

Black Earth Farming Ltd Interim Report

1 January – 30 June 2015



**BLACK
EARTH
FARMING LTD.**



Encouraging start to harvest

With approximately 60% harvested, winter wheat yields average 3.8 t/Ha. At 50% harvested, barley yields average 3.6 t/Ha. Corn and sunflower crops look very promising. Land swap completed with new areas integrated into a more consolidated land platform. Prices remain weak. Lower prices on lower carry-in inventory in 1H15 drive lower revenue. 1H15 operating result of USD 7.6mn (-5.4) is up USD 13.0mn y-o-y on higher biological asset valuation uplift, lower costs from operational efficiencies and weaker ruble and gain on land swap. Net income is up USD 18.4mn y-o-y to USD 4.7mn (-13.7).

Q2 2015 Highlights (vs. Q2 2014)

- Total revenue and gains of USD 20.7mn (10.8)
- Sales volume of 56kt (49)
- Average sales price of USD 181 per ton (227)
- Sales revenue of USD 10.3mn (11.5)
- EBITDA of USD 12.9mn (6.3)
- Operating profit of USD 11.5mn (3.9)
- Net profit of USD 6.7mn (5.9)
- Net profit per share of USD 0.03 (0.03)
- Net operating cash flow of USD -10.8mn (-11.1)

Significant and subsequent events

- **2015 harvest progress as of 11 August:** Wheat is approximately 60% harvested with an average yield of 3.8 t/Ha. Barley is 50% harvested with an average yield of 3.6 t/Ha
- **Lipetsk-Tambov land and storage swap:** The swap announced on 17 March has closed in most material aspects. The Company recognized a USD 9.1mn pre-tax profit. In 1H14, the gain on the sales of assets in Voronezh generated a USD 7.2mn pre-tax gain.

CEO Comment Highlights (p.2)

- Market Development
- 2015 Harvest Progress and Crops
- 2015 Crop Sales
- 6M Results 2015
- Land Swap
- Risks
- Summary

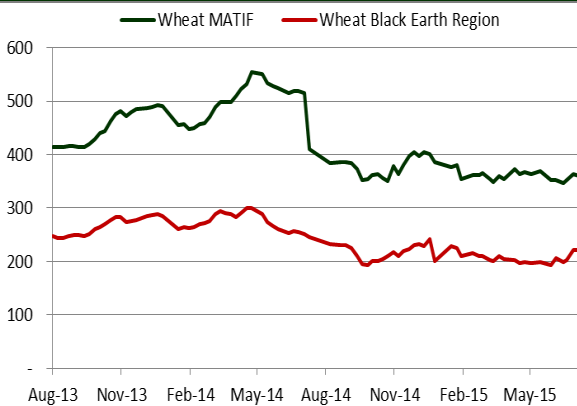
Financial Overview (p.4)

USD million	Q2 '15	Q2 '14	6M '15	6M '14
Crop Volumes Sold (tons)	55,673	48,909	140,452	178,348
Av. Sales Price	181	227	169	202
Total Revenue & Gains	20.7	10.8	34.2	37.1
Gross Profit	9.8	2.0	12.0	3.3
EBITDA	12.9	6.3	10.5	0.5
EBIT	11.5	3.9	7.6	(5.4)
Net profit/(loss)	6.7	5.9	4.7	(13.7)

Market Development

Global crop production is forecast to be down by 1% from last year. Stocks-to-usage ratios are however up +4%. Prices are currently down between 20% and 8% y-o-y across cereals and oilseeds, which is some 45% to 55% off the peak in 2012. In Russia, production is forecast to be down between 4% and 7%. Cereal prices are down between 15% and 20% y-o-y. Wheat quality is generally lower than average. The recently introduced export levy and the uncertainty on how it will actually be implemented has slowed exports so far. Despite ruble volatility, the domestic market has largely remained well correlated with the international market in hard currency terms.

MATIF vs. Black Earth Region Wheat Price



Source: IKAR, CBOT

2015 Harvest Progress and Crops

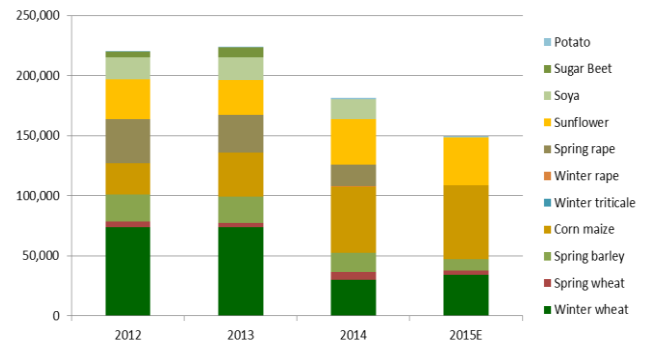
Spring started slightly later than in 2014 but our 2015 crop has so far benefited from adequate and well timed rainfall with relatively cool temperatures. The exception to this is our East Kursk farms (about 20% of the cropped area), which have been very dry since April.

The winter wheat yield to date (August 11) of 3.8 t/Ha, whilst lower than last year, is better than expectations considering the very dry second half of 2014, which reduced its yield potential considerably. Quality is somewhat lower than average due to lower protein and gluten levels. Spring barley is 50% harvested and yielding 3.6 t/Ha. Low protein levels so far could mean that more of the crop will be of malting quality. Spring wheat is 8% harvested and currently yielding 2.8 t/Ha. On the back of lower rainfall, East Kursk is yielding significantly less than the other regions. Corn and sunflower crops look very good. Similarly, potatoes and the newly trialed crops of onions and carrots look promising at this stage. The simplification of the cropping implemented over the last two years is proving beneficial.

