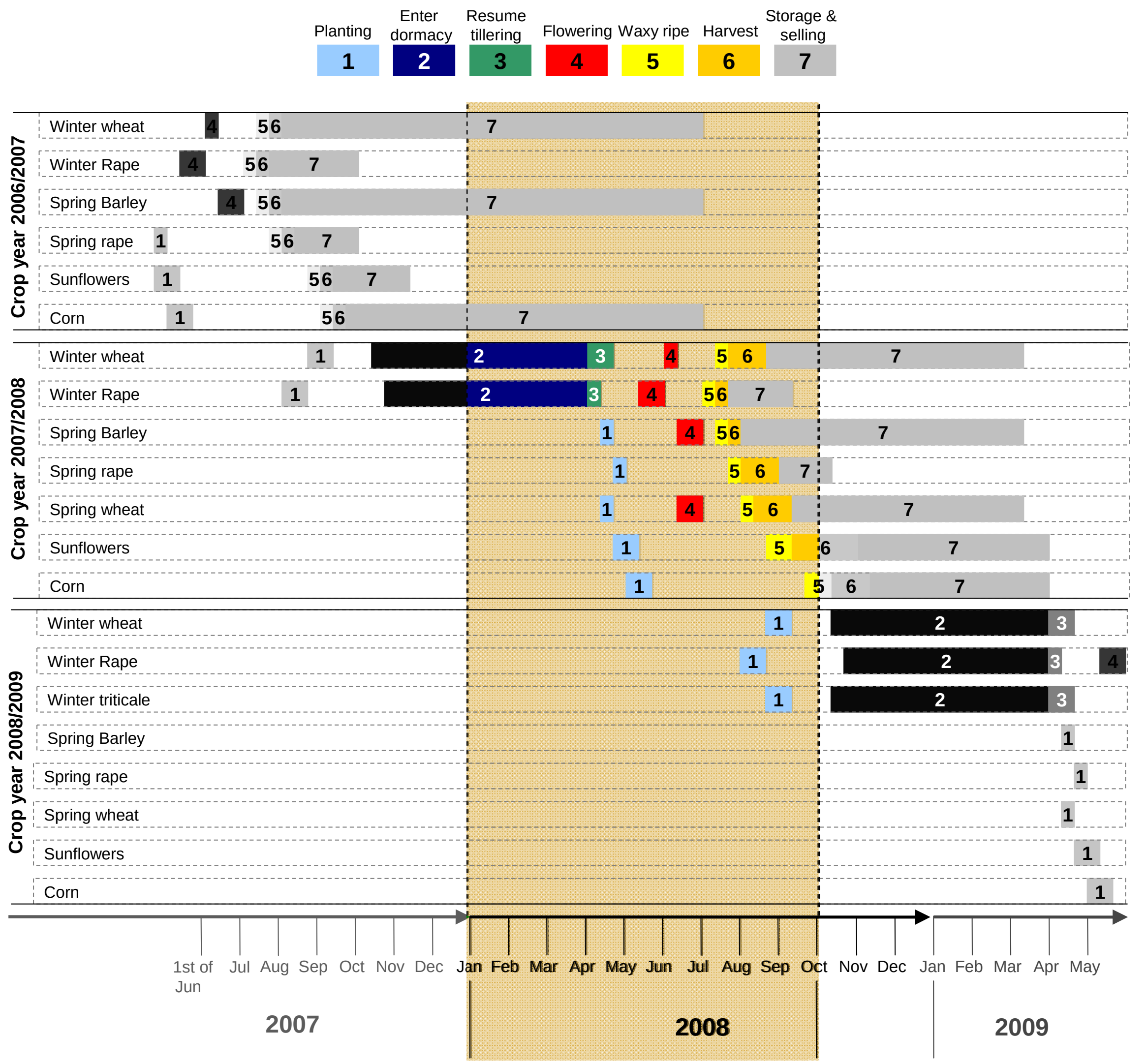


	31-Dec-06	31-Mar-07	30-Jun-07	30-Sep-07	31-Dec-07	31-Mar-08	30-Jun-08	30-Sep-08
Land under control	129,000	200,000	236,000	266,000	289,000	325,000	331,000	332,600
Q-on-Q change	-	55.0%	18.0%	12.7%	8.6%	12.5%	1.8%	0.5%
Land in ownership	7,000	7,000	11,000	20,000	29,100	69,000	71,000	83,348
Q-on-Q change	-	0.0%	57.1%	81.8%	45.5%	137.1%	2.9%	17.4%

Operational Performance

Production – *Field work*

Schematic overview of active crop cycles during the first nine months of 2008



The 2006/2007 crop cycle was completed in the second quarter with the sale of the last tons of wheat, barley, rye and corn maize.

The Company started its 2008 harvest on July 15 in Voronezh and had as of November 6 concluded harvesting 139,330 hectares, or 98% of the total area to be harvested, currently constituting 141,933 hectares. The remaining fields to be harvested contain corn and sunflowers. The reason for a lower figure for area to be harvested than area initially seeded earlier this spring - is certain fields having been written off after poor seed germination or high weed population, this represents a pure cost-benefit economic decision. The level of write offs is connected with the large amount of fields planted for the first time after a long fallow period. When the majority of fields will be in second or more years of cultivation write offs are expected to be minimised.

Weighted average gross yield for winter wheat, the Company's largest crop, amounted to about 4.26 tonnes per hectare. Weighted average gross yield for barley - the second largest crop – came in at 3.36 tonnes per hectare, seen over the two cultures their yields are roughly in line with expectations. Our best fields of winter wheat have achieved yields of up to 8 tonnes per hectare while our best spring barley fields have achieved yields up to 5 tonnes. Those are all fields in their third year of cultivation and show the capacity of the-

Operational Performance
Production

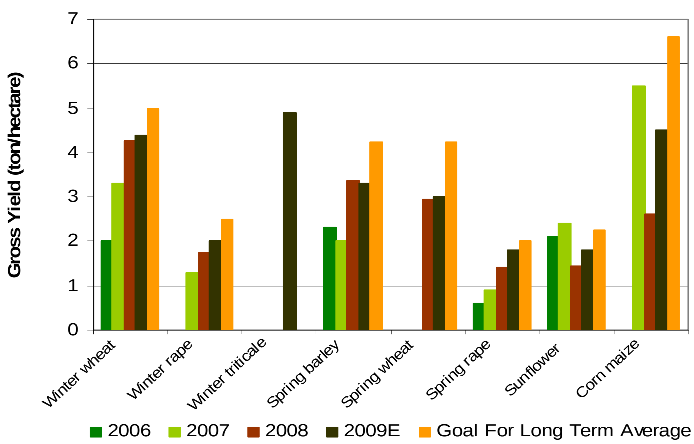
-soil when biological and technological improvements take place as part of the Company's application of modern agronomy and equipment.

The winter rape seed yielded 1.7 tons/hectare as already announced in the Q2 report. Spring wheat yielded 3 tons/hectare slightly below expectations.

Spring rape, sunflowers and especially corn underperformed our previous yield expectations. Albeit some of our yield projections were not met we are still satisfied with the result given that as much as 40% of the fields were previously fallow fields that were planted for the first time. As shown in the graph below all crops but corn and sunflower (and spring wheat which is new for the year) experienced a significant improvement in 2007. This result is commendatory given the extra challenge of cropping and managing close to triple the production area compared to 2007. On average most cultures have also performed better than our commonly used farming model would suggest, the winter wheat crop mainly consisted of first year fields which would indicate 3.2 tons/hectare on average, instead of achieved close to 4.3 tons/hectare. The quicker ramp up of yields is attributed to better and timelier work carried out by our ground staff as well as favourable weather. Many valuable lessons have been learned during the 2008 season and the importance of well functioning logistics is obvious at the current size of operations. We believe that we can achieve higher yields as our previously fallow soil comes into regular cultivation and our field operations become even more timely and efficient.

The winter seeding for the 2008/2009 crop year was completed around the 25 September, with a total of about 95,000 hectares of winter crops successfully seeded.


Pictures showing potential difference between a third year winter wheat field compared to a first year winter wheat field with high weed population and poor wheat plants, making it visibly understandable why some fields at this ramp up stage are written off instead of harvested. In those cases when weed have become dominant the additional expenses for harvesting is not motivated by the monetary worth of harvestable product



Overview of yield development per crop 2006-2009 as well as the Company's long term average yield targets

Operational Performance

Production

The total area harvested in 2008 constitutes a total of 141,933 hectares, some additional write offs of bad fields have been performed since the second quarter announced harvest area, as described above. The area to be planted in 2009 has been adjusted upwards from the previous plan of 167,000 hectares and now constitutes 180,490 hectares. Actual gross harvest figures for 2008 season as well as gross yield targets for 2009 season are shown below. As usual the forward looking targets for yields represent normal year estimates and are subject to influence from external factors such as weather conditions.

