

Black Earth Farming Ltd Interim Report

1 January – 30 June 2014



**BLACK
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FARMING LTD.**



Strong start to harvest

Wheat harvest finished at 4t per hectare, up 22% on 2013. Spring barley, spring wheat, spring oilseed rape and peas are still being harvested but yields are currently significantly up on 2013. 1H14 operating result of USD -5.4mn vs USD 7.4mn in 1H13, mainly due to different price and yield approach used to estimate biological asset value. On previous approach price basis, 1H14 biological asset value would have been USD 23.5mn higher and the 1H14 operating result at USD 18.1mn. Also, yields used are below recent actual harvest yields (for details, please refer to pages 7-9).

Average sales price for 1H14 declined 35% y-o-y. Sale of 8,800 hectares of leased farm land in Voronezh for USD 3.4m.

Q2 2014 Highlights (vs. Q2 2013)

- Sales volumes of 49 thousand tons (58) at an average price of USD 227 per ton (329)
- Sales revenue of USD 11.5mn (19.6)
- Loss on revaluation of biological assets of USD -0.7mn (gain of 22.8) after applying different price and yield approach*
- Operating profit of USD 3.9mn (18.0)
- Net profit of USD 5.9mn (13.4)
- Net profit per share of USD 0.03 (0.06)
- USD 10.8mn bonds repurchased in 2Q14
- Land sale: In June the Company completed the sale of its Kalach subsidiary in the Voronezh region, with 8,800 hectares of leased land, for USD 3.4mn.

Events after the Reporting Period

- 2014 harvest progress: Winter wheat is harvested at a yield of 4t per hectare. Spring barley and spring wheat are 54% and 19% harvested and yielding 3.6 and 3.8 tones per hectare which is 39% and 98% up on last year.
- Bond Repurchase: Proceeds from asset sales used to repurchase USD 9.3mn after the reporting period

* Please refer to page 7 for more detail

CEO Comment Highlights (p.2)

- Market Development
- 2014 Harvest Progress and Crops
- 2014 Crop Sales
- 6M Results 2014
- Land Sale
- Risks
- Summary

Financial Overview (p.4)

USD million	Q2 '14	Q2 '13	6M '14	6M '13
Crop Volumes Sold, tons	48,909	58,040	178,348	124,351
Av. Sales Price, USD/ton	227	329	202	310
Total Revenue & Gains	10.8	42.4	37.1	60.8
Gross Result	2.0	21.3	3.3	16.5
EBITDA	6.3	21.3	0.5	12.8
Op. Result	3.9	18.0	(5.4)	7.4
Gain/(loss) on FX differences	5.6	(1.8)	(2.6)	(2.9)
Net Result	5.9	13.4	(13.7)	(0.5)

Market Development

Globally crop growing conditions have been very favourable. Total grain production is expected to be 1949mn tonnes, only 2% down on the record 2013 crop year. This consecutive large harvest will further relieve the low stocks to useage ratios that have prevailed recently. Wheat and corn prices have fallen circa 15% year on year. Russia has also experienced favourable growing conditions and total cereal production is expected at circa 98m tonnes, a 10% increase on 2013. The wheat crop is estimated at 57m tonnes, 15 % up on 2013 although protein levels have been a percent or so lower than prior years, reducing the volumes of quality wheat and driving up premiums. Prices have fallen broadly in line with international markets.

2014 Harvest Progress and Crops

Spring started a little earlier than in the previous two years with somewhat cooler but bright conditions. With the exception of the Kursk region, it has been relatively dry since early May.

The Winter Wheat yielded 4t/hectare, which is 22% up on 2013. Quality is lower than average due to lower protein levels and low gluten levels.

As of the 14th August, 23% of the total crop area had been harvested. Sping barley is 54% harvested and yielding 3.6 t/hectare. Lower protein levels are meaning more of the crop than usual will be of malting quality. Spring wheat is 18% harvested and yielding 3.8 t/hectare. Spring oilseed rape and peas are 6.4% and 7.2% respectively harvested. Yields are varying widely between regions.

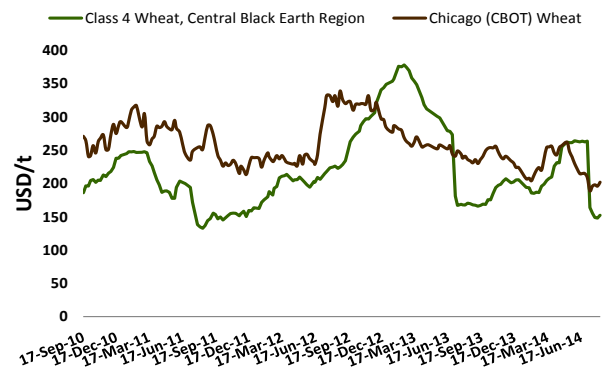
Our expectations are again lower for soya, which has been affected relatively more by the drought both in terms of vigour and herbicide efficacy. Corn and sunflower crops have looked good in general. Corn flowering took place in good conditions but more rain is needed to realize the potential of these crops. To date the dry weather has meant negligible drying costs. Potato harvest and deliveries into the PepsiCo factory started in late July. Early yields and quality have been favourable. Newly installed irrigation systems have performed well with the exception of some commissioning problems with pumps at one site and water resources have been stretched with the prolonged dry conditions. The very hot conditions recently have stressed the crop. Progress on building storage facilities for this seasons potatoes crops is on track.

Plans for next year are for a simplification of cropping to focus even further on a system for the most profitable crops.

2014 Crop Sales

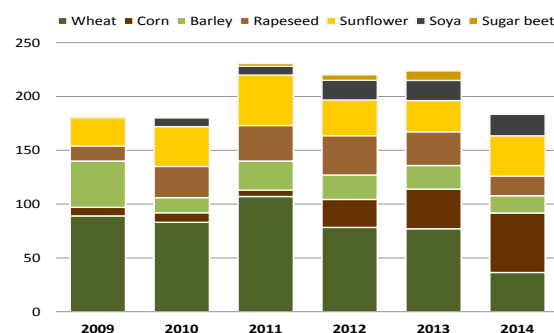
Approximately 53% of expected revenue from 2014 crop was effectively 'priced' via hedges on international futures or as physical forward sales as at the end of June. Sales of wheat and corn futures

International vs. Russian Domestic Wheat Price

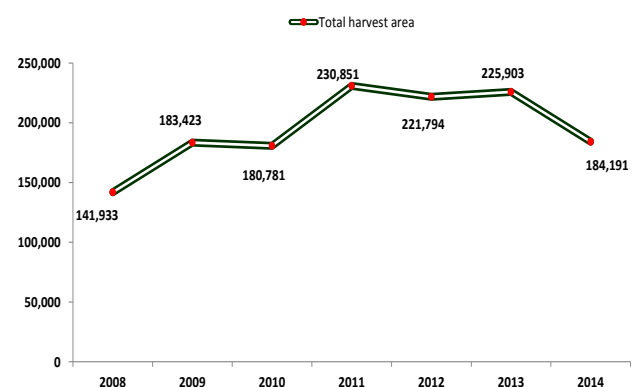


on CBoT and MATIF during April representing approximately 30% and 42% of expected harvest volumes respectively, has partially countered the price falls in international markets. Export shipments have commenced. A total of 88k tons of crops have been contracted for exports so far, of which the breakdown is 12k tons of wheat, 6k tons of oilseed rape, 55k tons of corn, 5k tonnes of peas and 10k tonnes of soya. Domestic forward sales include sunflower and potatoes to PepsiCo as well as malting barley to brewers and oilseed rape for domestic crushing.