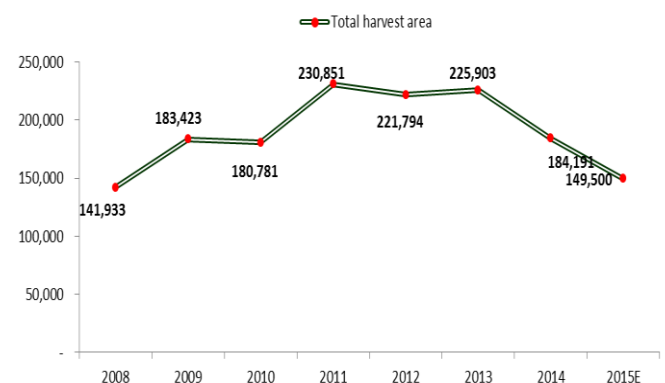
2015 Crop Sales

In contrast to prior years, much less crop is priced on physical forward sales with only 10% and 20% of the expected sunflower and corn harvest volumes sold to date. This is due to a combination of factors, including ruble volatility, uncertainty around the export levy and low prices offered.

2012-2015 Crop Area Breakdown, Ha



2008-2015 Total harvest area, Ha



6M Results 2015

The first quarter results are typically driven by sales of the prior year crop against its inventory valuation at the end of the prior year. In the second quarter, the remainder of the prior year crop is sold and the planting campaign is undertaken. On 30 June, we take stock of this work as we value our estimates of the 2015 harvest at market prices. The revaluation of biological assets is sensitive to yield and price assumptions and includes a completion factor that aims to capture our progress on the current year harvest and that moderates the crop value we recognize at the reporting date. The 2015 revaluation methodology is consistent with that of 2014.

While 1H15 revenue (sale of prior year crop) was down y-o-y on lower volumes and prices, per ton cost of sales were also lower and the revaluation of biological assets (valuation of the current year crop) resulted in a USD 9.5mn gain (-0.5). Operational efficiencies and a weaker ruble contributed to lower USD costs, while ruble sales prices generally adjusted to international prices to keep USD prices more stable. Below gross profit, distribution costs declined on lower export volumes and lower processing costs. G&A decreased on the weaker ruble. Our land swap (see also below) resulted in a USD 9.1mn pre-tax gain, which supported an EBIT of USD 7.6mn (-5.4). Financial expenses declined as result of our 2014 bond repurchases (a total of USD 26.7mn) and a weakening of the Swedish krona (SEK) against the USD. The weakening of the SEK against the ruble also resulted in a USD 1.6mn (-2.6) translation gain on the Company's debt. As a result, net profit increased USD 18.4mn y-o-y to USD 4.7mn (-13.7).

In 1H15, the Company generated USD 2.3mn (0.8) cash flow from operations, invested USD 4.2mn (10.5) in net working capital and spent USD 4.9mn (-11.0) on capex. At the end of 1H15, the Company had USD 21.3mn (49.5) in cash and USD 57.3mn (86.6) of interest bearing debt (net of USD 30.8mn repurchased bonds).

Land swap

On 17 March, the Company announced its intention to swap 36.6k Ha of controlled land and 20kt of grain storage in Lipetsk and Tambov against a total of 24.9k Ha of controlled land and a 30kt elevator facility in Tambov. The transaction, which included three counterparties and several transactions, had in all material aspects closed by the publication of these results. The Company booked a USD 9.1mn pre-tax profit on the transaction and strengthened its balance sheet in the process. The real and ongoing benefit of the deal should come from improved land quality and operational efficiencies from further progress in consolidating the Company's land bank.

Risks

While the Company's business is not directly impacted by the conflict in Eastern Ukraine or the related geopolitical tensions, the Group is exposed to indirect changes in its operating and financial environment. Sanctions on Russian companies and individuals could negatively impact the Russian economy, affecting demand and the Company's financial environment. The ban on imports of certain foreign products is generally positive for the Company but the imposition of export levies increase uncertainty in the Company's operating environment.

Summary

Harvest has started well and potential productivity looks promising. The business is benefitting from the weaker ruble in reduced operating costs whilst ruble sales are in general adjusting to take account of international prices and foreign exchange volatility. The completion of the land transaction is another important step in operational improvements. This is the third year of weak soft commodity prices with levels close to five year lows. The majority of the Company's revenues are expected from the sunflower and corn crops, which remain to be harvested. Our current focus is on keeping tight control of harvest costs, logistics and quality.

14 August 2015

Richard Warburton CEO and President

Q2 2015 Financial Review



Note on foreign exchange

RUR/SEK and RUR/USD fluctuations 2014-2015

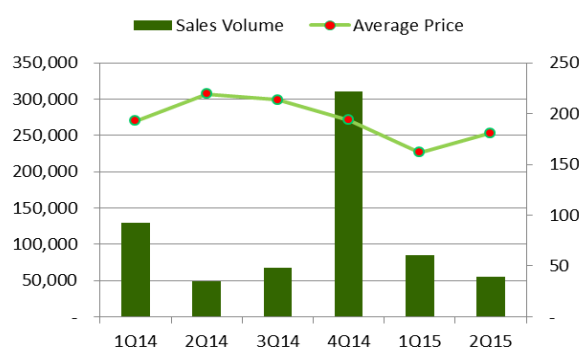


Due to significant exchange rate volatility in 1H15, the Company has applied the respective quarterly average RUR/USD rates to convert the 1Q15 (63.19) and 2Q15 (52.77) results. Opening (56.26) and closing rates (55.52) have been used to translate the balance sheet. The Company uses the official rate of the Central Bank of Russia as reference.

