

Black Earth Farming Ltd Interim Report

1 January – 30 September 2014



**BLACK
EARTH
FARMING LTD.**



Harvest close to completion. Nine month operating profit from stonger operational performance but dryness affects yield of corn crops.

Average realised 3Q14 sales price up 36% y-o-y due to crop mix and market price improvement since harvest lows. Improved 2014 average blended crop yield. 9M 2014 operating profit of USD 4.9 mn (-14.7). 3Q14 operating cash flow reduced as inventory built on lower volume sales through the harvest price trough .

Q3 2014 Highlights (vs. Q3 2013)

- Sales volume of 66.9 thousand tons (220.5) at an average price of USD 214 per ton (158)
- Sales revenue of USD 15.4mn (34.2)
- USD 11.3mn (-13.9) gain on revaluation of biological assets
- Operating result of USD 10.4mn (-22.2)
- Net result of USD 4.7mn (-26.9)
- Net result per share of USD 0.02 (-0.13)

9M 2014 Highlights (vs. 9M 2013)

- Total revenue & gains of USD 63.7mn (81.2)
- Operating result of USD 4.9mn (-14.7)
- Loss on FX translation of USD -7.3mn (-4.9)
- Net result of USD -9.0mn (-27.4)
- Net result per share of USD -0.04 (-0.13)

Events after the Reporting Period

- Fire at potato storage site destroys buildings and crop inventory. Loss estimated at up to USD 7mn
- Continued ruble depreciation since reporting date

CEO Comment Highlights (p.2)

- 2014 Operational Progress
- Sales & Marketing
- Financial Review
- 2015 Crop
- Summary & Outlook

Financial Overview (p.4)

	USD million	Q3 '14	Q3 '13	9M '14	9M '13
Crop Volumes Sold		66.9	220.5	245.0	345.0
Av. Sales Price		214	158	204	210
Total Revenue & Gains		26.7	20.4	63.7	81.2
Gross Result		16.4	(11.2)	19.7	5.2
EBITDA		19.7	4.3	14.0	(4.3)
Net Result		4.7	(26.9)	(9.0)	(27.4)

Net Crop Yield Development

Table 1

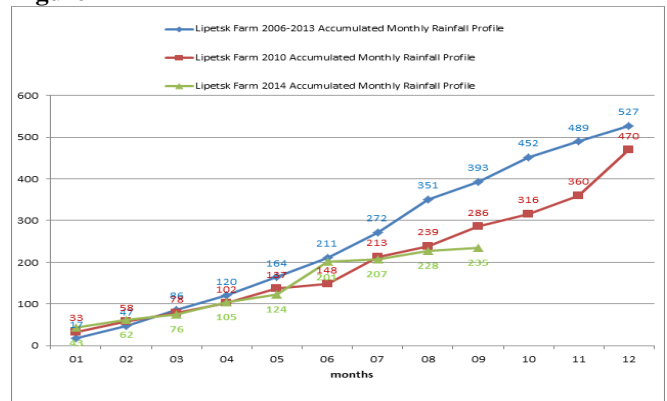
tons/ha	2011	2012	2013	2014	5 yr. Avr	% of 2014 area harvested
W wheat	2.4	2.2	3.3	4.0	2.6	100%
S wheat	1.6	2.6	1.9	3.6	2.0	100%
S barley	1.9	2.4	2.6	3.6	2.4	100%
Corn	4.9	5.1	4.3	3.5	4.0	92%
S rape	1.1	1.2	0.9	1.5	1.0	100%
Suns	2.0	1.9	2.0	1.9	1.7	100%
Soya	0.9	1.2	0.9	0.6	0.8	100%
Peas			1.8	2.4	n/a	100%
Potato		33.2	33.9	31.0	n/a	100%
SB	25.6	25.3	24.3	n/a	n/a	n/a

2014 Operational Progress

98% of the 2014 crop area is now harvested and actual net crop yields are summarized in the table above. The weather in central black earth regions in 2014 was somewhat unusual. Most of our farms experienced very high May and June rainfall and then extremely dry conditions from June onwards. On about 70% of our area the cumulative rainfall for our farms this year to date is now below 2010 levels and very substantially below seven year averages. The dry conditions from June onwards have enabled efficient harvesting with lower drying and transshipment costs. It has however impacted on the yield of the corn and sunflowers. Corn crops in West Kursk where there was more rainfall yielded very well. Improvement on blended yield is driven by best ever yields of spring barley, spring wheat, spring rape and peas and the second best ever wheat yield in the company's history, all of which were significantly higher than average regional yield figures. Seven out of nine crops are higher than historic averages and the comparable blended yield excluding sugar beet and potatoes is now up over 39% in the last three years. Soya yielded badly and worse than expected, as it did across most of the central black earth regions. The lower potato yield reflects a higher proportion of crop being stored and a longer storage period, thus likely incurring higher storage losses. On a fresh weight basis it is virtually the same as the 2013 yield. As at November 13 we still have circa 2% of our crop area to harvest consisting of 4,215 Ha of corn.

Historic Weather Data for Lipetsk Farm

Figure 1

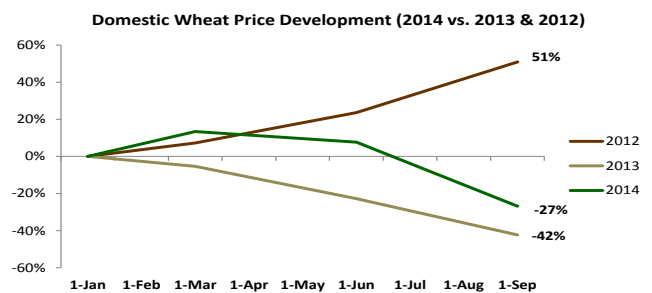


Sales & Marketing

Domestic crop prices have strengthened during the quarter due to reduced harvest sales pressure as per normal but also due to both increasing domestic consumption driving demand and the weakening ruble. Against international prices Russian domestic prices have proved relatively resilient albeit at historically very low levels if considered in USD or Euro terms. All crops with the exception of sunflowers, which have rallied recently, are at much lower price levels than twelve months ago if revalued in hard currency. In 3Q14, the Company slowed crop sales during harvest trough pricing and built inventories.