2009-2014 Crop Area Breakdown, thousand ha



2008-2014 Total harvest area



6M Results 2014

The remaining 49k tons of the 178k tons carried in from 2013 crop were sold during Q2, with volumes down 16% y-o-y. Average sales price was down 31% y-o-y to USD 227 in 2Q14 but up 10% from 1Q14 and the inventory valuation as of 31 March 2014, as market prices slightly improved. The gain on revaluation of biological assets (crops to be harvested in 2H14) of USD -0.5mn is significantly lower than the USD 22.8mn in 1H13. This is mainly due to using more cautious yield estimates (that are lower than the recent actual harvest yields) and applying lower prices more relevant to the current harvest* (see pages 7-9). The lower revaluation uplift is the key factor driving a weaker result for 1H14 compared to 1H13. This was only partly offset by a USD 7.3mn pre-tax gain on asset sales and a USD 1.3mn mark-up on our futures positions. The 6M14 operating loss of USD -5.4mn compares to a USD 7.4mn profit in 2013. A rebound in the Russian ruble reduced the 1Q14 forex loss of USD 8.2mn to USD 2.6mn over 6M14. The ruble has however resumed depreciation since the reporting date. Operations generated negative cash flow of USD -9.7mn before interest during 1H14 as the inflows of 2013 crop sales were outpaced by operating outflows for 2014 field works. Meanwhile, cash proceeds from asset sales were used to repurchase bonds.

Land sale

In May-June, the Company completed the sale of its Kalach subsidiary in the Voronezh region, with 8,800 hectares of leased land (25-49 year leases) and related warehouse type real estate for USD 3.4mn net cash. The sale generated a loss of USD 0.3mn. Kalach has been the Company's worst performing subsidiary. Following the sale, the Group holds 230 k hectares of land in ownership**, corresponding to 85% of the total controlled land bank of 271 thousand hectares.

Risks

While the Company's business is not directly impacted by the conflict in Eastern Ukraine, the Group is exposed to indirect changes in its operating and financial environment. Sanctions on Russian financial institutions negatively impact the Russian

credit market. The Company's work to arrange a credit facility with a major Russian state bank has in this context become subject to additional hurdles. Retaliatory measures could affect the Company's supply and marketing strategy both negatively and perhaps positively in the medium term while changes in the regulatory environment could challenge the Company's current structure. We continue to monitor developments and work proactively to manage risks. It was reassuring to hear the Russian Minister of agriculture state that exports should not be affected by the import bans.

Summary

A strong start to harvest in terms of initial crop yields. This will to an extent be offset by the downturn in soft commodity market prices, which in turn will partially be mitigated by forward sales and hedging activities. The majority of our revenue remains still to be harvested and in particular corn and sunflowers require more rain to reach their full potential. The immediate focus is on keeping tight control of harvest costs, logistics and quality. This year's investment into drying capacity will help handling, drying and marketing our corn crop more efficiently.

In the medium term we continue to work hard on a plethora of operational efficiencies to improve yield, drive down cost per tonne and create a sustainably profitable long term business. There remains substantial scope for further improvements. Our newly integrated GPS tracking system is proving very valuable in terms of production information and control. We are working hard on the next expansion phase of the root crop vegetable project, which is becoming an increasingly significant part of the business. There are further plans for divestments and acquisitions to optimize the landbank. So far improvements in operational performance and initial yields in 2014, albeit against a challenging pricing and geopolitical landscape.

15 August 2014

Richard Warburton CEO and President

** Including shared ownership

* Please refer to page 7 for more details

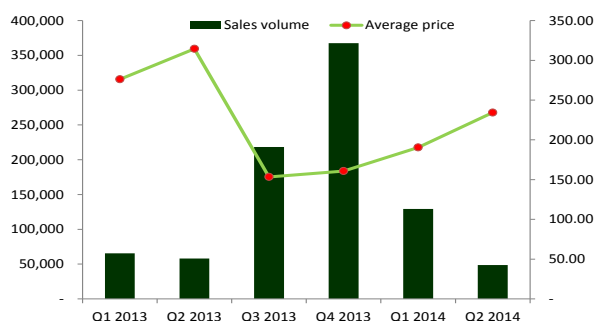
Q2 2014 Financial Review



Revenue

Revenue from goods sold during 2Q14 decreased by 41% y-o-y to USD 11.5mn as total sales volumes were down -16% to 49 thousand tons and average prices fell 31% to USD 227 per ton. The quarterly realized average price is affected by the crop sales mix. During 2Q14, the remaining 2013 crops were sold with a high share of lower priced corn maize, which lowered the average sales price. The sales mix consisted of corn (51% of volumes), barley (26%), sunflower (21%) and wheat (2%). The average realized corn price decreased by -1% y-o-y to USD 207 per ton but increased 22% q-o-q as domestic grain prices improved during Q2 pre-2014 harvest, notably in USD terms following the appreciation of the ruble. Please refer to page 6 for more detail on sales volumes and prices.

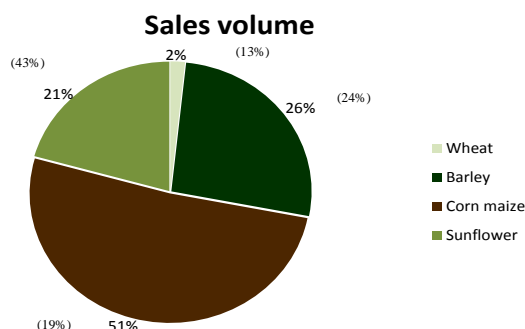
Sales Volumes & Price per Ton



Inventory & Gain/Loss of Revaluation

As of 30 June 2014, no commercial crops were held in inventory. Biological assets (crops in field to be harvested in 2H14) were revalued to the estimated fair value less incurred production costs and estimated distribution costs. The revaluation resulted in a loss of USD -0.7mn in 2Q14 vs. an income of USD 22.8mn in 2Q13. The decline in revaluation uplift is mostly due to a more cautious approach to applying market prices. On 30 June, prices are referenced to the prior year crop. By using more recent levels, prices are more pertinent to the current year crop. In 2013, the Company used 30 June prices but disclosed a USD -9.1mn valuation

Q2 2014 Sales Mix % of volumes (Q2 2013)



difference to harvest prices at the release date. In 2014, current harvest prices were used, which are significantly lower than the June 30 prices used in 2013, with wheat and corn prices -24% and -44% respectively, y-o-y. Please see page 7 or note 4 in financials for more information on how biological assets are recorded.

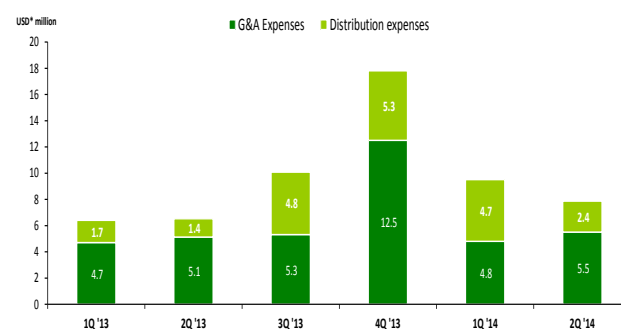
Result

While the Company's gross profit on realized sales was USD 2.8mn in 2Q14, vs USD -1.5mn in 2Q13, the USD 23.5mn negative variance on revaluation of biological assets (as discussed above) drove the USD 2mn gross profit in 2Q14 vs USD 21.3mn in 2Q13. The 2Q14 operating profit was supported by USD 7.3mn pre-tax profit on asset sales and a USD 1.3mn gain on grain futures. The bottom line was also lifted by the 6% appreciation in the Russian ruble, which in 2Q14 reversed USD 5.6mn of the Company's USD 8.2mn forex translation loss in 1Q14. The ruble has since depreciated again. 2Q14 EBITDA amounted to USD 6.3mn, including the gain on asset sale, vs USD 21.3 mn in 2Q13. Net profit of USD 5.9mn for 2Q14 compares to USD 13.4mn in 2Q13. The difference between the 1H14 net income of USD -13.7mn and USD -0.5 in 1H13 is much driven by the change in approach to revaluation of biological assets* and only partly offset by the gain on asset sale in 2014.