Revenue

Revenue from goods sold in 2Q15 was down 11% y-o-y to USD 10.3mn (11.5) as 14% higher sales volumes (55.7kt vs 48.9kt) were offset by a lower weighted average USD price (-20%). The realized average price is affected by the crop sales mix and the exchange rate. During 2Q15, the remaining 2014 crops were sold with a high share of lower priced barley and wheat vs higher priced corn in 2Q14. Over 1H15, revenue decreased 34% y-o-y, as sales volumes were down 21% to 140.5kt (178.3), due to lower carry-in volumes of prior year crop, and as the weighted average USD sales price fell 16% to USD 169 per ton. The 1H15 sales mix consisted of corn (30% of volumes), barley (29%) and wheat (24%). Please refer to page 8 for more detail on sales volumes and prices.

Sales Volumes & Price per Ton



Inventory & Gain/Loss on Revaluation

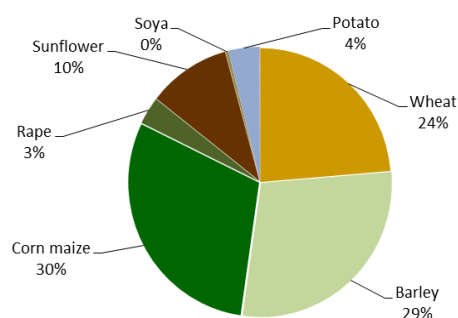
As at 30 June 2015, no commercial crops were held in inventory. Biological assets (crops in field to be harvested in 2H15) were revalued to the estimated fair value less incurred production costs and estimated costs to point of sale. The revaluation of the Company's biological assets resulted in a gain of USD 9.5mn (-0.5) in 1H15. The increase in revaluation uplift y-o-y is partly an effect of the weaker ruble, as sales prices have adjusted higher in ruble terms while costs have been more stable. In USD terms, prices were flattish or weaker while costs of production declined.

As in 1H14, current harvest prices were used to value biological assets in 1H15. These are typically lower than the spot prices on the reporting date of 30 June, when prices refer to stored volumes of the prior year crop. The Company applies historical or current harvested yields to estimate volume. Please see page 9 or note 4 in the financial statements for more information on how biological assets are valued and recorded.

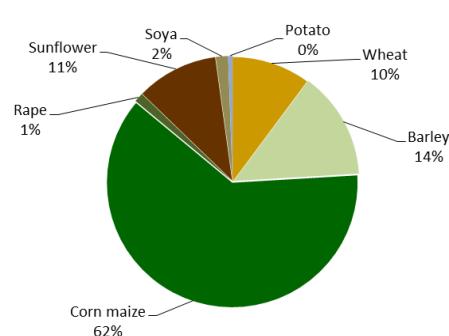
Result

As a result of higher uplift on the Company's biological assets, total revenue and gains stood at USD 34.2mn (37.1) in 1H15. Cost of sales was

1H 2015 Sales Mix (% of volumes)



1H 2014 Sales Mix (% of volumes)

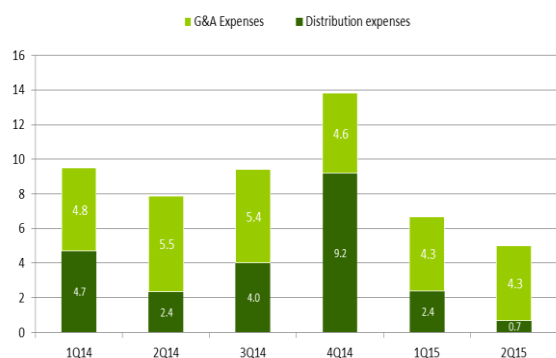


Q2 2015 Financial Review



down 58% y-o-y to USD 11.9mn (28.3) as a result of 21% lower volume, crop sales mix and the weaker ruble. A higher mark-up on incoming crop inventory at the end of the prior year (USD 10.2mn in 2014 vs USD 5.5mn in 2013) offset part of the y-o-y decrease in total cost of sales. As a result, 1H15 gross profit increased to USD 12.0mn (3.3). Distribution costs were down 56% y-o-y to USD 3.1mn (7.1), mostly on lower export volumes (43kt in 1H15 vs 50kt in 1H14) and lower processing costs. 1H15 G&A was down 16% to USD 8.6mn (10.3) on the weaker ruble. In 1H15, the Company completed a land swap, in which it traded land and storage facilities in Lipetsk and Tambov for land and storage capacity in Tambov. A USD 9.1mn pre-tax gain from the swap was recognized in other income and expenses. In 1H14, the sale of land assets in the Voronezh region resulted in a USD 7.2mn gain. Other income and expenses also holds a USD -0.4mn (1.3) loss on grain futures.

Quarterly Development of SG&A Expenses



The 1H15 interest expense declined to USD 2.5mn (4.8), on bond repurchases of USD 26.7mn in 2014 and weakening of the SEK vs the USD. The USD 2.1mn tax expense is mostly profit tax on the swap deal. Strengthening of the ruble against the SEK in 1H15 resulted in a foreign translation gain of USD 1.6mn (-2.6).

Looking at 2Q15, a foreign translation loss of USD 1.3mn, vs a USD 5.6mn gain in 2Q14, and a higher tax expense, decreased the net income difference between the quarters (USD 6.7mn vs USD 5.9mn).

The Company posted a 1H15 EBITDA of USD 10.5mn (0.5), EBIT of USD 7.6mn (-5.4) and net income of USD 4.7mn (-13.7). The 1H15 bottom line was supported by a higher revaluation gain on biological assets, the impact on costs of a weaker ruble, gain on the land swap, lower financial expenses and positive foreign exchange translation.