Production expansion table

Planted area breakdown

(ha)	2006	2007	2008	2009E
Winter wheat	1,290	16,805	48,636	85,113
Winter rape	n/a	5,005	875	7,818
Winter triticale	n/a	n/a	n/a	2,798
Total winter crops	**1,290**	**21,810**	**49,511**	**95,729**
Spring Barley	1,763	20,180	42,638	41,938
Spring wheat	n/a	n/a	4,339	3,034
Spring rape	2,355	7,035	13,149	6,434
Sunflower	193	2,541	19,378	22,459
Corn maize	n/a	1,215	9,950	6,833
Total spring crops	**4,311**	**30,971**	**89,454**	**80,698**
Total commercial crops	**5,601**	**52,781**	**138,965**	**176,427**
Forage crops	*299*	*670*	*2,968*	*4,063*
Total planted area	**5,900**	**53,451**	**141,933**	**180,490**

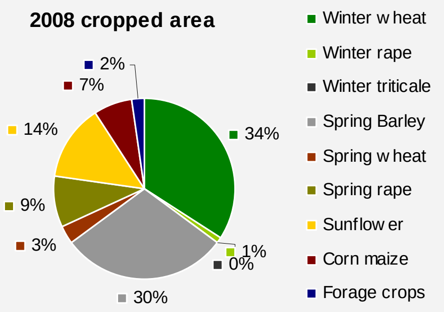
Average Gross Crop Yield

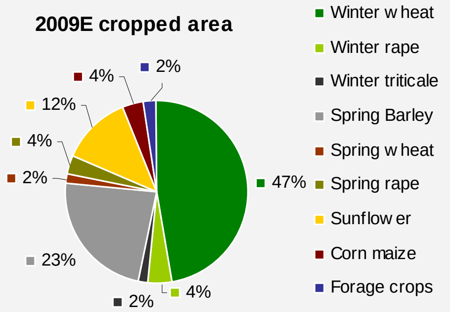
(ton/ha)	2006	2007	2008	2009E
Winter wheat	2.0	3.3	4.26	4.40
Winter rape	n/a	1.3	1.76	2.00
Winter triticale	n/a	n/a	n/a	4.90
Spring barley	2.3	2.0	3.36	3.30
Spring wheat	n/a	n/a	2.95	3.00
Spring rape	0.6	0.9	1.43	1.80
Sunflower	2.1	2.4	1.43	1.80
Corn maize	n/a	5.5	2.62	4.50

Gross harvest

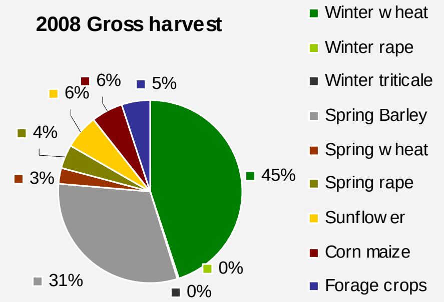
(ton)	2006	2007	2008	2009E
Winter wheat	2,528	49,262	206,961	374,497
Winter rape	0	0	1,536	15,636
Winter triticale	n/a	n/a	n/a	13,710
Total winter crops	**2,528**	**49,262**	**208,497**	**403,843**
Spring barley	4	42,477	143,259	138,395
Spring wheat	0	0	12,779	9,102
Spring rape	1,366	12,859	18,761	11,581
Sunflower	0	3,815	27,742	40,426
Corn	400	1,311	26,088	30,749
Total spring crops	**1,770**	**60,462**	**228,630**	**230,253**
Total commercial crops	**4,298**	**109,724**	**437,127**	**634,097**
Forage crops	*687*	*2,659*	*22,928*	*71,175*
Total output	**4,985**	**112,383**	**460,056**	**705,271**

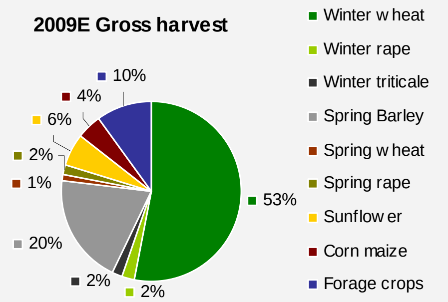
Breakdown of planted area





Breakdown of expected gross harvest

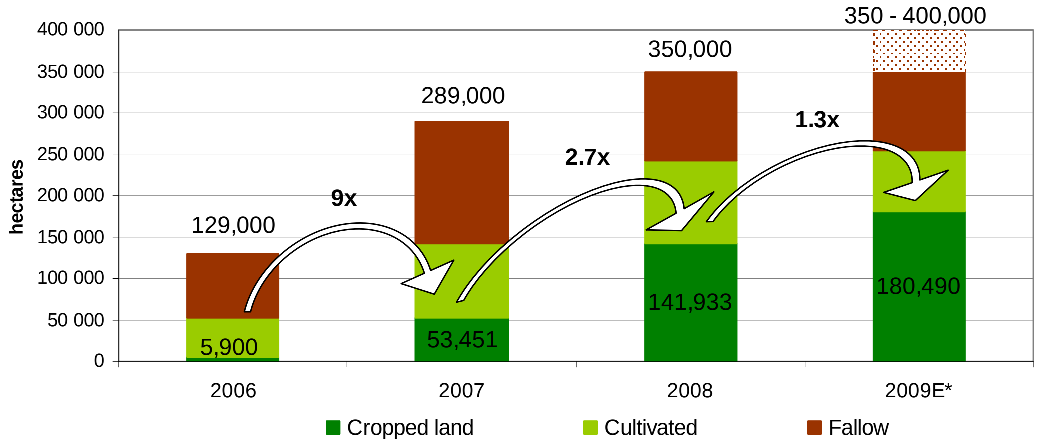




Operational Performance

Production

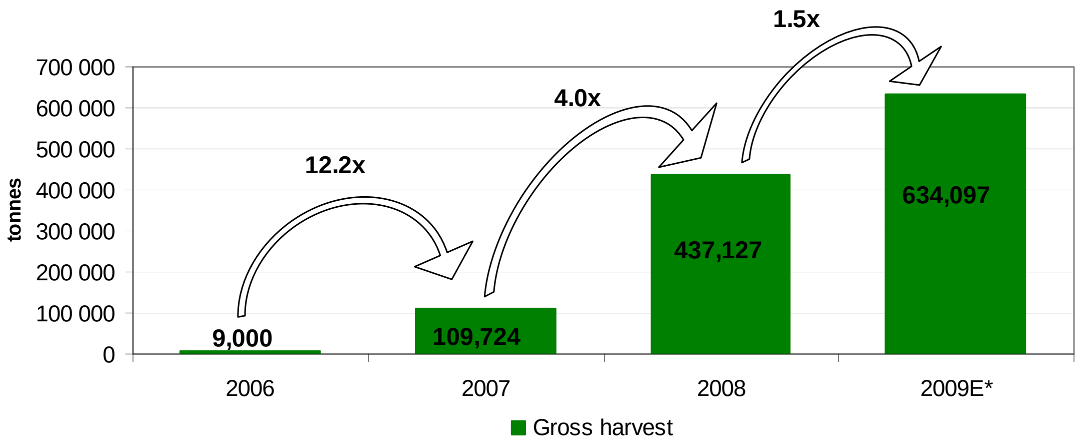
Land under production



**Latest Company estimates*

As previously communicated the target for land under control by the end of 2008 is 350,000 hectares, which represents an increase of about 21% compared to the end of 2007, while the year-on-year increase of cropped land, given the Company's latest data, effectively means an increase in the area under production of almost three times. The target for 2009 is currently 180,490 hectares which corresponds to 1.3 times the area cropped this year. Besides the planted area approximately 100,000 hectares have been cultivated in 2008, indicating a current proportion of worked land to total land – of about 72%. In 2009 an additional 37,700 hectares of previously long fallow land will be taken into cultivation and another 35,878 hectares of previously cultivated land will be fallow as part of the crop rotation cycle. This means that in 2009 the company will have a total of 254,070 hectares of worked on land, resulting in a proportion of active land to total land of about 73% using the end year goal of 350,000 hectares in total.