Financial Position & Cash Flow

1H14 cash flow from operations generated USD 0.8mn before a USD -10.5 increases in working capital and USD -4.7mn interest paid on bonds resulted in net operating cash flow of USD -14.7mn, vs USD 7.1mn in 6M13. Asset sales generated USD 21.6mn cash inflows, while bond repurchases of USD 11mn and net capital expenditures of USD 9.8mn consumed free cash flow. At the end of Q214, the Company had USD 49.5mn in cash and interest bearing debt of USD 86.6mn (net of bonds held on balance) at 9.4% annual coupon rate maturing in Oct 2017. As of 30 June 2014, the company had a net debt position of USD 37.1mn and a total debt to total equity covenant ratio of 41%.

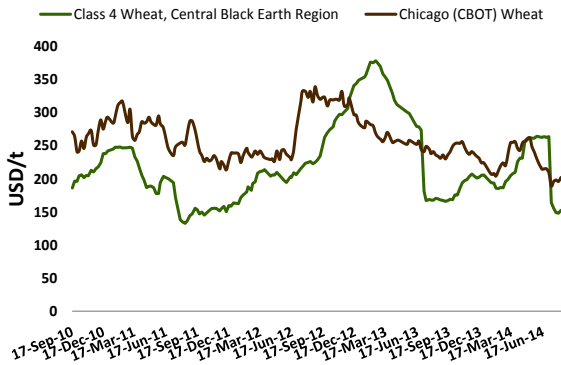
Quarterly Development of SG&A Expenses



International

During the quarter, international market prices continued to fall due to expectations of good crop conditions for the 2014 harvest. Despite some remaining market uncertainties, an increasingly comfortable outlook for supplies pressured global export prices during June and July. The outlook for total grains production in

International vs. Russian Domestic Wheat Price



Source: IKAR, CBOT

2014/15 has increased and the International Grain Council expects 2014/15 total grain production to increase sharply this season, up by 12m t from before, to 1,949m, only 2% lower than the 2013 harvest year record. Amid mostly favourable weather for crops, better prospects for wheat and maize led the rise. While projected total consumption of 1,935 m. tons is revised a little higher than last year, forecasted end-season grain stocks are now seen reaching 412m t, up 3% y-o-y to the highest level since the end of 1999/00. With limited threats so far for Northern Hemisphere crops, the FSU and US, competition between major producing countries is expected to be intense this year, driving prices lower.

Russia

Russian grain prices dropped dramatically in July as the 2014 harvest commenced and market prices adjusted to a new supply and demand balance. Domestic prices are typically depressed around harvest time when producers without storage capacity are forced to sell spot in the market. Current estimates of the total Russian grain harvest are in the range of 97-99 million tons compared to 89 and 71 million tons in 2013 and 2012 respectively. With annual domestic consumption at approximately 65-70 million, this would leave an exportable surplus of over 30 million tons for the 2014/15 marketing year compared to exports of 25 and 16 million tons during the two previous years.

Russian Supply and Demand of Grains



Source: IGC, IKAR, USDA

Grains Stocks-to-Use Ratio, Russia vs. Global



Crop Inventory & Sales Development



The Company values its inventory of finished goods at net realisable value to reflect the market value as at the end of the reporting period. A change in net realisable value affects Total Revenue and Gains in the income statement. In addition Cost of Goods Sold represents the carrying value of inventory as at the previous reporting date. The table below provides a breakdown of inventories as of 30 June 2014 as well as the development of crop sales during 2014 and 2013. Note that all recorded prices exclude 10% VAT.

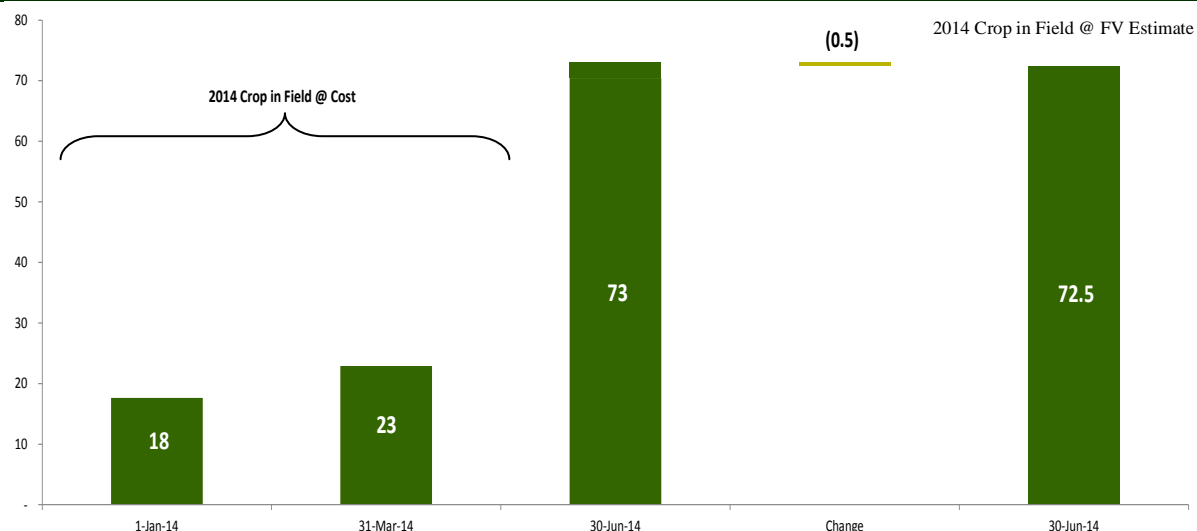
Quarterly Sales Volume & Crop Inventory							
	Quarterly Sales					Crop in Inventory	
	2Q '14	1Q '14	4Q '13	3Q '13	2Q '13	30 Jun '14	31 Dec '13
Volume, k tons							
Wheat	820	17,177	86,000	134,564	7,690	-	20,470
Barley	12,814	11,966	6,600	21,300	13,960	-	27,715
Corn	24,919	85,428	38,300	494	10,980	-	116,952
Rape	-	2,130	19,900	6,957	60	-	1,982
Sunflower	10,029	8,788	39,100	213	25,180	-	18,912
Soya	7	2,863	12,200	390	170	-	3,033
Sugar Beat	-	-	161,900	52,774	-	-	-
Potato	-	1,005	3,600	1,569	-	-	1,438
Other/Forage Crops	320	82	2,400	3,108	-	-	8
Total Tons	48,909	129,439	370,000	221,369	58,040	-	190,510
Price, USD/ton							
Wheat	270	184	200	181	264	-	201
Barley	191	196	158	154	227	-	207
Corn	207	170	164	213	209	-	161
Rape	-	382	398	337	500	-	426
Sunflower	319	303	320	417	456	-	339
Soya	218	417	470	476	464	-	433
Sugar Beat	-	-	49	44	-	-	-
Potato	-	237	219	222	-	-	275
Other/Forage Crops	59	67	74	328	-	-	-
Average Price	225	193	161	154	329	-	198

All prices are ruble denominated ex. 10% VAT and have been translated into USD at USD/RUB 35.08

As of 30 June 2014, the Company recorded inventories at a total value of USD 17.3mn in the balance sheet. All of it consisted of raw materials and consumables to be used in production. Crop inventory of finished goods was USD 0mn as all of 2013 crop was sold ahead of the 2014 harvest.