Domestic Wheat Price Development (2014 vs 2013 & 2012)

Figure 2



% price difference per crop in USD 2014* vs 2013

	Nov 14 on Nov 13	Sep 14 on Sep 13
	% change	%change
Wheat	-21%	0%
Corn	-3%	12%
SF	23%	1%
OSR	-6%	-12%
Soy	-30%	-12%
Average	-11%	-5%

* At spot 11 Nov spot rate of 46.50

Financial Review

Given the IFRS accounting practice of holding crop in field (biological assets) and crop in storage (inventory) at fair and net realizable value respectively, our results are highly sensitive to market price developments during and between the reporting periods. In 2014, prices firmed in 1H14, which allowed the company to sell the previous year crop inventory at close to the valuation point of December 31 2013. Prices however dropped sharply during the harvest period, which, together with more cautious yield estimates, was reflected in a lower valuation of our biological assets at 6M14. In 3Q14, prices firmed from harvest lows, partly driven by forex. This, along with higher completion and stronger than anticipated wheat and barley yields allowed the company to mark up the value of its 2014 crop and post a USD 16.4mn gross profit in 3Q14, despite disappointing corn and soya yields. In 2013, the trend was the reverse. Prior year inventory was sold at a loss and negative yield and price development versus the 6M13 biological asset valuation resulted in a mark down of the 2013 crop in 3Q13, as reflected in the USD -11.2mn gross loss. In 3Q14, we sold some 66.9kt (vs 220.5kt in 3Q13) of crops at an average price of USD 214 per ton (vs USD158 in 3Q13). Higher average prices in 3Q14 largely reflect sales crop mix (wheat, rape and potato in 2014 vs wheat and sugar beet in 2013). Higher value crop sales are also reflected in higher cost per tons in the quarter. As a result of greater export activity in 1H14, 9M14 distribution expenses are up despite significantly lower volume sales in 3Q14. 9M14 other income and expenses includes the gain on our sale of land in Voronezh in 2Q14 and a USD4.7mn gain on futures in our grain hedging program. Our interest expense is down as a result of our decision to employ the cash proceeds from the land sale to repurchase our own bonds (as disclosed in our 2Q14 report). From June 30 to September 30, the Russian ruble lost 8.2% against the Swedish krona, which increased our translation loss by USD4.7mn in 3Q14 to USD7.3mn for 9M14. A USD 4.7mn net profit in 3Q14 reduced the 9M14 net loss to USD-9.0mn. In 3Q13, a USD -26.9mn net loss reduced the 9M13 net profit to USD -27.4mn.

Cash flows from operations were weaker y-o-y in 9M14, mostly as a result of lower prices and volume sales. Capex increased y-o-y, as the Company stepped up its investments into its irrigated root crop business. As at September 30, the Company's cash position stood at USD22.7mn.

The company held SEK236.0mn (USD 32.5mn) of its own bonds on its balance at the reporting date.

2015 Crop

Autumn seeding of 42k hectares of winter wheat was completed by the second week of September. Although 60% emerged early the dry conditions meant 30% emerged after late September rainfall. Circa 10% is poorly established and at high risk of not being advanced enough to survive the winter. The total 2015 crop area is expected to be approximately 156k Ha vs. 184k Ha in 2014 (-15%). The crop mix will have an increased area of wheat and plans for an increase in rotational fallow. Soya will be substantially reduced and spring oilseed rape will be dropped. The increase in fallow is planned to allow early wheat establishment and allow a wider window in the rotation to manage soil structure and weed control thus improving productivity per hectare.

The dry autumn conditions have given an opportunity to undertake beneficial deep cultivations in excellent conditions.

Summary & Outlook

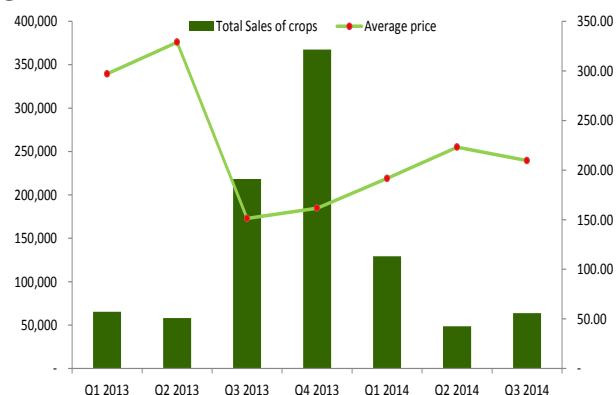
This year has however always been set against a background of very low commodity prices after two record global harvests and very challenging geopolitical conditions in the Russian Federation. The Ruble fell 8.2% against the Swedish Krona in the quarter and continued to decline subsequently. Prices, although higher than 2013 in Q3 due to a very different crop mix are lower than last year once converted into hard currency.

A promising start to the year with very good early season yields is somewhat marred by the very dry conditions from June onwards which although making for an early and efficient harvest have reduced yields on otherwise promising corn crops. The potato store fire is a huge frustration and a setback in what has been a very promising enterprise and an increasingly important part of the business. We are still working on reducing the loss by moving the affected crop into third party stores and making sales. Despite this the company will likely deliver again strong underlying operational improvements both in terms of crop yields and cost reduction for the third year running.

On behalf of the Board - 14 November 2014
Richard Warburton CEO and President

Sales Volumes & Price per Ton

Figure 3



Revenue

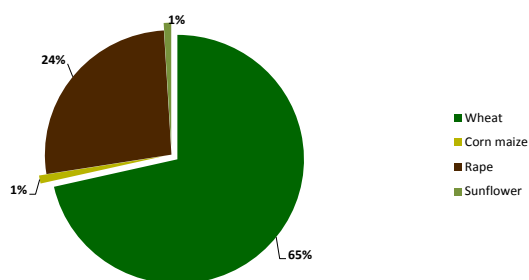
Sales revenue during 3Q14 decreased by 55% y-o-y to USD 15.4mn, as volume sold dropped 70% to 66.9kt while average prices rose 36% on crop mix. The 3Q14 sales mix consisted mainly of wheat (65% of volumes), oilseed rape (24%), corn (1%) and sunflower (1%). Realized Q314 wheat prices decreased by 8% y-o-y to USD 167 per ton and 38% q-o-q as domestic grain and oilseed prices declined during 2014, driven by forex and higher production volumes in Russia and globally.