Gross Harvest of commercial crops



**Latest Company estimates*

While the area under crops has increased almost three times there is a simultaneous improvement in yields which will result in an even higher multiple for increase in output. Between 2006 and 2007 the gross harvest increased approximately 12 times and for 2008 the gross harvest increased by 4 times compared to 2007. Gross harvest is the first measure of operational performance, however, there is always some grain refraction in terms of cleaning out waste material and low quality or damaged grains from the harvested mass to establish the final amount of usable finished product. Natural or induced vaporisation of moisture in the grains further reduces the harvested weight.

Seed retention practice has continued as last year, i.e. finished commercial product has been used as planting seeds for next year's harvest instead of being sold on the market. Seed retention this year amounted to 16,070 tonnes of wheat and 9,593 tonnes of barley, representing 90% of our wheat seed requirement and 90% of our barley seed requirement for 2009. Following the removal from grain refraction and seed retention, remains the amount of grain to be sold to the market. It is also possible to process grain to achieve a higher quality class at the loss of some weight. Therefore final clean weight is hard to establish until just before being sold.

Different crop qualities vary in price on the market. This is especially true for wheat and barley. For the 2008 season the current indications of wheat and barley quality proportions are given below. In line with rest of Russia and northern Europe, the proportion of feed wheat has increased this year compared to last because of the wet spring, and the prices for feed wheat have come down much more than food quality wheat. Black Earth Farming is however in a better position than many other producers when it comes to feed wheat to total wheat harvest ratio. In terms of Barley the company has this year managed to produce a much higher quantity of malting class barley than last year 56% compared versus about 25%, Malting quality demands a premium in the market, however prices in general for barley have come down.

Quality distribution for wheat and barley

Crop	class	proportion
Wheat	3 class	13%
Wheat	4 class	43%
Wheat	5 class/ feed	43%

Crop	class	proportion
Barley	malting	56%
Barley	food	17%
Barley	feed	18%

The missing percentages constitute still unclassified product which might come to shift the proportions somewhat.

In addition to the main crops, certain areas are planted with for example corn maize and lucerne specifically as feedstuff for the Company's livestock. Although these products are not sold on the market they represent a value equivalent to sourcing the feedstuff externally.

The Share

Outstanding shares

As of 30 September 2008 the amount of outstanding shares was 124,521,667

Shareholders

The total number of shareholders, as of 30 September 2008, amounted to about 7,600.

Compiled SDR information	
Official listing:	First North Market place in Stockholm (SSEFN), part of OMX NASDAQ group
Form of listing:	Swedish Depository Receipt ("SDR")
Round lot:	100
Sector:	Agricultural Products
Exchange ISIN code:	SE0001882291
Shortname:	BEF SDB
Reuters:	BEFsdb.ST
Bloomberg:	BEFSDB SS

Trade data for the period 28 Dec 2007 - 30 Sep 2008

Average Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
31,506,491	637,088	430

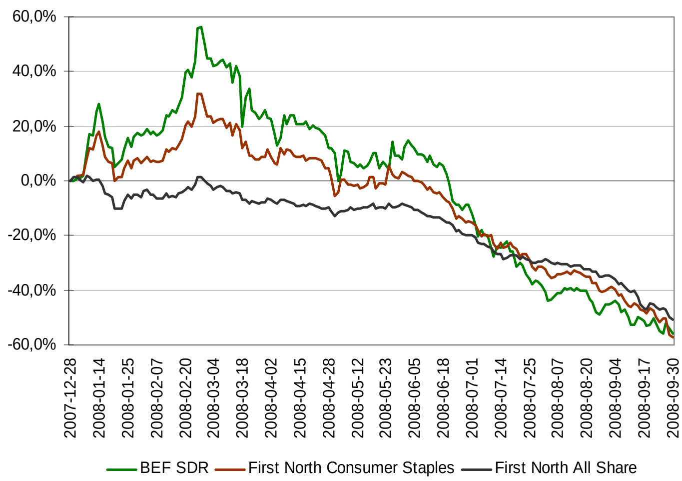
Source: NASDAQ OMX

Top 5 shareholders per 30 September 2008

Owner	% of votes & capital
VOSTOK NAFTA INVESTMENT LTD	24.8%
INVESTMENT AB KINNEVIK	19.4%
ALECTA PENSIONSFÖRSÄKRING	7.2%
GOODMAN & CO	4.3%
MSIL IPB CLIENT ACCOUNT	3.1%

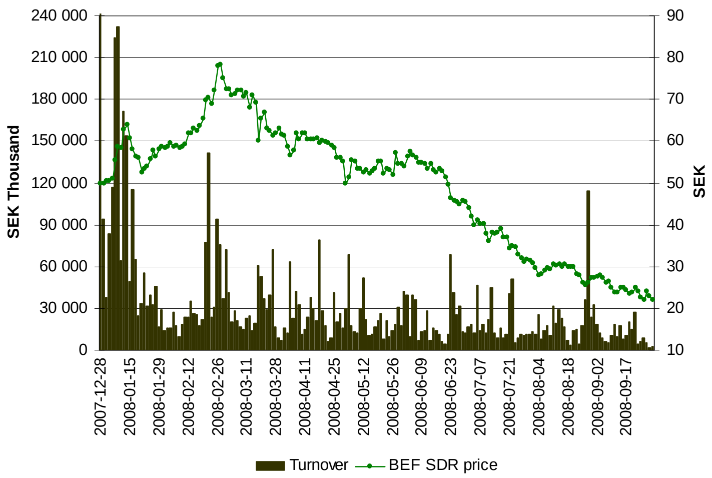
Source: VPC share registry & shareholders' reference

Share Performance - nine months relative to indexes



Source: NASDAQ OMX

Share Price and Turnover – nine months



Source: NASDAQ OMX

BEF SDB	IPO 28-Dec-07	31-Jan-08	29-Feb-08	31-Mar-08	30-Apr-08	30-Maj-08	30-Jun-08	30-Sep-08
Closing Price (SEK/SDR)	50.00	58.25	72.50	61.50	50.00	56.25	45.70	22.10
Development since IPO (%)	-	16.5%	45.0%	23.0%	0.0%	12.5%	-8.6%	-55.8%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

In thousand of	Notes	RUR **9m. 2008**	RUR **9m. 2007**	USD* **9m. 2008**	USD* **9m. 2007**
Revenue		505,044	166,966	20,005	6,613
Other revenue		4,607	5,431	182	215
Gain on revaluation of biological assets and agricultural produce		432,244	218,845	17,121	8,668
Total revenue	5	941,895	391,242	37,308	15,496
Cost of sales	6	(362,492)	(164,023)	(14,358)	(6,497)
Gross profit		579,403	227,219	22,950	8,999
Distribution expenses	7	(137,605)	(29,779)	(5,450)	(1,180)
General and administrative expenses	8	(544,529)	(186,999)	(21,569)	(7,407)
Taxes other than on income		(13,423)	(5,481)	(532)	(217)
Other expenses		(58,871)	(173,548)	(2,332)	(6,874)
Operating income / (loss)		(175,025)	(168,588)	(6,933)	(6,679)
Financial income	9	234,231	181,775	9,278	7,200
Financial expenses	9	(182,513)	(98,847)	(7,229)	(3,915)
Profit / (loss) before income tax		(123,307)	(85,660)	(4,884)	(3,394)
Income tax expense	10	(3,118)	(59,812)	(124)	(2,369)
Profit / (loss) for the period		**(126,425)**	**(145,472)**	**(5,008)**	**(5,763)**

Amounts are indicated in:	RUR	RUR	USD*	USD*
Basic loss per share	(1.02)	(1.90)	(0.04)	(0.08)
Diluted loss per share	(1.01)	(1.88)	(0.04)	(0.07)

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 19 to 36.

INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

In thousands of	Notes	RUR 30-Sep-08	RUR 31-Dec-07	USD* 30-Sep-08	USD* 31-Dec-07
ASSETS					
Non-current assets					
Property, plant and equipment	11	4,558,673	2,600,916	180,567	103,021
Intangible assets	12	10,114	6,886	401	273
Loans issued		19,301	10,684	765	423
Other non-current assets	13	220,307	261,496	8,726	10,358
Deferred tax assets		88,273	4,441	3,496	176
Total non-current assets		**4,896,668**	**2,884,423**	**193,955**	**114,251**
Current assets					
Inventories	14	2,325,471	838,684	92,111	33,220
Trade and other receivables	15	693,560	467,279	27,472	18,509
Other investments	16	-	463,523	-	18,360
Cash and cash equivalents	17	5,281,605	7,373,985	209,202	292,081
Other current assets		-	5,498	-	217
Total current assets		**8,300,636**	**9,148,969**	**328,785**	**362,387**
Total assets		**13,197,304**	**12,033,392**	**522,740**	**476,638**
EQUITY AND LIABILITIES					
Equity					
Share capital		32,898	31,680	1,303	1,255
Share premium		11,269,910	10,366,308	446,397	410,605
Retained earnings		(671,033)	(602,061)	(26,579)	(23,847)
Total equity	18	**10,631,775**	**9,795,927**	**421,121**	**388,013**
LIABILITIES					
Non-current liabilities					
Non-current loans and borrowings		2,090,973	1,899,525	82,823	75,239
Other non-current liabilities		-	856	-	34
Deferred tax liabilities		78,595	4,441	3,113	176
Total non-current liabilities		**2,169,568**	**1,904,822**	**85,936**	**75,449**
Current liabilities					
Trade and other payables	19	395,961	332,643	15,683	13,176
Total liabilities		**2,565,529**	**2,237,465**	**101,619**	**88,625**
Total equity and liabilities		**13,197,304**	**12,033,392**	**522,740**	**476,638**

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 19 to 36.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

In thousands of	Notes	RUR 9m. 2008	RUR 9m. 2007	USD* 9m. 2008	USD* 9m. 2007
OPERATING ACTIVITIES					
Profit / (loss) for the year		(126,425)	(145,472)	(5,008)	(5,762)
Adjustments for:					
Depreciation and amortisation		124,440	107,839	4,929	4,271
Foreign exchange (gain) / loss		(46,389)	(40,655)	(1,837)	(1,610)
Interest income		(187,842)	(45,823)	(7,440)	(1,815)
Interest expense		182,513	3,550	7,229	141
Loss / (gain) on disposal of property, plant and equipment and intangible assets		(12,473)	445	(494)	18
Income tax expense		3,118	59,812	124	2,369
Warrants expense		56,213	-	2,227	-
Change in value of biological assets		(432,244)	(218,845)	(17,121)	(8,668)
Operating loss before changes in working capital		**(439,089)**	**(279,149)**	**(17,391)**	**(11,056)**
Increase in inventories		(1,011,407)	(402,366)	(40,061)	(15,938)
Increase in trade and other receivables		(188,783)	(310,260)	(7,478)	(12,289)
Increase / (decrease) in trade payables and other short-term liabilities		(17,233)	102,643	(683)	4,066
Cash flows utilised by operating activities before income tax paid		(1,656,512)	(889,132)	(65,613)	(35,217)
Interest paid		(6,974)	-	(276)	-
Income tax paid		(1,918)	-	(76)	-
Cash flows utilised by operating activities	21	**(1,665,404)**	**(889,132)**	**(65,965)**	**(35,217)**
INVESTING ACTIVITIES					
Interest income		187,842	45,823	7,440	1,815
Acquisition of land plots		(436,518)	(450,562)	(17,290)	(17,847)
Repayment of loans		460,404		18,236	-
Acquisition of property, plant and equipment		(861,978)	(1,244,858)	(34,143)	(49,308)
Acquisition of intangible assets		(3,227)	(2,194)	(128)	(87)
Change in other non-current assets		41,189	-	1,631	-
Acquisition of subsidiaries (AgroLipetsk)		(285,496)	-	(11,308)	-
Cash flows utilised by investing activities	22	**(897,784)**	**(1,651,791)**	**(35,562)**	**(65,427)**
FINANCING ACTIVITIES					
Proceeds from the issue of shares		906,053	1,034,467	35,888	40,975
Proceeds from the issue of bonds		-	1,654,521	-	65,535
Loan repayment (AgroLipetsk)		(454,128)	-	(17,988)	-
Cash flows from financing activities	23	**451,925**	**2,688,988**	**17,900**	**106,510**
Net decrease in cash and cash equivalents		**(2,111,263)**	**148,065**	**(83,627)**	**5,866**
Cash and cash equivalents at beginning of year		7,373,985	1,913,118	292,081	75,778
Effect of exchange rate fluctuations on cash and cash equivalents		18,883	40,655	748	1,610
Cash and cash equivalents at end of the period		**5,281,605**	**2,101,838**	**209,202**	**83,254**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

In thousand of	RUR **Share capital**	RUR **Share premium**	RUR **Retained earnings**	RUR **Total**
Balance as at 31 December 2006	20,967	3,210,780	(221,182)	3,010,565
Issue of shares	2,378	1,032,089	-	1,034,467
Loss for the nine months period	-	-	(145,472)	(145,472)
Balance as at 30 September 2007	**23,345**	**4,242,869**	**(366,654)**	**3,899,560**
Balance as at 31 December 2007	31,680	10,366,308	(602,061)	9,795,927
Issue of shares	1,218	903,602	-	904,820
Loss for the nine months period	-	-	(126,425)	(126,425)
Reserve for warrant expense	-	-	57,453	57,453
Balance as at 30 September 2008	**32,898**	**11,269,910**	**(671,033)**	**10,631,775**

In thousand of	USD* **Share capital**	USD* **Share premium**	USD* **Retained earnings**	USD* **Total**
Balance as at 31 December 2006	830	127,178	(8,761)	119,247
Issue of shares	94	40,881	-	40,975
Loss for the nine months period	-	-	(5,762)	(5,762)
Balance as at 30 September 2007	**924**	**168,059**	**(14,523)**	**154,460**
Balance as at 31 December 2007	1,255	410,605	(23,847)	388,013
Issue of shares	48	35,792	-	35,840
Loss for the nine months period	-	-	(5,008)	(5,008)
Reserve for warrant expense	-	-	2,276	2,276
Balance as at 30 September 2008	**1,303**	**446,397**	**(26,579)**	**421,121**

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 19 to 36.

1 Background

(a) Organisation and operations

Black Earth Farming Limited (the “Company”) is a limited liability company incorporated in Jersey, Channel Islands, on 20 April 2005. The Company is the holding company for a number of legal entities established under the legislation of Cyprus and the Russian Federation. Those entities are together referred to as the “Group”.

The Company’s registered office is 8 Church Street, St. Helier, Jersey, JE4 OSG, Channel Islands.

The Group is involved in the acquisition and subsequent management of agricultural assets in Russia. The Group’s activities include farming, production of crops and dairy produce and distribution of products in the Russian Federation.

The Group commenced operations in 2005. The majority of the subsidiaries was established in 2006 and had limited activities.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). This interim report has been prepared in compliance with IAS 34 “Interim reporting”.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except that financial investments classified as available-for-sale are stated at fair value.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUR”), which is the Company’s functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Convenience translation

In addition to presenting the consolidated financial statements in RUR, supplementary information in United States dollars (“USD”) has been presented for the convenience of users of the consolidated financial statements.

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 30 September 2008 of RUR 25.2464 to USD 1. All financial information in USD has been rounded to the nearest thousand.

(e) Use of judgments, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRSs. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

** The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).*

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of these consolidated financial statements. These accounting policies have been consistently applied.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising in translation are recognised in profit or loss.

(c) Financial instruments

Non-derivative financial instruments comprise investments in debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for financial income and expenses is discussed in note 3 (o) below.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

(d) Property, plant and equipment

(i) Owned assets

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

** The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).*

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site in which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognised net in other income in the income statement.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	10 to 30 years
• Elevators, silos, cowsheds	7 to 10 years
• Plant and agricultural equipment	5 to 10 years
• Trucks and Lorries	5 to 7 years
• Cars	3 to 5 years
• Fixtures and fittings	1 to 5 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses.

(f) Other intangible assets

(i) Cost

Other intangible assets, that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

** The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).*

(iii) Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date the asset is available for use. The estimated useful lives for the current and comparative periods vary from 1 to 5 years.

(g) Inventories

(i) Biological assets

Biological assets related to agricultural activity and agricultural produce are measured at fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss.

Point-of-sale costs include all costs that would be necessary to sell the assets.

(ii) Other inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs included in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination acquisition, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Defined contribution pension plans

Obligations to defined contribution pension plans, including Russia's State pension fund, are recognised in profit and loss when they are due.