Biological assets are recorded in the statement of financial position as an estimated value of crops standing in fields. A way to look at biological assets is as a work in process (WIP) inventory. Depending on what stage of the growth cycle the crop is in, the value is estimated either by incurred costs for field works (cultivations, seeding, fertilizer spreading, herbicide spraying etc.) or an estimate of revenue (harvest volume and price per crop) less selling expenses. The revaluation of biological assets is performed in accordance with the requirements of IAS 41 Agriculture which states that a biological asset shall be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs.

2014 Crop Value in Statement of Financial Position



Black Earth Farming values crops in the fields at incurred costs up until 30 June each year. At that point sufficient germination (biological transformation) has occurred to enable estimates of crop yields and market prices less point-of-sale costs to determine an estimate of fair value at the time of harvest. The initial revenue estimate is attached a readiness percentage in the range of 50-80% as of 30 June, depending on crop and the incurred and budgeted expenses, as significant risk to crop yield and price remains. After harvest, the crops are transferred to finished goods inventory where they are recorded at net realisable value determined by market prices or, where available, contracted prices.

During 2Q14, the Group revised its methodology for the estimation of fair value of biological assets to apply, in the view of the Group, more relevant market price indicators. Due to the seasonality in the agricultural business, quoted crop prices fluctuate significantly as the trading cycle moves from previous year crop inventories to pricing current year harvest. Market prices at the reporting date (30 June) would typically refer to previous crop year inventories and may thus not be the best indicator for fair value determination of the current year crop in field. The Group's management believes that the Group should estimate fair value on the most relevant and reliable market information available. Therefore, the Group has applied 2014 harvest prices to estimate the value of its 1H14 biological assets. In 1H13, spot prices on 30 June were applied, with a significantly higher valuation estimate (USD 72.5mn in 1H14 vs USD 109.5mn in 6M 2013). As a result, the Group posted a loss on revaluation of biological assets of USD -0.5mn in 1H14 vs a 22.8mn gain in 1H13. The lower amount in 2014 is mainly driven by applying the lower prices more relevant to the current year harvest. In the Group's 1H13 report, it was disclosed that applying current year harvest prices would have lowered the estimated value of biological assets by USD 9.1mn. Conversely, had the 1H14 estimate of value of biological assets been done on June 30 2014 prices (more relevant to the 2013 crop), the revaluation had been approximately USD 23.5mn higher and so similar to the 1H13 estimate. The like-for-like EBIT for 1H14 would in this sense have been USD 18.1mn, vs USD 7.4 mn in 1H13.

In addition, the Group has taken a more cautious approach to yield estimates in its valuation of its biological assets. For the late harvest crops, where visibility is poorer, the group has put more weight on historical performance. For the crops that are currently being harvested, yield estimates used for biological asset valuation look cautious in comparison to initial harvest results. For details on prices and yields used in 1H13 and 1H14 biological asset valuations, please refer to the below table. 2H14 yields used for biological asset valuation can also be compared to currently harvested average yields on page 9.

Biological asset valuation 1H14 vs. biological asset valuation 1H13						
Crops	1H 2014			1H 2013		
	Yield	Price, net VAT, USD	Average completion	Yield	Price, net VAT, USD	Average completion
Winter wheat	3.9	170		3.4	231	
Spring wheat	2.3	170		2.5	231	
Corn	4.5	121		5.5	222	
Raps	1.2	321		1.0	347	
Suns	2.0	284	67.0%	2.2	473	66.7%
Sugarbeet	0.0	0		27.5	39	
Barley	2.5	141		2.9	207	
Pea	2.0	204		2.4	139	
Soy	1.1	403		1.0	334	
Potatos	35.0	297		35.0	206	
Total biological asset fair value			72,466			109,538

* Please refer to note 4 on page 20 for more detail

Production Overview



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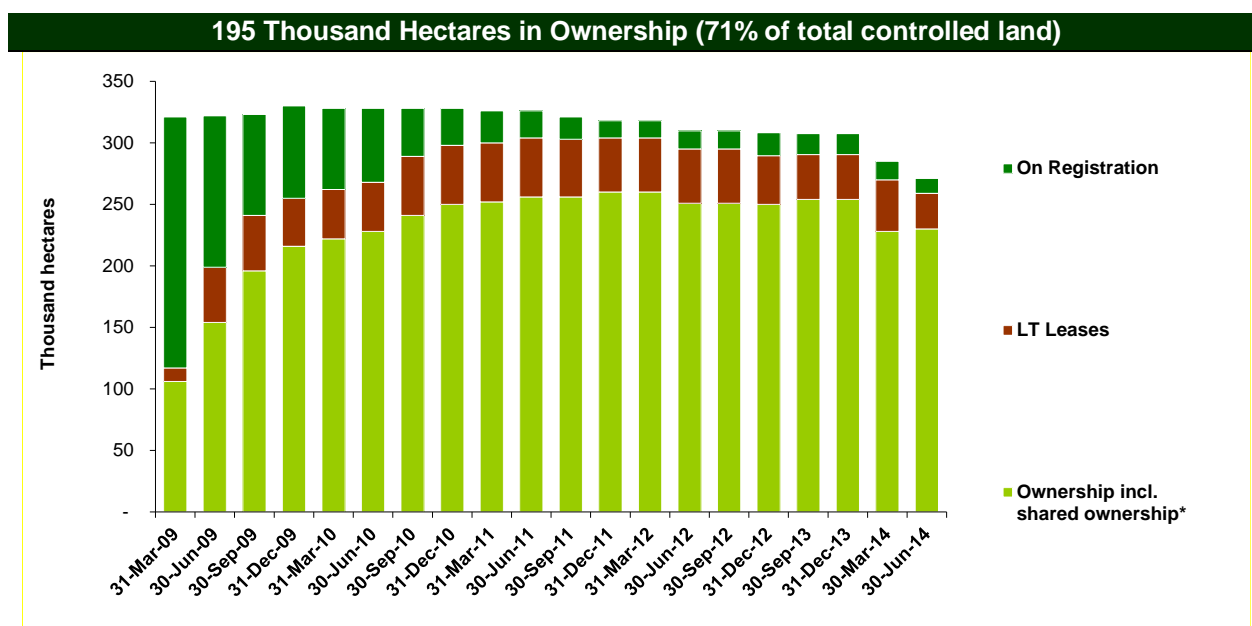
Crop Area Breakdown						
(hectares)	2009	2010	2011	2012	2013	2014 6M
Winter wheat	84,698	72,677	93,627	73,912	73,702	30,198
Spring wheat	3,824	10,157	13,093	4,368	3,412	6,140
Spring barley	43,053	13,793	26,535	22,718	21,850	16,076
Corn maize	8,084	8,592	6,149	26,000	36,814	55,311
Winter triticale	2,740	302	n/a	n/a	n/a	n/a
Total Grains	142,399	105,521	139,404	126,998	135,778	107,725
Winter rape	7,045	536	n/a	n/a	n/a	n/a
Spring rape	7,132	29,051	33,494	36,597	31,436	18,083
Sunflower	26,466	36,761	46,518	33,218	28,997	37,476
Soya	n/a	7,899	7,863	18,187	18,682	16,926
Total Oilseeds	40,643	74,247	87,875	88,002	79,115	72,485
Sugar Beet	n/a	n/a	1,621	5,085	8,822	n/a
Potatoes	n/a	n/a	n/a	31	196	884
Peas					1,721	2,429
Total Commercial Area	183,042	179,768	228,900	220,119	225,632	183,523
<i>Other / Forage crops</i>	<i>381</i>	<i>1,013</i>	<i>1,951</i>	<i>1,675</i>	<i>n/a</i>	<i>1,185</i>
Total harvest area	183,423	180,781	230,851	221,794	225,632	184,708