Financial Position

The y-o-y change in Company's financial position was significantly affected by the movement in the RUR/USD from 33.63 on 30 June 2014 to 55.52 on 30 June 2015.

The Company's non-current assets of USD 108.6mn comprise of buildings (mainly storage facilities), land (226k Ha of owned and co-owned land as well as 25k Ha in long-term leases and 5k Ha in ownership registration process), as well as machinery and equipment used in crop production. As at 30 June 2015, the Company had no crop inventory in storage. Raw materials of USD 9.9mn (17.3) include inputs to the 2016 crop. Biological assets of USD 56.1mn (72.5) mostly consist of crop in field, valued at current prices less cost to point of sales. Please see page 9 or note 4 in the financial statements for more information on how biological assets are valued and recorded. At the end of 1H15, the Company had USD 21.3mn (49.5) in cash and equivalents. Interest bearing debt stood at USD 57.3mn (86.6) (net of USD 30.8mn (29.2) repurchased bonds). The Company's bonds carry 9.4% annual coupon rate and mature in October 2017. As of 30 June 2015, the company had a net debt position of USD 35.9mn (37.1). Total debt (including lease payables) to total equity stood at 44% (49%).

Statement of Financial Position

E-rate	RUR million		USD million	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
			55.52	33.63
Land	2,127	1,634	38.3	48.6
Buildings	1,788	1,840	32.2	54.7
Equipment & other	1,805	1,830	32.5	54.4
Investment property	155	141	2.8	4.2
Other	157	135	2.8	4.0
Total Non-current assets	6,032	5,579	108.6	165.9
Cash	1,184	1,665	21.3	49.5
Finished goods	-	-	-	-
Raw materials and consumables	547	582	9.9	17.3
Bio assets & cultivation	3,114	2,438	56.1	72.5
Receivables	595	760	10.7	22.6
Promissory note	-	-	-	-
Assets held for sale	241	-	4.3	-
Other	-	4	-	0.1
Total Current Assets	5,681	5,449	102.3	162.0
Total Assets	11,713	11,028	210.9	327.9
Total Debt	(3,179)	(2,912)	(57.3)	(86.6)
Trade and other payables	(1,280)	(1,059)	(23.1)	(31.5)
Other Liabilities	(28)	(22)	(0.4)	(0.6)
Equity	(7,226)	(7,035)	(130.1)	(209.2)
Total Equity & Liabilities	(11,713)	(11,028)	(210.9)	(327.9)



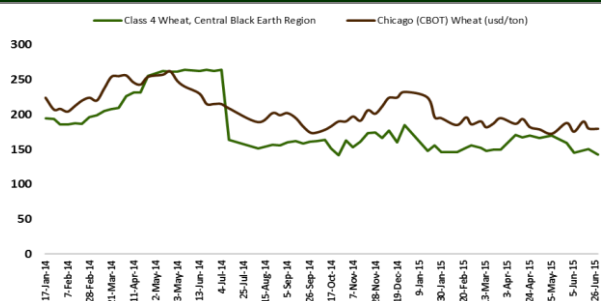
Cash Flow

In 1H15, the Company generated USD 2.3mn (0.8) cash flow from operations. 1H15 net increase in working capital (mostly sale of prior year inventory against investment in current year crop) was USD 4.2mn (10.5). A lower interest payment of USD 2.8mn (4.7) contributed to reducing the net cash used in operating activities to USD 5.5mn (14.7). 1H15 net capital expenditures stood at USD 4.9mn (11.0). As a result, cash and equivalents decreased USD 11.6mn (15.4) in 1H15 from USD 32.9mn (64.9) to USD 21.3mn (49.5) over the reporting period.

International

During the second quarter, international grain and oil seed markets were significantly impacted by weather effects and driven by the extremes of rain in the US and heat in Europe. In the US, excess moisture delayed the completion of corn and soya plantings and negatively affected crop development. Wheat was less affected but the quality is slightly lower due to the delayed harvest. The lower US crop production forecast, down 7% from last year, is only partially offset by increased South American production of corn and soya and the USDA's upward revision of the 2014/15 world corn crop to 1bln tonnes, for the first time ever. As a result, ending stocks for 2015/16 are now forecasted lower. The forecast stock-to-use ratio is however currently expected to be up 4% by the end of the 2015/16 marketing year on softer demand outlook.

International vs. Russian Domestic Wheat Price



Source: IKAR, CBOT

In Europe, record high temperatures and dry conditions only slightly reduced wheat and barley crop forecasts, but for corn maize the conditions were detrimental and production is expected to drop by 16mn tons or 20% y-o-y. The overall European crop production is expected to be down 10% y-o-y. Europe's corn import demand is now revised upwards and is expected to increase to between 14 and 16mn tons (vs 9mn 2014/15) or 55-75% y-o-y, depending on the level of substitution by lower quality wheat for animal feed. With higher world production and lower prices, corn imports from South America will likely be competitive, in addition to the traditional Black Sea supplies. Oilseed rape production in Europe is expected to fall 10%, but sunflower forecasts currently remain unchanged.

Global prices increased sharply in 2Q15 in reaction to the weather, with US futures at one point gaining 20%. As crop concerns receded, the market however resumed its downward path. In the US, prices have returned to the levels prior to the weather scares and are at their lowest levels since 2011. In Europe, prices are also easing but are not yet at the 2Q15 trough levels. The demand picture is typical for an amply supplied market, with buyers waiting for harvest pressure to push prices lower.