Inventory & Gain/Loss of Revaluation

As of 30 September, 238kt of crops harvested in 2014 were held in inventory, with 39% of the volumes consisting of wheat, 24% barley, 4% soya beans, 5% rape seed, 11% sunflowers, 10% corn and 7% potatoes. Market prices (excluding 10% VAT) detailed on page 8 and, where applicable, contract prices have been used to estimate a net realisable value of USD 43.1mn (vs USD 31.5mn in 3Q13). Biological assets (2014 crop in field still to be harvested) were revalued to estimated fair value at time of harvest less incurred production costs and estimated selling expenses (see page 7 for more detail regarding the accounting treatment of biological

Q3 2014 Sales Mix

Figure 4



assets). The harvest of corn and sunflower was as of the reporting date ongoing and an estimated total of 227 thousand tons were recorded in biological assets at an estimated fair value of USD 40.0mn (vs USD 62.0mn in 3Q13). Better conditions and faster harvesting of a smaller area skewed the biological asset towards inventory in 3Q14. The 3Q14 revaluation of the 2014 crop resulted in a USD 11.3mn gain as harvest completion increased revenue recognition and prices firmed during the quarter.

Costs

3Q14 cost of goods sold consists mainly of the fair value estimate of 2014 crop in biological assets as of 30 June 2014. It also reflects the crop mix in the quarter, with higher value crops typically carrying higher costs of production. Mostly due to greater export activity in 1H14, 9M14 distribution expenses are up 31% y-o-y despite lower volume sales in 3Q14. 9M14 other income and expenses include the gain on our sale of land in Voronezh in 2Q14 (USD 7.0mn pre-tax) and a USD4.7mn (USD 3.4mn in 3Q14) gain on futures in our grain hedging program. Our interest expense is down as a result of our decision to repurchase bonds (as disclosed in our 2Q14 report). The ruble depreciated by 8.2% vs the SEK in 3Q14, increasing the loss on FX translation by USD-4.7mn to USD -7.3mn at 9M14 (vs USD -4.9mn in 9M13).

Quarterly Development of SG&A Expenses

Figure 5

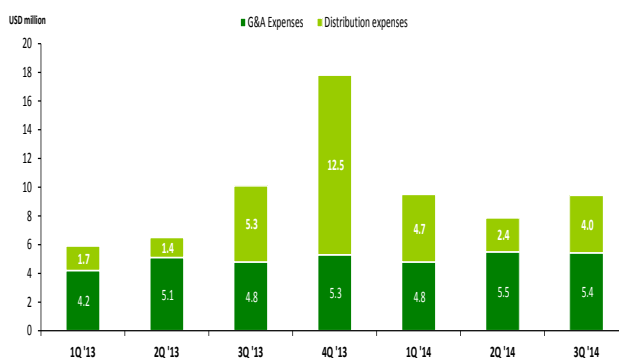


Table 2

Summarized Income Statement				
<i>USD* million</i>	Q3 '14	Q3 '13	9M '14	9M '13
Crop Volumes Sold	66,937	220,508	245,038	345,026
Av. Sales Price	214	158	204	210
Total Revenue & Gains	26.7	20.4	63.7	81.2
Gross Result	16.4	(11.2)	19.7	5.2
EBITDA	19.7	4.3	14.0	(4.3)
Net Result	4.7	(26.9)	(9.0)	(27.4)

Result

Prices recovered somewhat in 3Q14 and higher wheat and barley yields offset disappointing corn and soya yields, which allowed the company to mark up the value of its 2014 crop and post a USD16.4mn gross profit. A USD 3.4mn gain on grain hedges in 3Q14 supported a USD 10.4mn operating profit, only partly offset by interest expense and ruble translation loss. The net result of USD 4.7mn for 3Q14 vs USD -26.9mn in 3Q13, mostly reflects a stronger revaluation of the company's 2014 crop.

Table 3

Statement of Financial Position		
<i>USD* million</i>	30 Sep 2014	31 Dec 2013
Land	41.4	54.7
Buildings,	46.2	66.0
Machinery and equipment	42.6	56.0
Investment property	-	4.3
Other	13.9	3.6
Total Non-current Assets	144.2	184.6
Cash	22.7	64.9
Inventories	56.9	56.1
Biological Assets	40.0	17.6
Receivables	22.7	22.3
Assets held for sale	-	-
Total Current Assets	142.4	160.9
Total Assets	286.6	345.5
Total Debt	(70.0)	(99.4)
Total Liabilities	(32.8)	(17.4)
Equity	(183.8)	(228.7)
Total Equity & Liabilities	(286.6)	(345.5)

Financial Position

Fixed assets comprise of buildings (mainly storage facilities), land (230k Ha of fully owned and 271k Ha of controlled), and machinery and equipment used in crop production. Inventories include crops harvested in 2014 as well as inputs to be used for 2015 crops, which together amount to USD 56.9mn. The biological assets reflect the estimated fair value of the Company's crops in field. The Company had USD 22.7mn in cash as of 30 September and debt consisting of a SEK 750mn, of which the Company held SEK 236mn (USD 32.5mn) on its own balance. Total debt to total equity stood at 39% at the end of the reporting period.

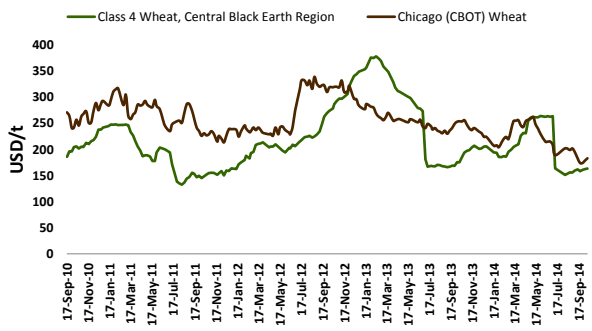
Cash Flow

Cash flow from operations before changes in working capital amounted to USD 4.0mn for 9M14, down from USD 16.0mn in 9M13 on lower prices and sales volumes. Outflows included net working capital of USD 18.6mn and net investments into machinery and infrastructure of USD 15.7mn. Over 9M14, USD 19.8mn of the proceeds from the sale of land in Voronezh was used to buy back bonds.

International

Beneficial weather conditions have supported upbeat forecasts for global output for 2014/15. The International Grains Council expects 2014/15 world grain production to increase by 8mn tons to 1,983mn, only marginally lower than last year's record. Even though demand is also forecast up by 2% y-o-y, ending stocks are expected to rise by 25mn tons y-o-y to the biggest since the end of 1990/00. Wheat output is already at its highest ever level. According to USDA, global 2014/15 wheat supplies have increased 0.5mn tons with higher production offsetting lower opening stocks. World production of wheat is up 6mn tons led by a 4.0mn ton increase for EU and FSU countries. Global wheat consumption for 2014/15 is also expected to rise 4.1mn tons to a record 714.1mn, reflecting both higher food and feed use. Global wheat trade is expected to grow with exports up 1.2mn tons to 156.0mn. Prospects for exceptional yields in the US and EU underpin the global maize forecast equal to last season's biggest-ever crop. Global oilseed production for 2014/2015 is also projected at 528mn tons, reflecting big soya crops in both North & South America, and stocks are predicted at 103.6mn, a 29% increase from 2013/14.