(j) Share-based payment transactions

The warrants program allows the Group's employees to acquire shares of the Company. The grant date fair value of warrants granted to employees is recognised as an employee expense with a corresponding increase in equity, in the period during which the employees become unconditionally entitled to the warrants. The amount recognised as an expense is adjusted to reflect the amount of the warrants that vest.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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(m) Revenue from sales

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(n) Government grants

An unconditional government grant related to a biological asset is recognised in profit and loss when the grant becomes receivable.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit and loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit and loss on a systematic basis over the useful live of an asset.

(o) Expenses

(i) Financial income and expenses

Financial income and expenses comprise interest income on funds invested, interest expense on borrowings and foreign exchange gains and losses.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses.

(ii) Operating leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(p) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise warrants granted to employees.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group has one business segment – agricultural production – and all of the Group’s operations are in the Black Earth region of Russia.

(r) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 September 2008, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on Group’s operations:

Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group’s 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group plans to adopt this pronouncement when it becomes effective.

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4 Changes in the Group structure

On the 14 February 2008 the Group acquired 100 percent of the shares in four companies in the Lipetsk region. The companies have the rights to land plots which could be used for production activities and also storage facilities. Total amount of consideration paid was equal to RUR 346,715 thousand (USD* 13,733 thousand):

Company name	kRUR	kUSD*
Storozhevoye	193,781	7,675
Usmanskaya zemlya	100,290	3,972
Agrolipetzk	51,322	2,033
Agroterminal	1,322	52
	346,715	**13,733**

The Group also created an entity – L'gov Agro-Invest LLC by investing RUR 18,046 thousand (USD* 769 thousand). The Group determined the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired companies at the date of acquisition on a provisional basis. The provisional determination of the fair values of property, plant and equipment and intangible assets, and the allocation of the purchase price to the assets, liabilities and contingent liabilities were performed with the assistance of an independent appraiser.

5 Revenue

In thousand of	RUR **9m. 2008**	RUR **9m. 2007**	USD* **9m. 2008**	USD* **9m. 2007**
Revenue from sales of crop production	485,702	149,064	19,239	5,904
Revenue from sales of milk and meat	19,342	17,902	766	709
Revenue from sales of other goods and services	4,607	5,431	182	215
Gain on revaluation of biological assets and agricultural produce	432,244	218,845	17,121	8,668
	941,895	**391,242**	**37,308**	**15,496**

The total amount of the revaluation of biological assets and agricultural produce for the nine months of 2008 amounted to RUR 432,244 thousand (USD* 17,121 thousand). The Company used reports from the Chamber of Commerce and Industry for the market price of agricultural produce less estimated point-of-sale expenses.

In accordance with the IAS 41, the resulting amount of revaluation of biological assets and agricultural produce is comprised of two components: revaluation of germinating crop and the revaluation of crop during the actual harvest. For the harvested crop the revaluation amount is calculated on the basis of difference between the planned revenue - based on the prevailing market price times the actual yield - less estimated point-of-sale costs. For the crop which has yet to be harvested, the revaluation is calculated according to the same principle as above except that the planned revenue is calculated on the basis of estimated planned yield (as opposed the actual realized yield). The sum total of the revaluation amount is subsequently reduced by the actual revenue realized during the prior reporting period.

In thousand of	RUR	USD*
Fair value of harvested crop less point-of-sale costs	1,250,324	49,525
Actual production costs	(930,897)	(36,873)
Revaluation of harvested agricultural produce	319,427	12,652
Fair value of 2008 crop to be harvested less point-of-sale costs	409,434	16,217
Actual production costs	(154,740)	(6,129)
Revaluation of agricultural produce in the process of harvesting	254,694	10,088
Total revaluation of agricultural produce	**574,121**	**22,740**
Revaluation of dairy and meat lifestock	**361**	**14**
Less FY2007 revaluation amount	(142,238)	(5,634)
Total sum of revaluation of biological assets as of 3Q 2008	**432,244**	**17,121**

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6 Cost of sales

In thousand of	RUR 9m. 2008	RUR 9m. 2007	USD* 9m. 2008	USD* 9m. 2007
Materials	104,169	20,459	4,126	810
Depreciation and amortization charge	131,655	60,738	5,215	2,406
Salary and social taxes	86,113	57,583	3,411	2,281
Other expenses	39,212	21,578	1,553	855
Taxes	1,343	3,665	53	145
	362,492	**164,023**	**14,358**	**6,497**

7 Distribution expenses

In thousand of	RUR 9m. 2008	RUR 9m. 2007	USD* 9m. 2008	USD* 9m. 2007
Storage services	67,763	10,587	2,683	419
Transportation & Delivery services	39,243	10,350	1,554	410
Materials	1,304	286	52	11
Salary and social taxes	169	825	7	33
Other services	29,126	7,731	1,154	307
	137,605	**29,779**	**5,450**	**1,180**

8 General and administrative expenses

In thousand of	RUR 9m. 2008	RUR 9m. 2007	USD* 9m. 2008	USD* 9m. 2007
Personnel expenses	304,080	102,514	12,044	4,061
Professional services	125,511	38,614	4,971	1,529
Office and administration expenses	95,211	35,600	3,771	1,410
Depreciation and amortization	19,727	10,271	782	407
	544,529	**186,999**	**21,569**	**7,407**

9 Financial income and expenses

In thousand of	RUR 9m. 2008	RUR 9m. 2007	USD* 9m. 2008	USD* 9m. 2007
Financial Income				
Interest income on deposits	187,842	45,823	7,441	1,815
Gain on foreign exchange differences	46,389	135,952	1,837	5,385
	234,231	181,775	9,278	7,200
Financial Expenses				
Interest expense	(9,906)	(3,550)	(392)	(141)
Bond interest and discount amortisation	(172,607)	(95,297)	(6,837)	(3,774)
	(182,513)	(98,847)	(7,229)	(3,915)
Net financial items	**51,718**	**82,928**	**2,048**	**3,285**

10 Income tax

Black Earth Farming Limited (the Head Company in Jersey) and Planalto Enterprises Limited (a subsidiary in Cyprus) are subjected to the following tax rates: in Jersey is 0% and in Cyprus 10%, respectively.

Companies domiciled in Russia that do not have the status of an agricultural producer are subject to a 24% (2007: 24%) corporate income tax. Companies domiciled in Russia that do have the status of an agricultural producer are exempt from corporate income tax on profits realised from the sale of agricultural produce.

The majority of local operating companies have been granted the status of agricultural producers thereby enabling them to receive the favourable income tax treatment of 0% income tax rate.

In thousand of	RUR 9m. 2008	RUR 9m. 2007	USD* 9m. 2008	USD* 9m. 2007
Current tax expense	1,924	7,289	77	289
Deferred tax expense	1,194	52,523	47	2,080
Income tax	**3,118**	**59,812**	**124**	**2,369**

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11 Property, plant and equipment

In thousand of	RUR Land	RUR Buildings	RUR Machinery, equipment	RUR Vehicles	RUR Fixtures and fittings	RUR Construction in progress	RUR Total
Cost							
As at 31 December 2007	1,079,667	189,288	1,374,042	46,641	31,116	51,949	2,772,703
Acquisitions through business combinations	306,800	225,773	142,821	10,930	13,245		699,569
Additions	589,083	109,468	660,338	100,452	17,507	56,025	1,532,873
Disposals	(2,473)	(4,098)	(3,897)	(2,214)	(1,087)		(13,769)
As at 30 September 2008	1,973,077	520,431	2,173,304	155,809	60,781	107,974	4,991,376
Accumulated depreciation							
As at 31 December 2007	-	(35,272)	(117,171)	(12,765)	(6,579)	-	(171,787)
Additions through business combinations	-	(22,563)	(44,662)	(4,187)	(1,232)		(72,644)
Depreciation charge	-	(737)	(157,367)	(29,261)	(4,508)	-	(191,873)
Adjustment to depreciation of disposed fixed assets	-	1,854	730	686	331	-	3,601
As at 30 September 2008	-	(56,718)	(318,470)	(45,527)	(11,988)	-	(432,703)
Net book value							
As at 31 December 2007	1,079,667	154,016	1,256,871	33,876	24,537	51,949	2,600,916
As at 30 September 2008	**1,973,077**	**463,713**	**1,854,834**	**110,282**	**48,793**	**107,974**	**4,558,673**