Russia

Growing conditions have been mixed across Russia. Rainfall delayed the start of the wheat harvest but warm and dry weather have since enabled the main harvesting to start. Winter wheat yields are generally good and only slightly lower than 2014's above-trend yields. The total grain crop is predicted to be between 97-100mn tons (vs 104mn in 2014/15). The corn and sunflower harvests are some way off but the yield potential is currently good. Wheat quality is lower this year with a higher percentage of feed due to earlier sprouting (rain at the start of harvest), which reduces suitability for milling. This may however improve as harvesting progresses, if the weather stays warm and dry.

The wheat export tax introduced for the 2014/15 crop was abolished in May and a floating export levy was introduced with effect from 1 July 2015. Uncertainty as to how the levy is actually calculated has made forward export sales more risky. As a result of this and the later harvest progress this year, exports are down 60% y-o-y. Exports are expected to be in the region of 28mn tons, down 9.8% from 31mn tons in the previous season.

Oilseed plantings are down and production, even with the potentially good sunflower yields, will be lower than the expected demand, meaning the domestic market are likely to drive the prices rather than the export oil market as in previous years.

Prices have been moving lower, with the exception of oilseeds. There is however expected to be less downward harvest price pressure this year, as prices are already low, many buyers still need to secure supplies for their immediate demands and small farmer selling is less of a feature due to the more protracted harvesting. Forward prices may improve from the current lows after harvest and the weaker ruble should raise domestic prices. Dollar prices should however also increase as global supply pressure eases and demand picks up.

Sales Development & Crop Inventory



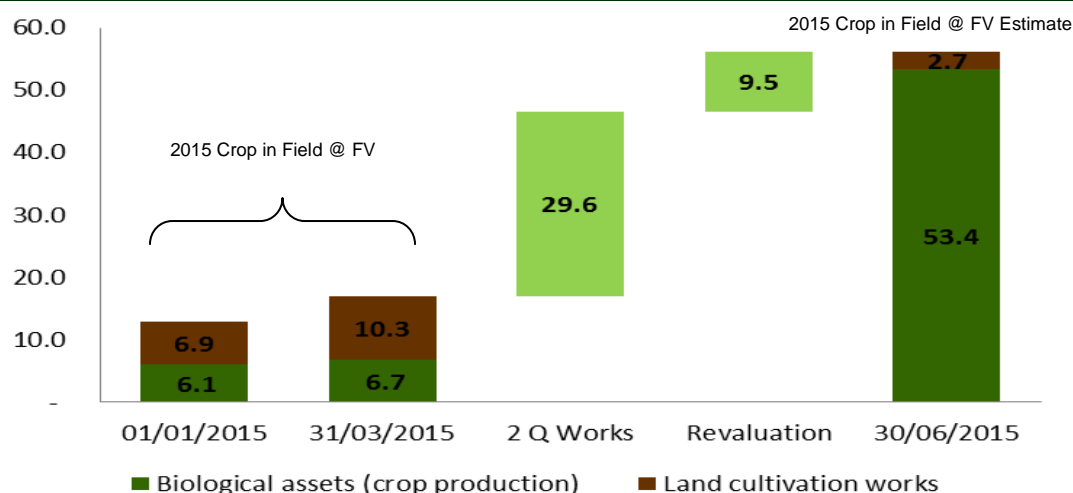
The Company values its inventory of finished goods at net realisable value to reflect the market value as at the end of the reporting period. Contract or market prices are used to estimate net realisable value. A change in net realisable value affects total revenue and gains in the statement of income. 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 2015 as well as the development of crop sales during 2015 and 2014. Note that all recorded prices exclude 10% VAT and estimated distribution expenses.

Quarterly Sales Volume & Crop Inventory							
	Quarterly Sales					Crop in Inventory	
	2Q '15	1Q '15	4Q '14	3Q '14	2Q '14	30 Jun '15	31 Dec '14
Volume, k tons							
<i>Wheat</i>	11,106	22,152	60,180	41,115	820	-	33,655
<i>Barley</i>	30,767	9,374	13,411	34	12,814	-	43,058
<i>Corn</i>	2,609	39,427	149,635	601	24,919	-	40,250
<i>Rape</i>	4,645	49	6,225	15,274	-	-	4,779
<i>Sunflower</i>	1,632	12,723	56,550	549	10,029	-	13,841
<i>Soya</i>	-	510	9,659	-	7	-	124
<i>Potato</i>	4,914	460	12,210	6,064	-	-	8,174
<i>Other</i>	-	84	2,509	3,300	320	-	-
Total Tons	55,673	84,779	310,379	66,937	48,909	-	143,881
Price, USD/ton							
<i>Wheat</i>	166	172	193	167	270	-	163
<i>Barley</i>	155	124	158	131	191	-	134
<i>Corn</i>	227	140	151	128	207	-	135
<i>Rape</i>	326	384	516	320	-	-	301
<i>Sunflower</i>	466	242	265	297	319	-	299
<i>Soya</i>	-	125	320	-	218	-	335
<i>Potato</i>	118	157	135	220	-	-	162
<i>Other</i>	-	71	345	298	59	-	-
Average Price	181	162	194	214	227	-	164

As of 30 June 2015, the Company recorded inventories at a total value of USD 9.9mn 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 2014 crop was sold ahead of the 2015 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.

2015 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 modified by a completion factor in the range of 50-80% as of 30 June, depending on crop and the incurred vs forecasted expenses, as significant risks 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.