International vs. Russian Domestic Wheat Price



Source: IKAR, CBOT

reflecting big soya crops in both North & South America, and stocks are predicted at 103.6mn, a 29% increase from 2013/14.

Russia

Russian total grains production forecast for 2014/2015 is up by 12% y-o-y to 102mn due to very favorable weather for harvesting wheat and barley in the European part of Russia. The forecasted harvest volumes include 58mn tons of wheat (+10% y-o-y), 19mn tons of barley (+17% y-o-y) and 11mn tons of corn (+5% y-o-y). According to International Grains council, Russia is forecasted to export up to 29mn tons of grain in 2014/15. Exports for July-October stood at just over 15mn tons, 12mn of which was wheat, a record for the first 4 months of the marketing year. Russia's grain stocks on farms almost tripled from July to August 2014 and reached 30mn tons, which is 20% higher than last year. Prices of major grains started to decrease from the beginning of June until the end of August and only at the beginning of September did the prices recover. Harvesting of corn is yet to be completed and the upward price trend reflects increased feed demand - domestic feed consumption is predicted to increase by up to 15% y-o-y in response to the food & meat import ban. All domestic prices in rubles terms are also increasing due to the weakening currency and have strengthened from the harvest lows by approximately 25-30% on average.

Russian Supply and Demand of Grains

Figure 6



Source: IGC, IKAR, USDA

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

Figure 7

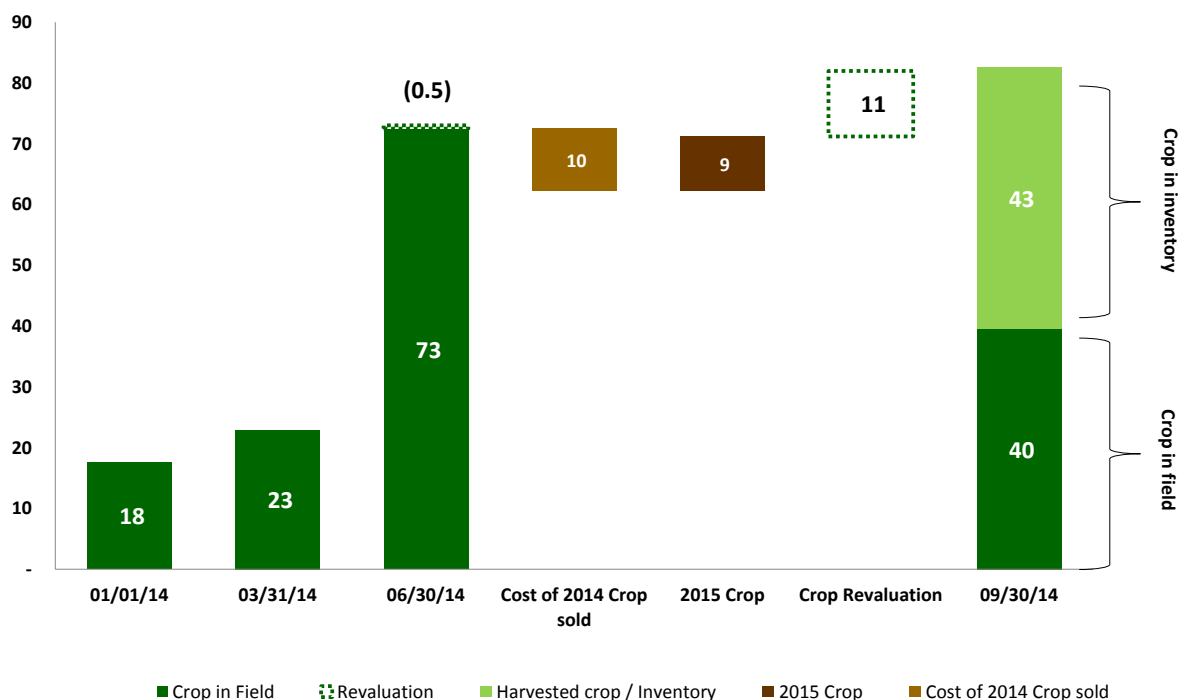


Source: IGC, IKAR, USDA

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 by an estimate of future 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 2014

Figure 8



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 and to determine an estimate of fair value at the time of harvest. The initial revenue estimate is adjusted with a completion factor, typically in the range of 50-80% as of June 30, depending on crop and incurred vs forecasted 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.

As of 30 September 2014, there was a total area of 71.4 thousand hectares still to be harvested, including sunflower and corn, which were recorded in biological assets. The forecasted total volume of 227 thousand tons had an estimated fair value of USD 40.0mn. In addition, the Company held 238 thousand tons in inventory at 30 September, valued at USD 43.1mn on market and, where available, contract prices. The major drivers of the change in estimated fair value of the 2014 crop over 3Q14 were a higher completion factor and higher crop prices. As of 30 June, only 50-70% of the expected revenue were recognized in the fair value estimate, compared to 92-100% at 30 September. These drivers resulted in a USD 11.3mn revaluation gain on the 2014 crop in field and in inventory, affecting total revenue and gains in the income statement. In 3Q13, the corresponding revaluation generated a USD -13.9mn loss, as prices fell from the 6M13 valuation point and as completion was lower. At 9M14, USD 9.3mn had been incurred to seed 2014 winter crops and to prepare the soil for the 2015 growing season. This is also recorded in biological assets.

Sales Development & Crop Inventory



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. 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 September 2014 as well as the development of crop sales during 2014 and 2013. Note that all recorded prices exclude 10% VAT.