Average Net Crop Yields						
(tons/hectare)	2009	2010	2011	2012	2013	2014 6M
Winter wheat	3.3	1.9	2.4	2.1	3.3	4.0 ¹
Spring wheat	2.1	1.4	1.6	2.6	1.9	3.8 ²
Spring barley	2.8	1.4	1.9	2.4	2.6	3.6 ³
Corn maize	3.1	0.7	4.9	5.1	4.3	
Winter triticale	2.3	0.8	n/a	n/a	n/a	
Winter rape	1.6	0.5	n/a	n/a	n/a	
Spring rape	1.3	0.5	1.1	1.3	0.9	1.4 ⁴
Sunflower	1.7	0.8	2.0	1.9	2.0	
Soya	n/a	0.2	0.9	1.2	0.9	
Sugar beet	n/a	n/a	25.6	25.3	24.3	
Potatoes	n/a	n/a	n/a	33.2	33.9	
Peas					1.8	3.4 ⁵

¹ 100% of area harvested ² 18.4 of area harvested ³ 54.4% of area harvested ⁴ 6.4% of area harvested ⁵ 7.2% of area harvested

Net Harvest Volumes						
(tons)	2009	2010	2011	2012	2013	2014 6M
Winter wheat	292,657	141,145	220,608	159,628	243,217	121,212
Spring wheat	8,764	14,008	21,187	11,495	6,585	4,254
Spring barley	127,793	19,937	49,166	54,233	56,592	31,138
Corn	27,823	5,797	29,989	132,829	158,986	
Winter triticale	6,432	249	n/a	n/a	n/a	
Total Cereal Grains	463,469	181,136	320,950	356,969	465,380	156,604
Winter rape	11,527	293	n/a	n/a	n/a	
Spring rape	9,708	16,822	36,887	46,052	28,292	1,160
Sunflower	46,602	30,849	92,805	62,759	57,994	
Soya	n/a	2,306	7,114	22,364	16,006	
Total Oilseeds	67,837	50,270	136,806	131,175	102,292	1,160
Sugar beet	n/a	n/a	41,531	128,405	214,720	
Potatoes	n/a	n/a	n/a	1,029	6,644	
Peas					3,295	590
Total Commercial Crops	531,306	231,406	499,287	617,578	792,331	158,354
<i>Other/Forage crops</i>	<i>3,381</i>	<i>3,686</i>	<i>14,597</i>	<i>13,213</i>		
Total Output	534,687	235,092	513,884	630,791	792,331	158,354

As of 30 June 2014 Black Earth Farming held 230 thousand hectares of land in ownership**, corresponding to 85% of the total controlled land bank of 271 thousand hectares. 13 thousand hectares in Samara, where operations have ceased, is held at fair value of USD 4.2mn classified as investment property in the balance sheet. Consolidation and further improvement of the operational efficiencies in and around the most efficient and profitable farm clusters remains the Company's key target in terms of its land holdings.



Russian agricultural land is in the Company's view still undervalued, both in terms of comparison with land of similar quality in other countries and also in relation to its inherent production potential, especially in the fertile Black Earth Region. Black Earth Farming holds all 230 thousand hectares of land that is not leased or classified as assets held for sale at acquisition cost, recorded in the statement of financial position at a value of USD 48.6mn as of 30 June 2014.

**including shared ownership

Risks and Share Data



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Risks and Uncertainties

Risks and uncertainties are described in the annual report for 2013. The risks can be summarised as Risks relating to the Company, Risks relating to the Company's business and Risks relating to Russia. Current risks, including the risks relating to the conflict in Eastern Ukraine, are also discussed in the CEO comment on p. 3. Risks and uncertainty factors that existed on 31 December 2013 also exist on 30 June 2014.

Outstanding shares

As of 30 June 2014 the amount of outstanding shares was 207,669,445. The Company also has outstanding share-based incentive programs described in note 26 (d) in the 2013 Annual Report. The market capitalisation as of 30 June 2014 was approximately SEK 1,194mn or USD 185mn.

Shareholders

The total number of shareholders, as of 30 June 2014, amounted to 12,418.

Compiled SDR information

Official listing:	Nasdaq OMX Stockholm
Form of listing:	Swedish Depository Receipt ("SDR")
Round lot:	1
Sector:	Agricultural Products
Exchange ISIN code:	SE0001882291
Short name:	BEF SDB
Reuters:	BEFsdb.ST
Bloomberg:	BEFSDB SS

Six months share data

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
69,984,410	435,659	152

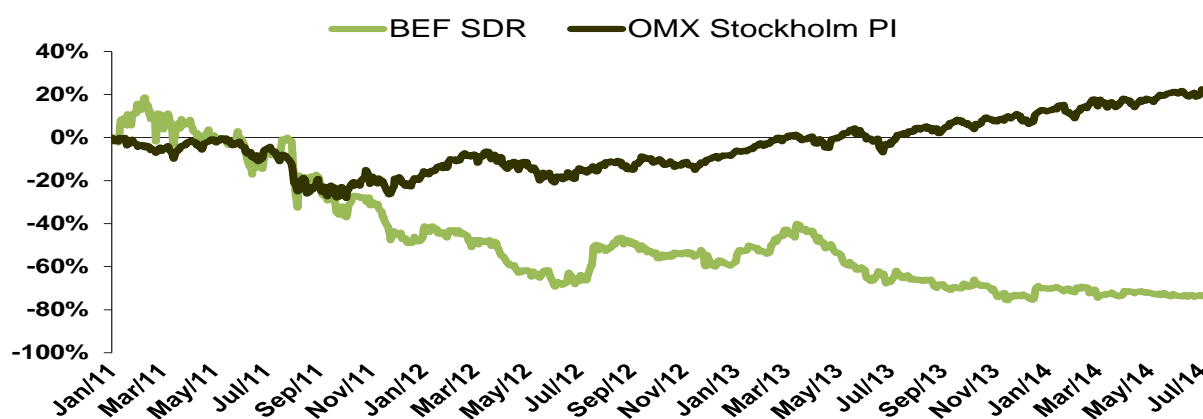
Source: NASDAQ OMX

Top 5 shareholders as of 30 June 2014

Owner	% of votes & capital
AB INVESTMENT KINNEVIK	24.9%
GOMOBILE	10.8%
ALECTA PENSION FUNDS	9.8%
DANSKE INVEST FUNDS	5.6%
LUXOR CAPITAL	4.9%

Source: Euroclear Sweden share registry & shareholders' reference

Share Performance vs. OMX Stockholm index



Black Earth Farming SDR

5.10	Price SEK/SDR 30 June 2014	Change 1 Month	Change 3 Months	52 Week High
		-3.4%	-1.7%	8.0
	Change 6 Months	Change 1 Year	52 Week Low	
	-12.2%	-32.6%	5.1	

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME FOR THE
SIX AND THREE MONTHS PERIOD ENDED 30 JUNE 2014**



In thousands of US Dollars

	Notes	Six months ended		Three months ended	
		30-June-14	30-June-13	30-June-14	30-June-13
Revenue	3	36,991	39,546	11,542	19,623
(Loss)/gain on revaluation of biological assets	4	(524)	22,817	(723)	22,809
Change in net realisable value of agricultural produce after harvest		597	(1,570)	3	17
Total revenue and gains	5	37,064	60,793	10,822	42,449
Cost of sales	6	(28,255)	(21,815)	(7,528)	(11,945)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		(5,507)	(22,525)	(1,256)	(9,218)
Gross profit		3,302	16,453	2,038	21,286
Distribution expenses		(7,064)	(3,082)	(2,368)	(1,396)
General and administrative expenses		(10,316)	(9,380)	(5,500)	(5,128)
Taxes other than income		(660)	(948)	(275)	(477)
State grants and subsidies		1,637	1,638	428	1,638
Crop insurance net of insurance grants		(123)	-	(123)	-
Other income and expenses, net	7	7,810	2,749	9,685	2,104
Operating (loss)/profit		(5,414)	7,430	3,885	18,027
Financial income		1,046	1,025	612	573
Financial expenses		(4,751)	(5,779)	(2,355)	(2,959)
Foreign exchange (loss)/income		(2,606)	(2,869)	5,608	(1,845)
(Loss)/profit before income tax		(11,725)	(193)	7,750	13,796
Income tax expense		(1,950)	(328)	(1,849)	(412)
(Loss)/profit for the period		(13,675)	(521)	5,901	13,384
(Loss)/ earnings per share, basic and diluted in USD	11	(0.07)	(0.00)	0.03	0.06

The condensed consolidated interim statement of income is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 17 to 25.