The Group aims to estimate fair value on the most relevant and reliable market information available, applying 2015 harvest prices to estimate the value of its 1H15 biological assets. The Group applies historical and current yield estimates in its valuation of its biological assets. For the late harvest crops, where visibility is poorer, the Company use historical average yields. For the crops that are currently being harvested, the Company use current average harvested yields, potentially moderated by the historical average if harvest completion is low and where greater uncertainty therefore remains. For details on prices and yields used in 1H15 and 1H14 biological asset valuations, please refer to the below table. 2015 crop yields used for biological asset valuation can also be compared to currently harvested average yields on page 10.

Biological assets valuation 1H15 vs. biological assets valuation 1H14						
Crops	1H 2015			1H 2014		
	Yield	Price, net VAT, USD	Average completion	Yield	Price, net VAT, USD	Average completion
Wheat, weighted average	3.6	149		3.6	170	
Barley	3.8	137		2.5	141	
Corn maize	3.7	129		4.5	121	
Rape	-	-	72.4%	1.2	321	67.0%
Sunflower	1.7	297		2.0	284	
Soya	0.8	352		1.1	403	
Potato	32.7	254		35.0	297	
Total Biological assets and Land cultivation works			56,087			72,466

Production Overview



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Crop Area Breakdown

(Ha)	2010	2011	2012	2013	2014	2015E
Winter wheat	72,677	93,627	73,912	73,702	30,235	34,106
Spring wheat	10,157	13,093	4,368	3,412	6,140	3,812
Spring barley	13,793	26,535	22,718	21,850	16,076	9,499
Corn maize	8,592	6,149	26,003	36,814	55,317	61,110
Winter triticale	302	n/a	n/a	n/a	n/a	n/a
Total Grains	105,521	139,404	127,001	135,778	107,768	108,527
Winter rape	536	n/a	n/a	n/a	111	n/a
Spring rape	29,051	33,494	36,597	31,436	18,083	n/a
Sunflower	36,761	46,518	33,218	28,997	37,479	40,085
Soya	7,899	7,863	18,187	18,682	16,932	166
Total Oilseeds	74,247	87,875	88,002	79,115	72,605	40,251
Sugar Beet	n/a	1,621	5,085	8,822	n/a	n/a
Potatoes	n/a	n/a	31	196	884	656
Total Commercial Area	179,768	228,900	220,119	223,911	181,257	149,434
<i>Other / Forage crops</i>	<i>1,013</i>	<i>1,951</i>	<i>1,675</i>	<i>1,992</i>	<i>2,934</i>	<i>66</i>
Total harvest area	180,781	230,851	221,794	225,903	184,191	149,500

Average Net Crop Yields

(tons/ha)	2010	2011	2012	2013	2014	2015 6M
Winter wheat	1.9	2.4	2.1	3.3	4.0	3.8 ¹
Spring wheat	1.4	1.6	2.6	1.9	3.6	
Spring barley	1.4	1.9	2.4	2.6	3.6	3.6 ²
Corn maize	0.7	4.9	5.1	4.3	3.5	
Winter triticale	0.8	n/a	n/a	n/a	n/a	
Winter rape	0.5	n/a	n/a	n/a	0.7	
Spring rape	0.6	1.1	1.3	0.9	1.4	
Sunflower	0.8	2.0	1.9	2.0	1.9	
Soya	0.3	0.9	1.2	0.9	0.5	
Sugar beet	n/a	25.6	25.3	24.3	n/a	
Potatoes	n/a	n/a	33.2	33.9	31.0	

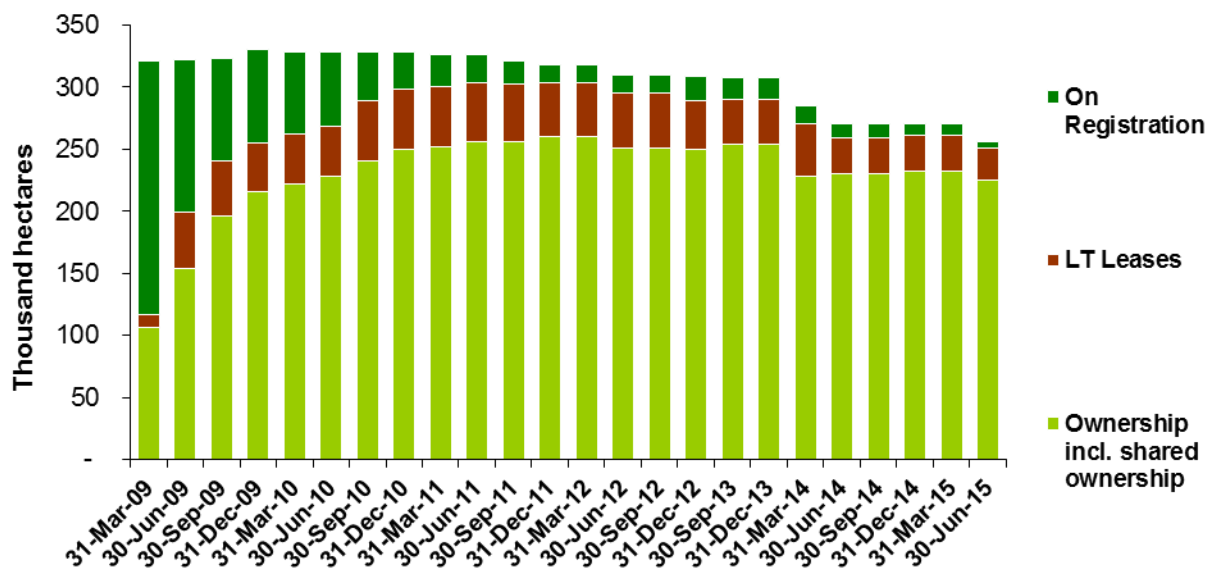
¹ 61% of area harvested ² 49% of area harvested as of August 11 2015