2014 Quarterly Sales Volume & Crop Inventory

Table 4

	<u>Quarterly Sales</u>					<u>Crop in Inventory</u>	
	3Q '14	2Q '14	1Q '14	4Q '13	3Q '13	30 Sep '14	31 Dec '13
Volume, k tons							
<i>Wheat</i>	41,115	841	17,177	86,000	134,564	93,312	20,470
<i>Barley</i>	34	12,814	11,966	6,600	21,300	57,690	27,715
<i>Corn</i>	601	24,904	85,428	38,300	494	22,753	116,952
<i>Rape</i>	15,274	-	2,130	19,900	6,957	10,855	1,982
<i>Sunflower</i>	549	10,029	8,788	39,100	213	26,062	18,912
<i>Soya</i>	-	-	2,831	12,200	390	9,088	3,033
<i>Sugar beet</i>	-	-	-	161,900	52,774	-	-
<i>Potato</i>	6,064	-	1,005	3,600	1,569	16,677	1,438
<i>Other (seeds/forage)</i>	3,300	106	82	2,400	3,108	1,858	8
Total Tons	66,937	48,694	129,407	370,000	221,369	238,295	190,510
Price, USD/ton							
<i>Wheat</i>	167	268	183	200	181	141	201
<i>Barley</i>	131	187	194	158	154	152	207
<i>Corn</i>	128	204	169	164	213	120	161
<i>Rape</i>	320	-	379	398	337	268	426
<i>Sunflower</i>	297	312	301	320	417	275	339
<i>Soya</i>	-	-	414	470	476	396	433
<i>Sugar beet</i>	-	-	-	49	44	-	-
<i>Potato</i>	220	-	235	219	222	268	275
<i>Other</i>	298	24	67	74	328	117	-
Average Price	214	223	191	161	154	181	198

All prices are ruble denominated ex.10% VAT and have been translated to USD at USD/RUB 35.47

As at 30 September 2014, the Company recorded inventories at a total value of USD 56.9mn. Total inventories include finished goods, i.e. crops harvested in 2014 and held for sale, as well as raw materials to be used in production. At 30 September 2014, the Company held 238 thousand tons of crops harvested during 3Q 2014, valued at an average price of USD 181 per ton to USD 43.1mn. At 30 September 2013, the Company held 174 thousand tons of crops, valued at an average price of USD 180 per ton to USD 31.5mn.

Production Overview



**BLACK
EARTH
FARMING LTD.**

Table 5

Crop Area Breakdown						
(hectares)	2009	2010	2011	2012	2013	2014 9M
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	51,081 ¹
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	103,495
Winter rape	7,045	536	n/a	n/a	n/a	108
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	72,593
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					1721	2,429
Total Commercial Area	183,042	179,768	228,900	220,115	225,632	179,401
<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>520</i>
Total harvest area	183,423	180,781	230,851	221,790	225,632	179,921

Average Net Crop Yields						
(tons/hectare)	2009	2010	2011	2012	2013	2014 9M
Winter wheat	3.5	1.9	2.4	2.1	3.3	4.0
Spring wheat	2.3	1.4	1.6	2.6	1.9	3.6
Spring barley	3.0	1.4	1.9	2.4	2.6	3.6
Corn maize	3.4	0.7	4.9	5.1	4.3	3.5 ¹
Winter triticale	2.3	0.8	n/a	n/a	n/a	n/a
Winter rape	1.6	0.5	n/a	n/a	n/a	0.7
Spring rape	1.4	0.6	1.1	1.3	0.9	1.5
Sunflower	1.8	0.8	2.0	1.9	2.0	1.9
Soya	n/a	0.3	0.9	1.2	0.9	0.6
Sugar beet	n/a	n/a	25.6	25.3	24.3	n/a
Potatoes	n/a	n/a	n/a	33.2	33.9	31.0
Peas					1.8	2.4

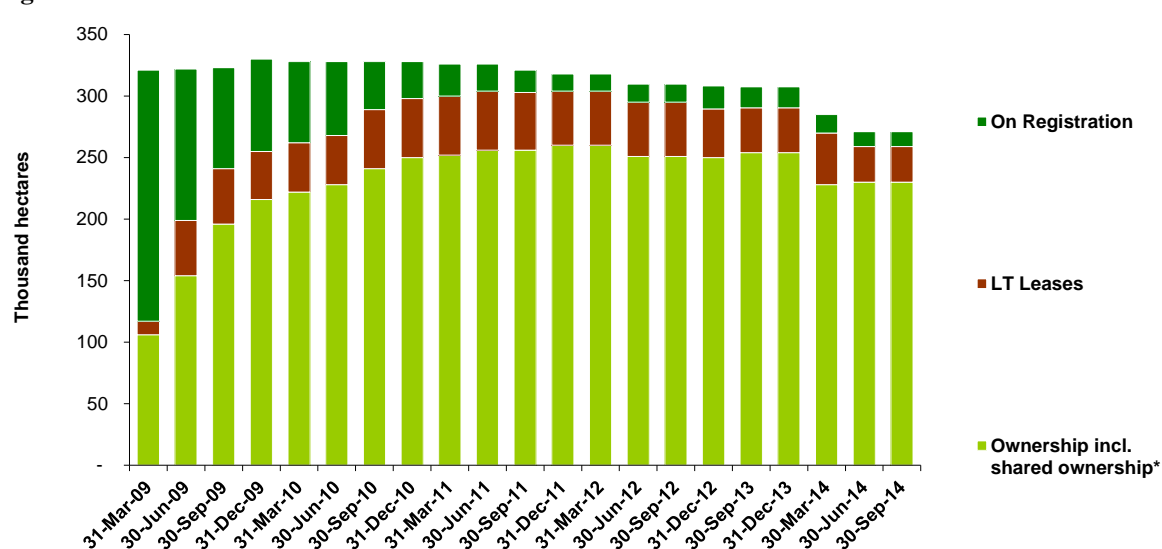
¹92% of area harvested

Net Harvest Volumes						
(tons)	2009	2010	2011	2012	2013	2014 9M
Winter wheat	292,657	141,145	220,608	157,571	243,217	121,185
Spring wheat	8,764	14,008	21,187	11,495	6,585	22,379
Spring barley	127,793	19,937	49,166	55,074	56,592	57,492
Corn	27,823	5,797	29,989	132,829	158,986	180,954 ¹
Winter triticale	6,432	249	n/a	n/a	n/a	n/a
Total Cereal Grains	463,469	181,136	320,950	356,969	465,380	382,010
Winter rape	11,527	293	n/a	n/a	n/a	78
Spring rape	9,708	16,822	36,887	46,052	28,292	27,166
Sunflower	46,602	30,849	92,805	62,759	57,994	71,352
Soya	n/a	2,306	7,114	22,364	16,006	9,461
Total Oilseeds	67,837	50,270	136,806	131,175	102,292	108,057
Sugar beet	n/a	n/a	41,531	128,405	214,720	n/a
Potatoes	n/a	n/a	n/a	1,029	6,644	27,416
Peas					3,295	5,759
Total Commercial Crops	531,306	231,406	499,287	617,578	792,331	523,242
<i>Other/Forage crops</i>	<i>3,381</i>	<i>3,686</i>	<i>14,597</i>	<i>13,213</i>		<i>9,386</i>
Total Output	534,687	235,092	513,884	630,791	792,331	532,628

As of 30 September 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. Consolidation and further improvement of the operational efficiencies in and around the existing land bank remains a key objective.