In thousand of	USD* Land	USD* Buildings	USD* Machinery, equipment	USD* Vehicles	USD* Fixtures and fittings	USD* Construction in progress	USD* Total
Cost							
As at 31 December 2007	42,765	7,498	54,425	1,847	1,232	2,059	109,826
Acquisitions through business combinations	12,152	8,943	5,657	433	525	-	27,710
Additions	23,333	4,336	26,156	3,979	693	2,218	60,715
Disposals	(98)	(162)	(154)	(88)	(43)	-	(545)
As at 30 September 2008	78,152	20,615	86,084	6,171	2,407	4,277	197,706
Accumulated depreciation							
As at 31 December 2007	-	(1,397)	(4,641)	(506)	(261)	-	(6,805)
Additions through business combinations	-	(894)	(1,769)	(166)	(49)	-	(2,878)
Depreciation charge	-	(29)	(6,233)	(1,159)	(179)	-	(7,600)
Adjustment to depreciation of disposed fixed assets	-	73	29	27	13	-	142
As at 30 September 2008	-	(2,247)	(12,614)	(1,804)	(476)	-	(17,141)
Net book value							
As at 31 December 2007	42,765	6,101	49,784	1,341	971	2,059	103,021
As at 30 September 2008	**78,152**	**18,368**	**73,470**	**4,367**	**1,931**	**4,277**	**180,565**

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Land

As at 30 September 2008, the Group has exercised effective control on 332 thousand hectares of land. Approximately 241 thousand hectares were in the process of registration with the relevant authorities. Until the Group completes the registration process it will not be able to fully exercise its rights of ownership.

On 30 September 2008 the Group leased 8 thousand hectares under long-term cancellable lease contracts. The Group had 83 thousand hectares in fully registered ownership.

Thousand hectares of land	**30-Sep-08**	**31-Dec-07**
Land in the process of ownership registration with the relevant authorities, hectares	241	247
Land in registered ownership, hectares	83	29
Land under long-term lease agreements, hectares	8	13
	332	**289**

Vehicles

Lorries were included in Machinery and equipment category at 31 December 2007. These assets have been properly reclassified into Vehicle category as of nine months 2008.

In thousand of	**RUR**	**USD**
Cost as at 31 December 2007	93,471	3,702
Accumulated depreciation at 31 December 2007	(13,743)	(544)
Net book value at 31 December 2007	79,728	3,158

12 Intangible assets

In thousand of RUR	**Land use right**	**Other**	**Total**
Cost			
As at 31 December 2007	4,544	3,173	7,717
Additions	-	13,098	13,098
Disposals	(4,544)	(125)	(4,669)
As at 30 September 2008	-	16,146	16,146
Accumulated amortisation			
As at 31 December 2007	-	(831)	(831)
Amortisation charge	-	(5,268)	(5,268)
Amortisation on disposed items		67	67
As at 30 September 2008	-	(6,032)	(6,032)
Net book value			
As at 31 December 2007	4,544	2,342	6,886
As at 30 September 2008	**-**	**10,114**	**10,114**

*In thousand of USD**	**Land use right**	**Other**	**Total**
Cost			
As at 31 December 2007	180	126	306
Additions	-	519	519
Disposals	(180)	(5)	(185)
As at 30 September 2008	-	640	640
Accumulated amortisation			
As at 31 December 2007	-	(33)	(33)
Amortisation charge	-	(209)	(209)
Amortisation on disposed items	-	3	3
As at 30 September 2008	-	(239)	(239)
Net book value			
As at 31 December 2007	180	93	273

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As at 30 September 2008	**-**	**401**	**401**

13 Other non-current assets

In thousand of	RUR 30-Sep-08	RUR 31-Dec-07	USD* 30-Sep-08	USD* 31-Dec-07
Prepayments for property, plant and equipment	187,920	239,281	7,443	9,478
Dairy livestock	29,592	20,818	1,172	825
Other non-current assets	2,795	1,397	111	55
	220,307	**261,496**	**8,726**	**10,358**

14 Inventories

In thousand of	RUR 30-Sep-08	RUR 31-Dec-07	USD* 30-Sep-08	USD* 31-Dec-07
Finished goods	1,250,324	240,895	49,525	9,542
Biological assets	796,346	328,971	31,543	13,031
Raw materials and consumables	278,801	265,376	11,043	10,511
Other inventories	-	3,442	-	136
	2,325,471	**838,684**	**92,111**	**33,220**

Biological assets are comprised of two categories: the 2008 crop which has not been harvested as of 30.09.08 and the planned crop of 2009. The 2008 crop has been fully grown and is currently being harvested (e.g. sunflower and corn maze). This harvest is valued at fair value less point-of-sale costs. The 2009 crop has only been seeded and therefore, is currently undergoing its planned biological transformation which takes its due course until spring/summer of 2009; therefore, this – planned harvest – is currently valued on the basis of actual incurred costs.

In thousand of	RUR	USD*
Fair value of 2008 harvest less point-of-sale cost	409,434	16,217
Valuation of 2009 harvest based on actual incurred costs	386,912	15,326
	796,346	**31,543**

15 Trade and other receivables

In thousand of	RUR 30-Sep-08	RUR 31-Dec-07	USD* 30-Sep-08	USD* 31-Dec-07
VAT receivables	344,709	240,110	13,654	9,512
Advances paid for goods and services	221,334	118,800	8,767	4,706
Trade receivables	119,472	25,070	4,732	993
Other prepayments and receivables	8,045	83,299	319	3,298
	693,560	**467,279**	**27,472**	**18,509**

16 Other Investments

At the beginning of 2008 financial year the Group had current financial assets primarily consists of promissory notes of SberBank in the Russian Federation of RUR 350,023 thousand (USD* 14,922 thousand). The other items are short-term loans amounting RUR 113,500 thousand (USD* 4,838 thousand). The current financial assets were realized during the first quarter of 2008:

In thousand of	RUR 30-Sep-08	RUR 31-Dec-07	USD* 30-Sep-08	USD* 31-Dec-07
Securities of SberBank	-	350,023	-	13,865

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Loan to Usmanskay Zemlya and other entities	-	113,500	-	4,495
	-	**463,523**	**-**	**18,360**

17 Cash and cash equivalents

In thousand of	RUR **30-Sep-08**	RUR **31-Dec-07**	USD* **30-Sep-08**	USD* **31-Dec-07**
Call deposits, overnight SEK denominated at approximately 4-5% per annum	3,133,673	169,265	124,123	6,705
Call deposits, overnight RUR denominated at 4-8% per annum	1,047,690	337,200	41,499	13,356
Call deposits, overnight EURO denominated at 4-4.35% per annum	499,860	215,644	19,799	8,542
Call deposits, overnight USD denominated at approximately 3% per annum	39,465	110,409	1,563	4,373
Bank balances, SEK denominated accounts	223,635	-	8,858	-
Bank balances, RUR denominated accounts	331,524	49,424	13,132	1,958
Bank balances, EURO denominated accounts	4,014	107,738	159	4,267
Bank balances, USD denominated accounts	1,227	6,383,706	49	252,857
Petty cash	517	599	20	23
	5,281,605	**7,373,985**	**209,202**	**292,081**

18 Equity

(a) Share capital and share premium

The Group has only one class of share. Each share is entitled to one vote at the general meeting and carries an equal right to the Group's assets and profits. The shares are denominated in USD and have a nominal value of USD 0.01 per share. According to the Articles of Association, the Group's authorized share capital is USD 2,000 thousand divided into 200,000,000 shares.

The Group had 119,566,667 shares outstanding as at 31 December 2007. During the period from 1 January 2008 to 30 September 2008 there were four share issues:

on 21 January 2008 the Group made a private placement (warrants vested) of 75,000 ordinary shares;

on 28 January 2008 an Initial Public Offering of 4,800,000 additional shares were issued;

on 30 June 2008 the Group made a private placement (warrants vested) of 50,000 ordinary shares;

on 29 May 2008 the Group made a private placement (warrants vested) of 30,000 ordinary shares.

There were no unpaid shares and a result the total amount of share capital increased by RUR 1,218 thousand (USD* 48 thousand) and amounted to RUR 32,898 thousand (USD* 1,303 thousand) as at 30 September 2008.

There have been commissions and expenses accrued of RUR 10,240 thousand (USD* 406 thousand) thousand which have been accounted for as a reduction of share premium.

There have been expenses paid regarding the exercise of the share options of RUR 26,485 thousand (USD* 1,049 thousand) which have been accounted for as an addition to the share premium.