Net Harvest Volumes

(tons)	2010	2011	2012	2013	2014	2015 6M
Winter wheat	137,703	220,608	157,571	243,217	121,185	73,798
Spring wheat	13,791	21,187	11,495	6,585	22,379	
Spring barley	19,595	49,166	55,074	56,592	57,492	15,501
Corn	5,152	29,989	132,829	158,986	195,747	
Winter triticale	211	n/a	n/a	n/a	n/a	
Total Cereal Grains	176,452	320,950	356,969	465,380	396,803	89,299
Winter rape	246	n/a	n/a	n/a	75	
Spring rape	15,497	36,887	46,052	28,292	26,064	
Sunflower	28,904	92,805	62,759	57,994	70,927	
Soya	1,818	7,114	22,364	16,006	9,098	
Total Oilseeds	46,465	136,806	131,175	102,292	106,164	
Sugar beet	n/a	41,531	128,405	214,720	n/a	
Potatoes	n/a	n/a	1,029	6,644	27,404	
Total Commercial Crops	222,917	499,287	617,578	789,036	530,371	
<i>Other/Forage crops</i>	<i>3,686</i>	<i>14,597</i>	<i>13,213</i>	<i>13,243</i>	<i>19,575</i>	
Total Output	226,603	513,884	630,791	802,279	549,946	

As of 30 June 2015, Black Earth Farming held 226k Ha of owned and co-owned land, corresponding to 88% of the total controlled land bank of 256k Ha. 25k Ha were leased and 5k Ha were in the process of registration. 13k Ha in Samara, where operations have ceased, are leased to third parties and are classified as investment property in the balance sheet and held at a fair value of USD 2.8mn (4.2). Consolidation and further improvement of the operational efficiencies in and around the most efficient and profitable farm clusters remains a key objective to the Company in terms of its land holdings.

226 Thousand Ha in Ownership (88% of total controlled land)



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 218k Ha of land that is not leased at an acquisition cost of USD 38.3mn, as recorded in the statement of financial position as property, plant and equipment, which translates into a per hectare value of USD 176. Assets classified as held for sale include 14k Ha of land in the Tambov region at a book value of USD 3.0mn, which is expected to be transferred off the balance sheet when the swap deal (see also below) closes. 13k Ha in Samara are held as investment property at a fair value of USD 2.8mn, which translates into a per hectare value of USD 215.

On 17 March, the Company announced its intention to swap land and related real estate assets from its Stanovoye (Lipetsk), Shatsk (Ryazan) and Pervomaisky (Tambov) farms in return for land and an elevator in proximity to Black Earth Farming's existing operations at Morshansk in Tambov. As a result of the swap, the Company would dispose of a total of 36.6k Ha of controlled land, including 4.5k Ha of grassland, 5.6k Ha of forested fallow, 7.2k Ha of leased land as well as of 20k tons of grain storage. The assets received in the swap amounts to a total of 24.9k Ha of controlled land, including 20.9k Ha of crop land, 4.0k Ha of grassland, 3.3k Ha of leased land, and a 30k tons elevator facility with rail access. The swap, which included multiple counterparties and several transactions, had in most material aspects closed by the publication of these results. The Company recognized a USD 9.1mn pre-tax profit on the transaction and strengthened its balance sheet in the process.

The depreciation in the Russian ruble has resulted in a decline, in hard currency terms, in the value of the Company's assets, which are carried at historical cost in ruble (the Company's functional currency) on its balance sheet. As the Company believes that this nominal devaluation of the balance sheet potentially understates the underlying value of its real assets, the Company continues to review its approach to treating its land assets on its balance sheet with a potential move to fair value treatment in 2H15.

The Black Earth Farming Share



**BLACK
EARTH
FARMING LTD.**

Risks and Uncertainties

Risks and uncertainties are described in the annual report for 2014. 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 2014 also exist on 30 June 2015.

Outstanding shares

As of 30 June 2015 the amount of outstanding shares was 210,426,241. In June, 2,756,796 new

shares were issued as a result of the Company's management incentive program. The share-based incentive program remains open and outstanding as described in note 26 (d) in the 2014 Annual Report. The market capitalisation as of 30 June 2015 was approximately SEK 724mn or USD 84mn.

Shareholders

The total number of shareholders, as of 30 June 2015, amounted to approximately 14,000.