230 Thousand Hectares in Ownership (85% of total controlled land)

Figure 9



Russian agricultural land is in the Company's view still undervalued, both in comparison with land of similar quality in other countries and in relation to its inherent production potential, especially in the fertile Black Earth Region. Black Earth Farming holds the 242 thousand hectares of land that is not leased at acquisition cost, as recorded in the statement of financial position at a value of USD 41.4 million as of 30 September 2014.

The Black Earth Farming Share



**BLACK
EARTH
FARMING LTD.**

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. Risks and uncertainty factors that existed on 31 December 2013 also exist on 30 September 2014. In light of the recent events in Eastern Ukraine, risks in the Company's business environment may have intensified.

Outstanding shares

As of 30 September 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 September 2014 was approximately SEK 702 million or USD 109 million.

Shareholders

The total number of shareholders, as of 30 September 2014, amounted to approximately 12,034.

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

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
84,659,874	230,267	101

Source: NASDAQ OMX

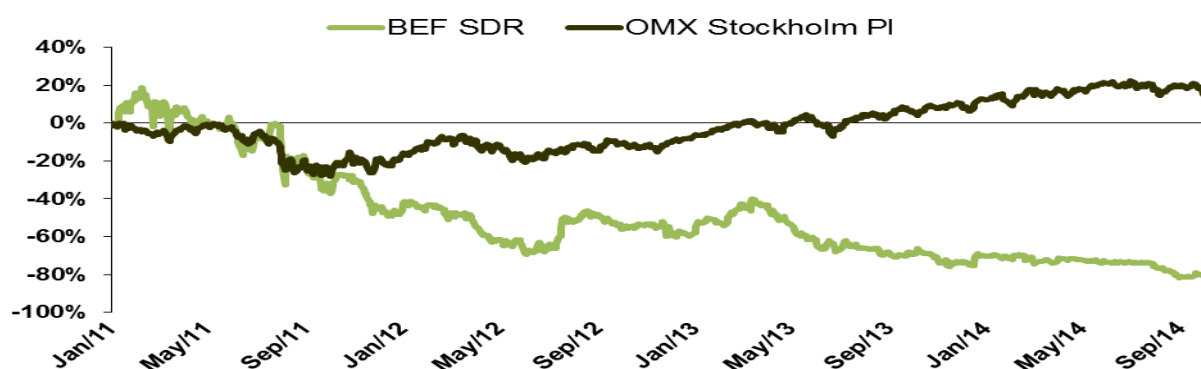
Top 5 shareholders as of 30 September 2014

Owner	% of votes & capital
AB INVESTMENT KINNEVIK	24.9%
GOMOBILE NU AB	11.0%
ALECTA PENSION FUNDS	9.8%
DANSKE INVEST FUNDS	5.3%
AVANZA PENSION	3.6%

Source: Euroclear Sweden share registry & shareholders' reference

Share Performance vs. OMX Stockholm index

Figure 10



Black Earth Farming SDR

Price SEK/SDR 30 Sep 2014	Change 1 Month	Change 3 Months	52 Week High
3.38	-24.9%	-41.2%	6.9
	Change 6 Months	Change 1 Year	52 Week Low
	-40.7%	-51.0%	3.3

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

In thousands of US Dollars

	Notes	Nine months ended		Three months ended	
		30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
Revenue	3	52,405	73,785	15,414	34,239
Gain/(loss) on revaluation of biological assets	4	10,733	8,939	11,257	(13,878)
Change in net realisable value of agricultural produce after harvest		590	(1,566)	(7)	4
Total revenue and gains	4	63,728	81,158	26,664	20,365
Cost of sales	5	(38,539)	(50,322)	(10,284)	(28,507)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		(5,447)	(25,596)	60	(3,071)
Gross profit/(loss)		19,742	5,240	16,440	(11,213)
Distribution expenses		(11,070)	(8,450)	(4,006)	(5,368)
General and administrative expenses		(15,740)	(14,053)	(5,424)	(4,673)
Taxes other than income		(1,034)	(1,585)	(374)	(637)
State grants and subsidies		2,061	2,161	424	523
Crop insurance net of insurance grants		(324)	(1,038)	(201)	(1,038)
Other income and expenses, net	6	11,304	2,986	3,494	237
Operating profit/(loss)		4,939	(14,739)	10,353	(22,169)
Financial income		1,192	1,357	146	332
Financial expenses		(6,444)	(8,333)	(1,693)	(2,554)
Foreign exchange loss		(7,275)	(4,933)	(4,669)	(2,064)
(Loss)/profit before income tax		(7,588)	(26,648)	4,137	(26,455)
Income tax (expense)/benefit		(1,398)	(755)	552	(427)
(Loss)/profit for the period		(8,986)	(27,403)	4,689	(26,882)
(Loss)/ earnings per share, basic and diluted, in USD	10	(0.04)	(0.13)	0.02	(0.13)

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

In thousands of US Dollars

	Notes	Nine months ended		Three months ended	
		30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
(Loss)/profit for the period		<u>(8,986)</u>	<u>(27,403)</u>	<u>4,689</u>	<u>(26,882)</u>
Other comprehensive loss					
Translation reserve		(36,742)	(13,360)	(30,181)	(73,045)
Other comprehensive loss for the period		<u>(36,742)</u>	<u>(13,360)</u>	<u>(30,181)</u>	<u>(73,045)</u>
Total comprehensive loss for the period attributable to owners of the parent		<u>(45,728)</u>	<u>(40,763)</u>	<u>(25,492)</u>	<u>(99,927)</u>