In thousands of US Dollars

	Notes	Six months ended		Three months ended	
		30-June-14	30-June-13	30-June-14	30-June-13
(Loss)/profit for the period		(13,675)	(521)	5,901	13,384
Other comprehensive (loss)/income					
Translation difference		(6,690)	(13,360)	11,635	(13,657)
Other comprehensive (loss)/income for the period		(6,690)	(13,360)	11,635	(13,657)
Total comprehensive (loss)/income for the period attributable to owners of the parent		(20,365)	(13,881)	17,536	(273)

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 17 to 25.

In thousands of US Dollars

	Notes	30-June-14	31-Dec-13
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		157,749	176,744
Intangible assets		158	309
Biological assets (livestock)	4	549	674
Other non-current assets		3,072	2,378
Deferred tax assets		203	195
Investment property		4,189	4,305
Total non-current assets		165,920	184,605
<i>Current assets</i>			
Inventories		17,345	56,096
Biological assets (crop production)	4	72,466	17,637
Trade and other receivables	8	22,643	22,259
Other financial assets		53	-
Cash and cash equivalents		49,479	64,925
Total current assets		161,986	160,917
Total assets		327,906	345,522
EQUITY AND LIABILITIES			
<i>Equity attributable to owners of the parent</i>			
Share capital		2,077	2,077
Share premium		524,771	524,771
Reserves		6,785	6,103
Accumulated deficit		(229,637)	(215,962)
Translation reserve		(94,807)	(88,246)
Total equity		209,189	228,743
LIABILITIES			
<i>Non-current liabilities</i>			
Non-current loans and borrowings	9	84,850	97,359
Deferred tax liabilities		648	737
Total non-current liabilities		85,498	98,096
<i>Current liabilities</i>			
Current loans and borrowings	9	1,737	2,053
Trade and other payables		31,482	15,940
Other financial liabilities		-	690
Total current liabilities		33,219	18,683
Total liabilities		118,717	116,779
Total equity and liabilities		327,906	345,522

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 17 to 25.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN
EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**



**BLACK
EARTH
FARMING LTD.**

In thousands of US Dollars

	Share capital	Share premium	Reserves	Accumu- lated deficit	Trans- lation reserve	Total equity attributable to owners of the parent
Balance as at 1 January 2013	2,077	524,771	6,784	(177,067)	(77,012)	279,553
Loss for the period	-	-	-	(521)	-	(521)
Other comprehensive income/(loss)						
Translation differences	-	-	(611)	-	(13,360)	(13,971)
Total other comprehensive income	-	-	(611)	-	(13,360)	(13,971)
Recognition of share-based payments	-	-	1,109	-	-	1,109
Balance as at 30 June 2013	2,077	524,771	7,282	(177,588)	(90,372)	266,170
Balance as at 1 January 2014	2,077	524,771	6,103	(215,962)	(88,246)	228,743
Loss for the period	-	-	-	(13,675)	-	(13,675)
Other comprehensive income/(loss)						
Translation differences	-	-	(129)	-	(6,561)	(6,690)
Total other comprehensive income	-	-	(129)	-	(6,561)	(6,690)
Recognition of share-based payments	-	-	811	-	-	811
Balance as at 30 June 2014	2,077	524,771	6,785	(229,637)	(94,807)	209,189

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 17 to 25.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014**



**BLACK
EARTH
FARMING LTD.**

In thousands of US Dollars

	Six months ended 30- June-14	Six months ended 30- June-13
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(13,675)	(521)
<i>Adjustments for:</i>		
Income tax expense	1,950	328
Depreciation and amortisation	5,955	5,214
Change in allowance for doubtful debts	276	(518)
Foreign exchange loss	2,606	2,869
Interest income	(702)	(1,025)
Interest expense	4,751	5,779
Income on disposal of property, plant and equipment	(6,911)	(269)
Gain on revaluation of investment property	-	343
Share based payments	811	1,109
Loss on disposal of subsidiary	288	-
Change in value of biological assets and agricultural produce	(73)	(21,247)
Effect of revaluations on cost of goods sold	5,507	22,525
	783	14,587
Movements in working capital:		
Decrease in inventories	30,272	36,191
Increase in biological assets	(50,889)	(60,170)
(Increase)/decrease in trade and other receivables	(2,066)	6,666
Increase in trade payables and other short-term liabilities	12,214	9,900
Cash generated from/(used in) operations	(9,686)	7,174
Interest paid	(4,740)	-
Income tax paid	(232)	(42)
Net cash generated from/(used in) operating activities	(14,658)	7,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	702	1,025
Acquisition of land plots	(385)	(117)
Acquisition of property, plant and equipment	(9,395)	(6,486)
Proceeds from disposal of property, plant and equipment	20,786	27
Acquisition of intangible assets	(16)	(18)
Proceeds from disposal of subsidiary net of cash disposed of	2,722	-
Net cash generated from/(used in) investing activities	14,414	(5,569)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of bonds	(11,005)	(5,872)
Net cash used in financing activities	(11,005)	(5,872)
Net decrease in cash and cash equivalents	(11,249)	(4,309)
Cash and cash equivalents at the beginning of the period	64,925	86,885
Currency translation differences on cash and cash equivalents	(4,197)	(4,918)
Cash and cash equivalents at the end of the period	49,479	77,658

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 17 to 25.

1 Background

(a) Organization 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, Guernsey (Channel Islands) and the Russian Federation. Those entities are together referred to as the "Group".

The Company's registered office is Nautilus House, La Cour des Casernes, St. Helier JE1 3NH, Channel Islands. Registration № 89973.

The Group's activities include farming, production of crops and dairy produce and the distribution of related products in the Russian Federation and exporting to other countries. The Group commenced operations in 2005.

The Company's shares are listed in the form of Swedish Depository Receipts ("SDR") on the Mid Cap segment on NASDAQ OMX Stockholm.

(b) Russian business environment

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

Because the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

The recent political and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Rouble, higher interest rates, reduced liquidity and making it harder to raise international funding. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the financial markets, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's expectations. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business.

(c) Seasonality

Agricultural sector exhibits obvious seasonal behavior. During the period from December to March, the organic growth of the crops is minimal. Due to this seasonality no major inputs are made in the production. During the summer period the finished goods in stock are at minimum level as prior year harvested grain is sold and no current year grain is yet harvested. Accounts payable are significantly higher in comparison with December because of significant purchases not yet paid for, primarily for agricultural inputs such as seeds, fertilizers, fuel and other.

2 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs") as endorsed by the European Union and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.