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Number of ordinary shares	
Shares issued at incorporation	4,666,667
Shares issued in August 2005	7,000,000
Outstanding as at 31 December 2005	11,666,667
Issued in March 2006	30,000,000
Issued in November 2006	35,000,000
Outstanding as at 31 December 2006	76,666,667
Issued in September 2007	9,300,000
Initial Public Offering in December 2007	33,600,000
Outstanding as at 31 December 2007	119,566,667
Issued in January 2008	75,000
Initial Public Offering in January 2008	4,800,000
Issued in March 2008	50,000
Issued in May 2008	30,000
Outstanding as at 30 September 2008	124,521,667

(b) Share premium

Share premium increased by RUR 903,602 thousand (USD* 35,791 thousand) during the financial period. The total share premium amounted to RUR 11,269,910 thousand (USD* 446,396 thousand) as at 30 September 2008.

In thousand of	RUR	USD*
Consideration received	888,575	35,196
Increase in share capital	(1,218)	(48)
	887,357	35,148
Warrants vesting during the period	26,485	1,049
Professional fees related to share issue	(10,240)	(405)
	903,602	**35,792**

(c) Dividends

In accordance with Jersey legislation, the Company's distributable reserves are limited to the balance of the Company's retained earnings. As at 30 September 2008 the Company had a retained deficit of RUR 661,425 thousand (USD* 26,199). The Company is not also permitted to pay dividends until the bonds have been redeemed.

(d) Warrants

The Group has granted its key management warrants that can be converted into ordinary shares. The terms and conditions of the warrants are presented below:

		Number of warrants in thousands					
Grant date	**Employee entitled**	**Outstanding as at 1 January 2008**	**Exercised during the period**	**Granted during the period**	**Forfeited during the period**	**Outstanding as at 30-Sep-2008**	**Contractual life of warrants in years**
11 August 2005	Michel Orlov	1,000	-	-	-	1,000	10

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11 August 2005	Anna Shtrevensky	150	(75)	-	(75)	-	-
1 December 2006	Simon Cherniavsky	250	(50)	-	-	200	9
1 July 2007 / 20 May 2008	Robert Coleman	150	-	100	-	250	8
18 October 2007	Sture Gustavsson	350	-	-	-	350	8
18 October 2007	Viktor Leskonog	250	-	-	(250)	-	-
18 October 2007	Mark Lewis	150	(30)	-	(120)	-	-
18 October 2007	Alexander Polischuk	150	-	-	(150)	-	-
25 October 2007	Marc Antoine Parra	150	-	-	(150)	-	-
25 October 2007	Rimma Khaliullina	150	-	-	-	150	8
21 December 2007	Alex Gersh	100	-	-	-	100	8
21 December 2007	Vladimir Averchev	100	-	-	-	100	8
20 May 2008	Michael Shneyderman	-	-	350	-	350	7
20 May 2008	Zorigto Sakhanov	-	-	250	-	250	7
20 May 2008	Alexander Kim	-	-	200	-	200	7
20 May 2008	Gustav Wetterling	-	-	100	-	100	7
20 May 2008	Dmintry Kozelkov	-	-	100	-	100	7
1 September 2008	Igor Smolkin	-	-	600	-	600	7
17 September 2008	Vyacheslav Bakaev	-	-	350	-	350	7
17 September 2008	Ilya Shestakov	-	-	350	-	350	7

The warrants are granted to key management employees in accordance with a personal schedule of proportional yearly tranches. Each tranche of warrants can be vested a year after the date of granting of the warrants. During the nine months 155,000 warrants were vested. On 20 May 2008 the Group granted to key management 1,100,000 warrants. The Group also granted to key management 1,300,000 warrants in September 2008. During the period from 1 January 2008 to 30 September 2008 five employees have left the company and 745,000 warrants were forfeited.

The number and weighted average exercise prices of the warrants are as follows:

In thousand of warrants	**Weighted average exercise price 9 m. 2008**	**Number of warrants, in thousands 9 m. 2008**	**Weighted average exercise price 9 m. 2007**	**Number of warrants, in thousands 9 m. 2007**
Outstanding as at 1 January	USD 2.32	2,950	USD 0.28	1,400
Forfeited during the period	USD 3.93	(745)	USD 0.00	-
Exercised during the period	USD 1.44	(155)	USD 0.00	-

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Granted during the period	USD 1.37	2,400	USD 4.97	150
Outstanding as at 30 September	USD 1.57	4,450	USD 0.74	1,550
Exercisable as at 30 September	USD 0.91	850	USD 0.27	575

The fair value of services received in return for warrants granted is based on the fair value of warrants granted, measured using the Black-Scholes model. Exercise prices of warrants are stipulated by the warrant certificates. All exercise prices are denominated in US dollars and range from USD 1.15 to USD 12.00.

Loss per share

The loss for the nine months period ended 30 September 2008 was RUR 126,425 thousand (USD* 5,007 thousand) and in the similar period in 2007 the loss was equal to RUR 145,472 thousand (USD* 5,762 thousand). The weighted average number of shares outstanding during the three quarters of 2008 financial year was 123,946,667 ordinary shares in comparison with 76,666,667 ordinary shares in the similar period of 2007. The basic loss per share in the three quarters 2008 is RUR 1.02 as compared to loss per share in the three quarters of 2007 – RUR 0.08. The calculation is presented below:

The amounts are indicated in	RUR **9 m. 2008**	RUR **9 m. 2007**	USD* **9 m. 2008**	USD* **9 m. 2007**
Profit / (loss) for the year	(126,425,000)	(145,472,000)	(5,007,645)	(5,762,089)
Weighted average number of shares outstanding	123,946,667	76,666,667	123,946,667	76,666,667
Basic earnings per share (RUR/share, USD*/share)	(1.02)	(1.90)	(0.04)	(0.08)
Weighted average number of shares used in calculation of diluted earnings per share	124,796,667	77,241,667	124,796,667	77,241,667
Diluted loss per share (RUR/share, USD*/share)	(1.01)	(1.88)	(0.04)	(0.07)

19 Trade and other payables

In thousand of	RUR **30-Sep-08**	RUR **31-Dec-07**	USD* **30-Sep-08**	USD* **31-Dec-07**
Trade payables	300,771	26,979	11,913	1,069
Payable to personnel	37,374	2,036	1,480	80
Other payables	37,128	30,670	1,471	1,215
Profit and other taxes payable	20,688	7,114	819	282
IPO related accounts payable	-	265,844	-	10,530
	395,961	**332,643**	**15,683**	**13,176**

20 Financial instruments

(a) Foreign currency risk

The Group is subject to foreign currency risk on financial assets and liabilities denominated in a currency other than the functional currencies of the respective Group entities. The currency giving rise to this risk is primarily the USD. Management does not hedge the Group's exposure to foreign currency risk.

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(b) Fair values

Management believes that at the balance sheet date the fair values of its financial assets and liabilities approximate their carrying amounts. In assessing fair values, management used the following major assumption: all the Group's receivables and payables have a maturity of less than six months; consequently, their fair values are not materially different from their carrying amounts.

21 Operating activities

Cash outflow from operating activities amounted to RUR 1,665,404 thousand (USD* 65,965 thousand) compared to RUR 889,132 thousand (USD* 35,217 thousand). Such significant increase in operating activities in 2008 was explained by large increase in total amount of hectares cropped in comparison with prior period. The loss for the period was adjusted by the total of the depreciation and amortisation charges which amounted to RUR 124,440 thousand (USD* 4,929 thousand). The other large amounts that affected the result for the period were the increase in trade and other receivables on the amount of RUR 188,783 thousand (USD* 7,478 thousand) and increase in inventories on the amount of RUR 1,011,407 thousand (USD* 40,061 thousand).

22 Investing activities

Cash outflows utilized by investing activities amounted to RUR 897,784 thousand (USD* 35,562 thousand) in comparison with RUR 1,651,791 thousand (USD* 65,427 thousand). In 2008 the significant cash outflows were concerned with acquisition of fixed assets and land plots on the amounts of RUR 436,518 thousand (USD* 17,290 thousand) and RUR 861,978 thousand (USD* 34,143 thousand). The cash inflow from investing activities resulted from maturing of SberBank notes and other loans for the amount of RUR 460,404 thousand (USD* 18,236 thousand).