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30
SEPTEMBER 2014

In thousands of US Dollars

	Notes	30-Sep-14	31-Dec-13
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		139,262	176,744
Intangible assets		77	309
Biological assets (livestock)		475	674
Other non-current assets		616	2,378
Deferred tax assets		199	195
Investment property		3,577	4,305
Total non-current assets		144,206	184,605
<i>Current assets</i>			
Inventories		56,933	56,096
Biological assets (crop production)		40,007	17,637
Trade and other receivables	7	22,726	22,259
Cash and cash equivalents		22,730	64,925
Total current assets		142,396	160,917
Total assets		286,602	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		6,913	6,103
Accumulated deficit		(224,948)	(215,962)
Translation reserve		(124,988)	(88,246)
Total equity		183,825	228,743
LIABILITIES			
<i>Non-current liabilities</i>			
Non-current loans and borrowings	8	70,013	97,359
Deferred tax liabilities		562	737
Total non-current liabilities		70,575	98,096
<i>Current liabilities</i>			
Current loans and borrowings	8	1,569	2,053
Trade and other payables		30,633	15,940
Other financial liabilities		-	690
Total current liabilities		32,202	18,683
Total liabilities		102,777	116,779
Total equity and liabilities		286,602	345,522

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2014

In thousands of US Dollars

	Share capital	Share premium	Reserves	Accumulated deficit	Translation 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	-	-	-	(27,403)	-	(27,403)
Other comprehensive loss						
Translation differences	-	-	(581)	-	(13,360)	(13,941)
Total other comprehensive (loss)/income	-	-	(581)	-	(13,360)	(13,941)
Recognition of share-based payments	-	-	1,550	-	-	1,550
Balance as at 30 September 2013	2,077	524,771	7,753	(204,470)	(90,372)	239,759
Balance as at 1 January 2014	2,077	524,771	6,103	(215,962)	(88,246)	228,743
Loss for the period	-	-	-	(8,986)	-	(8,986)
Other comprehensive loss						
Translation differences	-	-	(1,234)	-	(36,742)	(37,976)
Total other comprehensive (loss)/income	-	-	(1,234)	-	(36,742)	(37,976)
Recognition of share-based payments	-	-	2,044	-	-	2,044
Balance as at 30 September 2014	2,077	524,771	6,913	(224,948)	(124,988)	183,825

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

In thousands of US Dollars

	Nine months ended 30-Sep-14	Nine months ended 30-Sep-13
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(8,986)	(27,403)
<i>Adjustments for:</i>		
Income tax expense	1,398	755
Depreciation and amortisation	9,032	10,220
Change in allowance for doubtful debts	299	(443)
Foreign exchange loss	7,275	4,933
Interest income	(786)	(1,357)
Interest expense	6,444	8,333
Gain on disposal of property, plant and equipment	(7,112)	(232)
Gain on revaluation of investment property	-	336
Share based payments	2,044	1,550
Gross crop insurance	-	1,038
Loss on disposal of subsidiary	285	-
Change in value of biological assets and agricultural produce	(11,323)	(7,373)
Effect of revaluations on cost of goods sold	5,447	25,596
	4,017	15,953
Movements in working capital:		
Increase in inventories	(5,581)	(7,963)
Increase in biological assets	(24,830)	(22,485)
Increase in trade and other receivables	(5,809)	(12,188)
Increase in trade payables and other short-term liabilities	17,619	18,633
Cash used in operations	(14,584)	(8,050)
Interest paid	(6,649)	(10,108)
Income tax paid	(1,562)	(165)
Net cash used in operating activities	(22,795)	(18,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	786	1,357
Acquisition of land plots	(392)	(122)
Acquisition of property, plant and equipment	(15,663)	(12,238)
Proceeds from disposal of property, plant and equipment	20,558	46
Acquisition of intangible assets	(22)	(20)
Proceeds from disposal of intangible assets	15	-
Proceeds from disposal of subsidiary net of cash disposed of	2,692	-
Net cash generated from/(used in) investing activities	7,974	(10,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of bonds	(19,816)	(5,756)
Net cash used in financing activities	(19,816)	(5,756)
Net decrease in cash and cash equivalents	(34,637)	(35,056)
Cash and cash equivalents at the beginning of the period	64,925	86,885
Currency translation differences on cash and cash equivalents	(7,558)	(1,954)
Cash and cash equivalents at the end of the period	22,730	49,875

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

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

The 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 a 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.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

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 nine months ended 30 September	35.4719	31.6773
As at 30 September	39.3866	32.3451
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.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

3 Segment information (continued)

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

<i>In thousands of US Dollars</i>	Nine months ended 30 September 2014			
	Revenue from external sales	Inter- segment revenue	Depreciation and amortisation	Net result
Agricultural companies				
- Voronezh region	9,264	7,092	1,488	(2,055)
- Kursk region	12,280	5,331	1,301	3,499
- Lipetsk region	19,082	4,053	1,632	6,063
- Tambov region	11,533	3,165	1,136	1,839
Elevators	246	3,051	3,231	(2,920)
Total	52,405	22,692	8,788	6,426
Central administrative costs and director's salaries				(12,791)
Other income and expenses				11,304
Financial expenses, net				(12,527)
Loss before income tax				(7,588)

<i>In thousands of US Dollars</i>	Nine months ended 30 September 2013			
	Revenue from external sales	Inter- segment revenue	Depreciation and amortisation	Net result
Agricultural companies				
- Voronezh region	17,333	2,051	2,340	(609)
- Kursk region	28,225	790	2,385	(214)
- Lipetsk region	19,113	924	2,688	(76)
- Tambov region	9,046	1,087	1,975	(1,027)
Elevators	68	4,639	619	(4,140)
Total	73,785	9,491	10,007	(6,066)
Central administrative costs and director's salaries				(11,659)
Other income and expenses				2,986
Financial expenses, net				(11,909)
Loss before income tax				(26,648)

The accounting policies of the reportable segments are the same as the Group's accounting policies according to IFRS. Segment results represent 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.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

b) Segment assets

<i>In thousands of US Dollars</i>	30-Sep-14	31-Dec-13
Agricultural companies		
- Voronezh region	35,916	52,146
- Kursk region	67,440	68,505
- Lipetsk region	75,385	71,697
- Tambov region	45,811	48,577
Elevators	35,040	47,065
Total segment assets	259,592	287,990
Corporate assets	27,010	57,532
Consolidated total assets	286,602	345,522

c) Revenues from major products

<i>In thousands of US Dollars</i>	9 m. 2014	9 m. 2013
Corn	19,619	10,104
Wheat	10,241	27,678
Sunflowers	5,943	17,653
Spring rape seed	5,688	3,526
Barley	4,725	8,367
Potatos	1,570	454
Other goods and services	1,557	203
Soya	1,186	1,402
Peas	982	859
Milk and meat	888	1,087
Other and Waste grains	6	28
Sugar-beet	-	2,424
	52,405	73,785