(b) Significant accounting policies

The condensed consolidated interim financial statements are prepared on the historical cost basis, except for biological assets measured at fair value less estimated point-of-sale costs, investment property and financial instruments measured at fair value, and agricultural produce measured at net realizable value.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

(c) Functional and presentation currency

Functional currency of the majority of the Group entities is considered to be the Russian Rouble ("RUR"), the currency of the primary economic environment in which the Group operates. The functional currency of the Group entities domiciled outside of the Russian Federation is their local currency.

Starting from 1 January 2014 the presentation currency was changed from Russian Rouble to US Dollar ("USD"). All the financial information in these condensed consolidated interim financial statements has been retrospectively presented in USD utilizing period-end exchange rates for assets and liabilities, corresponding period weighted average exchange rates for condensed consolidated statement of comprehensive income accounts and historic rates for equity accounts and rounded to the nearest thousand.

The Central Bank of the Russian Federation's RUR to USD closing rates of exchange as of the reporting dates and the weighted average exchange rates for corresponding reporting periods are indicated below.

	<u>2014</u>	<u>2013</u>
For the six months ended 30 June	35.0824	31.0491
As at 30 June	33.6306	32.7090
As at 31 December	-	32.7292

3 Segment information

The operating segments definitions were developed by senior management in order to enable effective and efficient operating performance based on the geographic and sub-climatic split of the cropped areas in the four Black Earth regions: Voronezh, Kursk, Lipetsk and Tambov. The Group also has one operating entity in Samara region; however, for segment reporting purposes it was included in Tambov, as the entity's result is not material as a single operating segment.

The Elevator segment consists of two legal entities: LLC Agroterminal (with a working elevator containing 60 thousand tons of capacity) and LLC Agro-Invest Nedvizhimost (with new working elevators containing 105 thousand tons of capacity). The elevators are mainly used for storing internally produced crops with small portion of external sales.

The parent company Black Earth Farming Ltd. is not included in any of the operating segments, as it does not generate revenue, therefore its assets and expenses have been reflected within corporate assets and central administrative costs, respectively.

Starting from May 2014 the Group changed the composition and the presentation of its operating and reportable segments. As a result of a change in the Group's internal reporting, the Group considered the management company registered in Moscow did not qualify for an operating segment. Comparative financial information has been retrospectively adjusted to conform to the presentation of current period amounts.



(a) Segment revenues and results

In thousands of US Dollars

	Revenue from external sales Six months ended 30 June 2014	Inter- segment revenue Six months ended 30 June 2014	Depreciation and amortization Six months ended 30 June 2014	Net result Six months ended 30 June 2014
Agricultural companies				
- Voronezh region	4,871	4,078	1,065	(628)
- Kursk region	14,937	2,873	544	(994)
- Lipetsk region	10,714	2,464	727	3,139
- Tambov region	6,364	706	85	(3,336)
Elevators	105	1,569	3,290	(1,860)
Total	36,991	11,690	5,711	(3,679)
Central administrative costs and director's salaries				(9,545)
Other income and expenses				7,810
Financial expenses, net				<u>(6,311)</u>
Loss before income tax				<u>(11,725)</u>

In thousands of US Dollars

	Revenue from external sales Six Months ended 30 June 2013	Inter- segment revenue Six Months ended 30 June 2013	Depreciation and amortization Six months ended 30 June 2013	Net result Six months ended 30 June 2013
Agricultural companies				
- Voronezh region	9,037	663	396	3,581
- Kursk region	15,907	596	342	5,452
- Lipetsk region	10,579	682	836	3,988
- Tambov region	3,952	213	79	1,718
Elevators	71	2,329	3,412	(2,363)
Total	39,546	4,483	5,065	12,376
Central administrative costs, including directors' salaries				(7,695)
Other income and expenses				2,749
Financial expenses, net				<u>(7,623)</u>
Loss before income tax				<u>(193)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies according to IFRS. Segment result represents the profit earned by each segment without allocation of central administrative costs and directors' salaries (Black Earth Farming Ltd. and Management Company), other income and expenses and net financial expenses.



(b) Segment assets

In thousands of US Dollars

	30-June-14	31-Dec-13
Agricultural companies		
- Voronezh region	33,245	52,146
- Kursk region	78,191	68,505
- Lipetsk region	79,343	71,697
- Tambov region	47,710	48,577
Elevators	38,609	47,065
Total segment assets	277,098	287,990
Corporate assets	50,808	57,532
Consolidated total assets	327,906	345,522

(c) Revenues from major products

In thousands of US Dollars

	6 m. 2014	6 m. 2013
Corn	19,718	10,140
Sunflowers	5,843	18,006
Barley	4,773	5,107
Wheat	3,390	2,533
Soya	1,199	1,230
Spring rape seed	816	1,277
Milk and meat	686	762
Potatoes	239	-
Other and waste grains	25	204
Other goods and services	302	287
	36,991	39,546

(d) Geographical information

All of the Group's non-current assets are located and all operating activities are performed in the Russian Federation. The Group has the head office in Jersey, Channel Islands; however the head office does not own any non-current assets, generates only financial income and expenses and incurs administration costs and director salaries expenses.

4 Valuation of biological assets

<i>In thousands of USD</i>	Crop production (current)	Livestock (non-current)	Total
Balance at 1 January 2013	33,126	862	33,988
Increase due to incurred expenses	60,258	67	60,325
Decrease due to sales	-	(155)	(155)
Change in fair value less estimated point-of-sale costs	22,732	85	22,817
Effect of foreign currency exchange differences	(6,578)	(61)	(6,639)
Balance at 30 June 2013	109,538	798	110,336
Balance at 1 January 2014	17,637	674	18,311
Increase due to incurred expenses	53,496	73	53,569
Decrease due to sales	-	(133)	(133)
Change in fair value less estimated point-of-sale costs	(482)	(42)	(524)
Effect of foreign currency exchange differences	1,815	(23)	1,792
Balance at 30 June 2014	72,466	549	73,015

In accordance with IAS 41 “Agriculture” biological assets related to agricultural activity are measured at fair value less estimated point-of-sale costs, with any changes in fair value recognized in profit or loss. The fair value is determined based on a methodology that applies quoted or other relevant prices to estimated yields for the respective grain and oilseeds production in the Company’s crop portfolio.

During 2nd quarter 2014 the Group prospectively revised its methodology for the estimation of fair value of biological assets to apply, in the view of the Group, more relevant market price indicators. Due to seasonality in agricultural business, quoted crop and oilseeds prices fluctuate significantly as the trading cycle moves from previous year crop inventories to pricing current year harvest. Market prices at the reporting date (30 June), previously used as the fair value in the calculation of fair value less estimated point-of-sale costs, would typically refer to previous crop year inventories and may thus not be the best indicator for fair value determination of the current year crop in field. The Group’s management believes that the Group should estimate fair value on the most relevant and reliable market information available and therefore turned to using prices that are most relevant to the current year crops as the basis for the estimate of future selling prices.

Were the estimated yields per hectare or market prices would differ by 10% from management’s estimates, the impact on revenue and gains in the statement of comprehensive income for the six months ended 30 June 2014 would be to increase or decrease it by USD 6,708 thousand.