23 Financing activities

Cash inflow from financing activities for the nine months of 2008 amounted to RUR 451,925 thousand (USD* 17,900 thousand) compared to RUR 2,688,988 thousand (USD* 106,510 thousand) for the similar period in 2007. In 2007 the Company issued bonds (face value amount of 55,000,000 Euro) with 13 percent interest payable annually. The bonds are due to be redeemed in 2011. During the three quarters of 2008 the Company made additional issuance of ordinary shares. During this period, the Group has acquired 100 of the shares in four companies in the Lipetsk region. As part of this acquisition, the Group has repaid the loan in the amount RUR 454, 128 thousand (USD* 17,988).

24 Contingencies

(a) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for all tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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25 Related party transactions

The Group has a controlling relationship with all of its subsidiaries - refer note 26 for the list of significant subsidiaries. The main operations that took place at the Company level were the raising of funds by means of share issues and the provision of loans to its subsidiaries. Funds are transferred from the Company to the Russian operations based on detailed requests for funds. The capital needs of the Russian operations were governed by a thorough budgeting process, which was approved by the Board of Directors. The total amount of the loans provided to Planalto Enterprises Limited was RUR 3,766,545 thousand (USD* 149,191 thousand) as at 30 September 2008.

Funds are transferred to Planalto Enterprises Limited under a loan agreement and then from Planalto Enterprises Limited to Management Company AGRO-Invest under another loan agreement. The funds are then either used by, or distributed from, Management Company AGRO-Invest to the relevant subsidiary for use, all in accordance with the detailed formal request and the budget. The amount of loans provided by Management Company AGRO-Invest to other subsidiaries amounted to RUR 2,730,580 thousand (USD* 108,157) as at 30 September 2008.

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26 Significant subsidiaries

	Country of incorporation	Ownership and voting interest	
		31-Sept-08	31-Dec-07
Planalto Enterprises Limited	Cyprus	100%	100%
OOO Management Company Agro-Invest (Kursk), limited liability company	Russia	100%	100%
OOO Management Company Agro-Invest (Moscow), limited liability company	Russia	100%	100%
ZAO Dmitriev Agro-Invest	Russia	100%	100%
ZAO Gorshechnoje Agro-Invest	Russia	100%	100%
OOO Sosnovka Agro-Invest	Russia	100%	100%
OOO Stanovoje Agro-Invest	Russia	100%	100%
ZAO Kastornoje Agro-Invest	Russia	100%	100%
ZAO Agro-Invest Kshen	Russia	100%	100%
ZAO Kursk Agro-Invest	Russia	100%	100%
OOO Bezenchuk Agro-Invest	Russia	100%	100%
OOO Verhnaja Hava Agro-Invest	Russia	100%	100%
OOO Ostrogorzhsk Agro-Invest	Russia	100%	100%
OOO Podgornoje Agro-Invest	Russia	100%	100%
OOO Rus'	Russia	100%	100%
• OOO Raskhovets Agro-Invest	Russia	100%	100%
• OOO Usman' Agro-Invest	Russia	100%	100%
• OOO Staroyur'evo Agro-Invest	Russia	100%	100%
• OOO Olym Agro-Invest	Russia	100%	100%
• OOO Volga Agro-Invest	Russia	100%	100%
• OOO Novokhopersk Agro-Invest	Russia	100%	100%
OOO Vorobyevka Agro-Invest	Russia	100%	100%
OOO Gribanovka Agro-Invest	Russia	100%	100%
OOO Kalach Agro-Invest	Russia	100%	100%
OAO Kalacheevskaya selkhozhimia	Russia	100%	100%
ZAO Cheremisinovo Agro-Invest	Russia	100%	100%
OOO Belgorodka Agro-Invest	Russia	100%	100%
OOO L'gov Agro-Invest	Russia	100%	100%
OAO Kastorenskaya MTS	Russia	100%	100%
OOO Shatsk Agro-Invest	Russia	100%	100%
OOO Chelnovaya Agro-Invest	Russia	100%	100%
OOO Morshansk Agro-Invest	Russia	100%	100%
OOO Izmalkovo Agro-Invest	Russia	100%	100%
OOO Storozhevoye	Russia	100%	
OOO Usmanskaya zemlya	Russia	100%	
OOO Agrolipetzk	Russia	100%	
OOO Agroterminal	Russia	100%	

27 Subsequent event

As of November 1, 2008, the Company has obtained ownership certificates for an additional 5,950 hectares of land compared to the end of third quarter, bringing the total owned land to 88,950 hectares.

As of November 10, 2008, Michel Orlov - President and Deputy Chairman of the Board of Directors of Black Earth Farming has resigned to pursue other business interests. Sture Gustavsson - the Company's Chief Agronomist has been appointed as acting president and CEO of Black Earth Farming.

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The board of directors and the managing director hereby confirm that the interim report gives a true and fair view of the group’s operations, financial position and results of operations and describes significant risks and uncertainties the Company is exposed to.

Per Brilioth	Sture Gustavsson
Alex Gersh	Henrik Persson
Vladimir Averchev	Paul Wojciechowski

This report for the period 1 January 2008 – 30 September 2008 has not been subject to review by the Company's auditors.

Black Earth Farming’s full year 2007 report for the period 1 January 2008 – 31 December 2008 is planned to be published on 28 February 2008.

Terms and Definitions

Units
1 hectare (ha) = 2.47105 acres
1 hectare (ha) = 10,000 square meters

1 metric ton = 2,204.622 pounds (lb)
1 metric ton = 10 centners
1 metric ton of wheat = 36.74 bushels of wheat
1 metric ton of corn = 39.37 bushels of corn

“AGRO-Invest Group”
The Company’s subsidiary OOO Management Company AGRO-Invest and its subsidiaries, including OOO Management Company AGRO-Invest-Regions.

“Black Earth”
A soil type which contains a very high percentage of organic matter in the form of humus, rich in phosphorus.

“Black Earth Farming” or the “Company”
Black Earth Farming Limited, a company incorporated in Jersey, Channel Islands, under the 1991 Law with company registration number 89973, including its subsidiaries, unless otherwise is apparent by the surrounding context.

“Black Earth Region”
A territory located in parts of Russia, Ukraine and Kazakhstan endowed with Black Earth.

“Cadastre”
A Russian state register of real property including details of the area owned, the owners and the value of the land.

“CIS”
Commonwealth of Independent States which consists of the former republics of the Soviet Union, excluding the Baltic States. The following countries are included Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan (associated member), Ukraine and Uzbekistan.

“Crop year”
An crop year in Europe typically begins in late summer with the seeding of winter crops and ends approximately one and a half years later depending on when the crops is being harvested and sold.

“Debt/Equity Ratio”
Total amount of long term borrowings divided by total shareholders equity.

“Earnings Per Share”
Net profit attributable to shareholders holding ordinary shares divided by the number of shares issued.

“Equity/Assets Ratio”
Total shareholders equity divided by total assets.

“EU-27”
The following EU membership countries: Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden the United Kingdom, Bulgaria and Romania.

“Fallow land”
Land which is not being cultivated.

“FOB”
Free On Board - an export pricing term where the seller covers all costs up to and including the loading of goods aboard a vessel, but not following freight/shipping costs.

“Grains”
Generic name for wheat, barley, oats, rye, rye-wheat, durra millet, maize and rice

“Grain elevator”
Building or complex of buildings for drying, cleaning, storage and shipment of grain.

“Land in Ownership”
Land where the Company has obtained the, in the central Cadastre, registered rights of ownership to the land.

“Land under control”
Refers to all land under the Company’s control, including fully registered ownership, long term leased land and acquired cropping rights (Pais) in the process of being registered as ownership rights.

“Oblast”
An administrative region of Russia.

“Oilseeds”
A wide variety of seeds which are grown as a source of oils, e.g. cottonseed, sesame, rape seed, sunflower and soybean. After extraction of the oil the residue is a valuable source of protein, especially for animal feedstuffs.

“OOO”
“Closed joint stock company”, the Russian equivalence to a limited liability company.

“Operating Margin”
Operating income divided by net sales.

“Pai”
A share in jointly-owned land received by a farm worker (in the Company’s transactions often comprising approximately 2 to 17 hectares of undefined land).

“Russian Export taxes”
There are currently no export taxes for wheat or barley. For Sunflowers and Oil seed rape there is a 20% export tax.

“SDR”
The Swedish depository receipts issued representing the Shares according to the general terms and conditions for depository receipts in Black Earth Farming.

“VPC”
VPC AB, the Swedish central securities depository and clearing house with address Regeringsgatan 65, Box 7822, SE-103 97, Stockholm, Sweden.

“Öhman”
E. Öhman J:or Fondkommission AB, company registration number 556206-8956, Box 7415, SE-103 91, Stockholm, Sweden.

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