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. Revenue and gains

<i>In thousands of US Dollars</i>	9 m. 2014	9 m. 2013
Revenues from sales of crop production	49,960	72,495
Revenue from sales of milk and meat	888	1,087
Revenues from sales of other goods and services	1,557	203
Gain on revaluation of biological assets	10,733	8,939
Change in net realisable value of agricultural produce after harvest	590	(1,566)
	63,728	81,158

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

5. Cost of sales

<i>In thousands of US Dollars</i>	9 m. 2014	9 m. 2013
Materials	23,721	31,357
Depreciation and amortization charge	6,894	8,011
Salary and social taxes	4,077	5,003
Third party crop handling services	1,569	2,617
Crops not harvested due to damages on fields	364	1,363
Operating leasing	430	641
Taxes	755	818
Repair expenses	359	486
Other expenses	370	26
	38,539	50,322

6. Other income and expenses, net

<i>In thousands of US Dollars</i>	9 m. 2014	9 m. 2013
Gain on assets sale in Voronezh region	7,021	-
Income on grain hedge	4,743	(5,211)
Fines and penalties received	279	(9)
Write-off accounts receivable or payable	115	601
Gains and losses related to disposal of other assets	94	412
Result on disposal of plant, property and equipment	91	(232)
Loss on revaluation of investment property	-	336
Donations	(27)	37
Loss on foreign exchange hedge	(110)	1,310
Change in bad debts provision	(299)	(443)
Other income and expenses	(603)	213
	11,304	(2,986)

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 12,686 thousand for a total cash consideration received of USD 20,021 thousand, realizing a gain of USD 7,334* 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:

<i>In thousands of US Dollars</i>	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)

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

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.

**The result of the assets sales were translated at the transaction dates*

7. Trade and other receivables

<i>In thousands of US Dollars</i>	30-Sep-14	31-Dec-13
VAT receivables	11,363	6,966
Advances paid for goods and services	5,930	6,330
Trade receivables	1,521	5,752
Income tax receivable	1,184	191
Other prepayments and receivables	3,503	3,954
Allowance for doubtful debts	(775)	(934)
	22,726	22,259

8. Refinancing of debt securities

As of 30 October 2013 the Group issued a new SEK 750 million (USD 103,353 thousand translated at exchange rate at 30 September 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 51,125 thousand translated at exchange rate at 30 September 2014) of which the Group has tendered SEK 100 million (USD 13,780 thousand translated at exchange rate at 30 September 2014) that is previously held on its own account.

<i>In thousands of US Dollars</i>	30-Sep-14	31-Dec-13
Unsecured SEK bonds – at amortized cost	70,396	98,982
Non-current	68,827	97,359
Current	1,569	1,623
Unsecured borrowings and lease liabilities	1,186	430
Non-current finance lease liabilities	1,186	-
Current borrowings	-	430
Total borrowings	71,582	99,412

During the 2nd and 3rd quarters 2014 the Group repurchased additional SEK 136 million (USD 18,741 thousand translated at exchange rate at 30 September 2014) in order to optimize interest and foreign exchange difference expense.

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

9. Dividends

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

10. Loss per share

<i>The amounts are indicated in US Dollars</i>	9 m. 2014	9 m. 2013
Loss for the period	(8,986,000)	(27,403,000)
Weighted average number of ordinary shares	207,669,445	207,669,445

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

Basic and diluted loss per share (USD/share) (0.04) (0.13)

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.

11. Related party balances and transactions

In thousands of US Dollars

Purchase of services from related parties

Kinnevik Agri Ltd (i)
 KCM international (ii)

<u>9 m. 2014</u>	<u>9 m. 2013</u>
903	745
<u>1,071</u>	<u>973</u>
<u>1,974</u>	<u>1,718</u>

Accounts payable owed to related parties

KCM international (ii)
 Kinnevik Agri Ltd (i)

<u>30-Sep-14</u>	<u>31-Dec-13</u>
257	156
<u>186</u>	<u>159</u>
<u>443</u>	<u>315</u>

12. Contingencies and commitments

in thousands of US Dollars

Commitments for acquisition of materials
 Commitments for acquisition of property, plants and equipment
 Commitments for lease agreements

<u>30-Sep-14</u>	<u>31-Dec-13</u>
3,327	2,156
865	-
<u>83</u>	<u>978</u>
<u>4,275</u>	<u>3,134</u>

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

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014

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

13. Subsequent events

A fire broke out at one of its potato storage sites on the morning of 27 October, 2014. No personnel were injured in the incident. The Company estimates that about 12,000 tons of fully owned storage capacity may have been destroyed in the fire. The fire may also have destroyed up to 12,000 tons of potato in storage. The Company is taking action to salvage and find alternative storage and sales for its production. The economic loss of storage and potato inventory is at this stage uncertain but could be up to USD7 million.

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 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, 14 November 2014

Vigo Carlund, Chairman

Anders Kronborg, Non-executive Director

Dmitry Zavgorodniy, Non- executive
Director

Poul Schroeder, Non-executive Director

Camilla Öberg, Non-executive Director

This report has not been subject to review by the Group's auditors

Financial Calendar:

Year End Report	January 2014 – December 2014	27 February 2015
Annual report	January 2014 – December 2014	10 April 2015
Annual General Meeting	2014	20 May 2015
Q1 Report	January 2015 – March 2015	22 May 2015
Q2 Report	January 2015 – June 2015	14 August 2015
Q3 Report	January 2015 - September 2015	13 November 2015
Year End Report	January 2015 – December 2015	19 February 2016

For Further information contact:
Avto Makharoblishvli, Director of Investor Relations
Avto.makh@blackearthfarming.com
+7 (8) 916 598 16 19
Group's website: www.blackearthfarming.com

NOMINATION COMMITTEE FOR THE 2015 ANNUAL GENERAL MEETING

In accordance with the resolution of the 2014 Annual General Meeting, a Nomination Committee has been convened consisting of members representing the three largest shareholders in the Company. The Nomination Committee is comprised of Cristina Stenbeck, on behalf of Investment AB Kinnevik, Ramsay Brufer, on behalf of Alecta, and Per Åhlgren, on behalf of Gomobile Nu AB.

Shareholders wishing to submit proposals to the Nomination Committee should do so in writing via e-mail nominationcommittee@blackearthfarming.com or by mail, Black Earth Farming Ltd, attention Nomination Committee, Nautilus House, La Cour des Casernes, St Helier, Jersey, JE1 3NH, Channel Islands. Proposals should be submitted not later than March 1st, 2015.

“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”

Pareto Öhman AB, company registration number 556206-8956, Box 7415, SE-103 91, Stockholm, Sweden.