5 Revenue and gains

In thousands of US Dollars

	6 m. 2014	6 m. 2013
Revenue from sales of crop production	36,002	38,497
Revenue from sales of milk and meat	686	762
Revenue from sales of other goods and services	303	287
(Loss)/gain on revaluation of biological assets	(524)	22,817
Change in net realizable value of agricultural produce after harvest	597	(1,570)
	37,064	60,793

6 Cost of sales

In thousands of US Dollars

	6 m. 2014	6 m. 2013
Materials	17,934	13,453
Depreciation and amortization charge	4,497	3,802
Salary and social taxes	2,670	1,877
Third party crop handling services	1,516	969
Loss of crops	383	218
Rent	345	577
Taxes	559	559
Repair expenses	246	217
Other expenses	105	143
	28,255	21,815



7 Other income and expenses, net

In thousands of US Dollars

	6 m. 2014	6 m. 2013
Gain on assets sale in Voronezh region	7,266	-
Income on grain hedge	1,334	3,340
Fines and penalties received	107	8
Income on foreign exchange hedge	51	-
Gains and losses related to disposal of other assets	6	(386)
Result on disposal of plant, property and equipment	(305)	269
Change in bad debts provision	(151)	(49)
Donations	(25)	(38)
Loss on revaluation of investment property	-	(343)
Other income and expenses	(473)	(52)
	7,810	2,749

Gain on assets sale in Voronezh region

In April 2014 the Group finalized the sale of land and related real estate assets in subsidiaries OOO Podgornoe Agro-Invest, OOO Ostrogozhsk Agro-Invest and OOO Nedvizhimost Agro-Invest in the Voronezh region. As a result of this transaction, Black Earth Farming sold land and real estate that amounted to USD 12,827 thousand for a total cash consideration received of USD 20,360 thousand, realizing a gain of USD 7,533 thousand.

In June 2014 the Group finalized the sale of subsidiary OOO Kalach Agro-Invest in the Voronezh region. The details of the disposed assets and liabilities are as follows:

In thousands of US Dollars

	17-Jun-2014
Property, plant and equipment	1,555
Other non-current assets	1,300
Biological assets (crop production)	847
Cash and cash equivalents	571
Other current assets	120
Trade and other payables	(767)
Net assets of subsidiary	3,626
Cash consideration received	3,359
Loss on disposal of subsidiary	(267)

These transactions were completed as a part of the Group's strategy for optimization of land bank and profitability.

The income tax related to these transactions amounted to USD 1,881 thousand.

8 Trade and other receivables

In thousands of US Dollars

	30-June-14	31-Dec-13
VAT receivables	12,368	6,966
Advances paid for goods and services	5,413	6,330
Trade receivables	732	5,752
Income tax receivable	52	191
Other prepayments and receivables	4,886	3,954
Allowance for doubtful debts	(808)	(934)
	22,643	22,259



9 Refinancing of debt securities

As of 30 October 2013 the Group issued a new SEK 750 million (USD 111,291 thousand translated at exchange rate at 30 June 2014) senior unsecured bonds, each of a nominal amount of SEK 1,000,000, which is also the minimum round lot. The bonds have a fixed annual coupon of 9.40% and mature after 4 years. Interest will be paid on 30 January, 30 April, 30 July and 30 October each year, with the first interest payment on 30 January 2014 and the last on 30 October 2017. The bonds are listed on the Nasdaq OMX Stockholm exchange.

The offer to exchange Existing Bonds was accepted in a total nominal amount of SEK 371 million (USD 55,052 thousand translated at exchange rate at 30 June 2014) of which the Group has tendered SEK 100 million (USD 14,839 thousand translated at exchange rate at 30 June 2014) that is previously held on its own account.

In thousands of US Dollars

	30-Jun-14	31-Dec-13
Unsecured SEK bonds – at amortized cost	85,198	98,982
Non-current	83,461	97,359
Current	1,737	1,623
Unsecured borrowings and lease liabilities	1,389	430
Non-current finance lease liabilities	1,389	-
Current borrowings	-	430
Total borrowings	86,587	99,412

During the 2nd quarter 2014 the Group repurchased additional SEK 73 million (USD 10,832 thousand translated at exchange rate at 30 June 2014) in order to optimize interest and foreign exchange difference expense.

As at 30 June 2014, the Group is in compliance with all covenants stipulated in the bond agreement.

10 Dividends

During the six months period ended 30 June 2014 the Board of Directors proposes no dividends to be paid or declared.

11 Loss per share

The amounts are indicated in US Dollars

	6 m. 2014	6 m. 2013
Loss for the period	(13,675,000)	(521,000)
Weighted average number of ordinary shares	207,669,445	207,669,445
Basic and diluted loss per share (USD/share)	(0.07)	(0.00)

Additional shares under the existing warrant and executives share option plan are antidilutive in accordance with IAS 33 and are not included for the purposes of the calculation of dilutive loss per share.



12 Related party balance and transactions

In thousands of US Dollars

	6 m. 2014	6 m. 2013
Purchase of services from related parties		
Kinnevik Agri Ltd (i)	618	443
KCM international (ii)	651	492
	1,269	935
Accounts payable owed to related parties		
	30-June-14	31-Dec-13
KCM international (ii)	152	156
Kinnevik Agri Ltd (i)	96	159
	248	315

13 Contingencies and commitments

in thousands of US Dollars

	30-June-14	31-Dec-13
Commitments for acquisition of materials	2,099	2,156
Commitments for acquisition of property, plants and equipment	5,041	-
Commitments for lease agreements	21	978
	7,161	3,134

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these condensed consolidated interim financial statements.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was introduced from 1999 and was amended with effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.



Management believes that its pricing policy used currently and in the past is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation. Given the specifics of transfer pricing rules, the impact of any challenge of the Group's transfer prices cannot be reliably estimated. It could be significant to the financial conditions and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations in such uncertain areas. While management currently estimates that the tax positions and interpretations of the Group are consistent with current legislation and sustainable, there is a possible risk of outflow of financial resources, should tax positions and interpretations be challenged by the tax authorities. While the impact of any such challenge cannot be reliably estimated, it could be significant to the financial position and/or the overall operations of the Group.

As at 30 June 2014, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

14 Subsequent events

In July 2014 the Group repurchased additional SEK 63 million (USD 9,348 thousand translated at exchange rate at 30 June 2014) of its bonds. The repurchase offer is in line with the Group's efforts to reduce financing costs and was partly funded by the Group's recently announced land sales.

Black Earth Farming Ltd. is a leading farming company, publicly listed on Nasdaq OMX Stockholm and operating in Russia. It acquires, develops and farms agricultural land assets primarily in the fertile Black Earth region in southwest Russia. The Company has gained a strong market position in the Kursk, Tambov, Lipetsk and Voronezh regions, controlling some 271,000 hectares of what perhaps is the world's most fertile soil.



In 2014 Black Earth Farming plans to harvest approximately 184,000 hectares, effectively making it one of the world's largest public farming companies by cropped area. The Company's main products are wheat, barley, sunflower, rapeseed, corn, soya and potatoes.

The Board of Directors and the CEO 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.

Jersey, 15 August 2014

Vigo Carlund, Chairman

Camilla Öberg, Non-executive Director

Dmitry Zavgorodniy, Non- executive Director

Anders Kronborg, Non-executive Director

Poul Schroeder, Non-executive Director

Financial Calendar:

Interim Report January – September 2014

14 November 2014

For further information contact

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Report on Review of Interim Financial Statements

To the Shareholders and Board of Directors of Black Earth Farming Limited

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Black Earth Farming Limited and its subsidiaries (the "Group") as of 30 June 2014 and the related condensed consolidated interim statements of comprehensive income for the three-month and six-month periods then ended, and changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

**ZAO PricewaterhouseCoopers Audit
Alexei Ivanov**

**PricewaterhouseCoopers AB
Bo Lagerström**

**Moscow, Russian Federation
15 August 2014**

**Stockholm, Sweden
15 August 2014**

Terms & 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”

A 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.

“EBITDA”

EBITDA represents net income (loss) before interest expense, interest income, income tax expense (benefit), depreciation of property and equipment, amortization of intangible assets, and extraordinary or non-recurring income and expenses.

“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, corn 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.