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

Trading data for 2 Jan 2014 – 31 July 2015

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
1,627,840	343,163	136

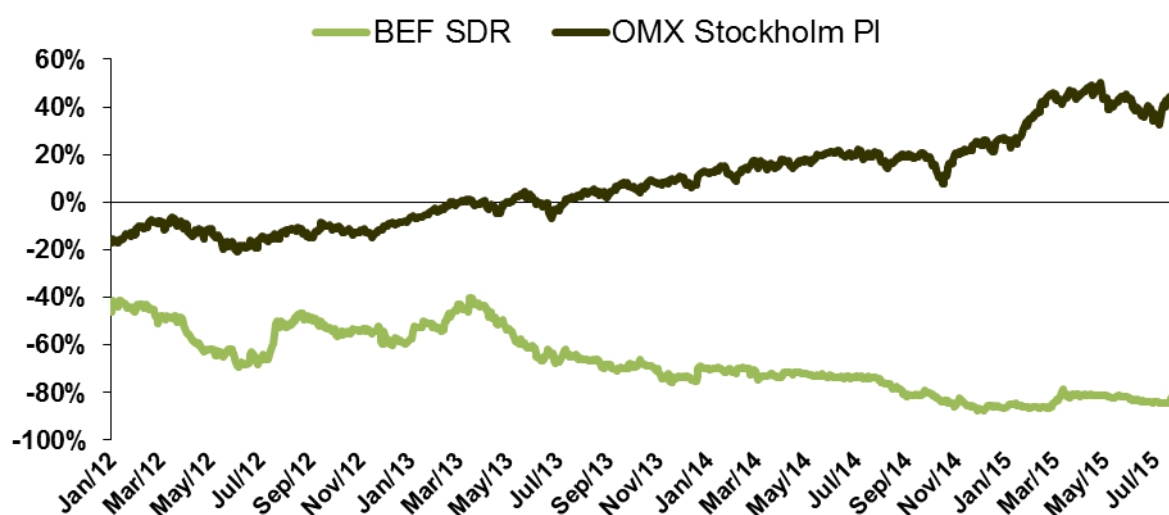
Source: NASDAQ OMX

Top 5 shareholders as of 30 June 2015

Owner	% of votes & capital
AB INVESTMENT KINNEVIK	24.62%
GOMOBILE NU AB	11.56%
ALECTA PENSION FUNDS	9.68%
DANSKE INVEST FUNDS	5.58%
AVANZA PENSION	4.52%

Source: Euroclear Sweden share registry & shareholders' reference

Share Performance vs. OMX Stockholm index



Black Earth Farming SDR

Price SEK/SDR 30 June 2015	Change 1 Month	Change 3 Months	52 Week High
3.44	-12.69%	-17.11%	5.9
	Change 6 Months	Change 1 Year	52 Week Low
	17.81%	-40.17%	2.77

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

In thousands of US Dollars

	Notes	Six months ended		Three months ended	
		30-June-15	30-June-14	30-June-15	30-June-14
Revenue	3	24,377	36,991	10,275	11,542
Gain/(loss) on revaluation of biological assets	4	9,486	(524)	9,442	(723)
Change in net realisable value of agricultural produce after harvest		335	597	933	3
Total revenue and gains	5	34,198	37,064	20,650	10,822
Cost of sales	6	(11,947)	(28,255)	(5,124)	(7,528)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		(10,205)	(5,507)	(5,737)	(1,256)
Gross profit		12,046	3,302	9,789	2,038
Distribution expenses		(3,079)	(7,064)	(673)	(2,368)
General and administrative expenses		(8,625)	(10,316)	(4,340)	(5,500)
Taxes other than income		(990)	(660)	(794)	(275)
State grants and subsidies		881	1,637	234	428
Crop insurance net of insurance grants		(744)	(123)	(611)	(123)
Other income and expenses, net	7	8,104	7,810	7,869	9,685
Operating profit/(loss)		7,593	(5,414)	11,474	3,885
Financial income		117	1,046	36	612
Financial expenses		(2,526)	(4,751)	(1,238)	(2,355)
Foreign exchange gain/(loss)		1,589	(2,606)	(1,253)	5,608
Profit/(loss) before income tax		6,773	(11,725)	9,019	7,750
Income tax expense		(2,104)	(1,950)	(2,282)	(1,849)
Profit/(loss) for the period		4,669	(13,675)	6,737	5,901
Earnings/(loss) per share, basic and diluted, in USD	11	0.02	(0.07)	0.03	0.03

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

<i>In thousands of US Dollars</i>	Notes	Six months ended		Three months ended	
		30-June-15	30-June-14	30-June-15	30-June-14
Profit/(loss) for the period		4,669	(13,675)	6,737	5,901
Other comprehensive income/(loss)					
Translation difference		920	(6,690)	5,581	11,635
Other comprehensive income/(loss) for the period		920	(6,690)	5,581	11,635
Total comprehensive income/(loss) for the period attributable to owners of the parent		5,589	(20,365)	12,318	17,536

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

<i>In thousands of US Dollars</i>	Notes	<u>30-June-15</u>	<u>31-Dec-14</u>
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		102,955	95,141
Intangible assets		131	24
Biological assets (livestock)	4	420	431
Other non-current assets		1,948	670
Deferred tax assets		357	415
Investment property		2,829	2,792
Total non-current assets		<u>108,640</u>	<u>99,473</u>
<i>Current assets</i>			
Finished goods		-	23,495
Raw materials and consumables		9,852	9,859
Biological assets (crop production)	4	53,365	6,066
Land cultivation works		2,722	6,887
Trade and other receivables	8	10,708	15,604
Cash and cash equivalents		21,319	32,888
Assets held for sale		4,343	-
Total current assets		<u>102,309</u>	<u>94,799</u>
Total assets		<u>210,949</u>	<u>194,272</u>
EQUITY AND LIABILITIES			
<i>Equity attributable to owners of the parent</i>			
Share capital		2,105	2,077
Share premium		525,904	524,771
Reserves		4,312	4,868
Accumulated deficit		(228,184)	(232,853)
Translation reserve		(173,994)	(174,914)
Total equity		<u>130,143</u>	<u>123,949</u>
LIABILITIES			
<i>Non-current liabilities</i>			
Non-current loans and borrowings	9	55,233	58,819
Lease payables		311	461
Deferred tax liabilities		496	372
Total non-current liabilities		<u>56,040</u>	<u>59,652</u>
<i>Current liabilities</i>			
Current loans and borrowings	9	1,418	1,380
Trade and other payables		23,058	9,021
Lease payables		290	270
Total current liabilities		<u>24,766</u>	<u>10,671</u>
Total liabilities		<u>80,806</u>	<u>70,323</u>
Total equity and liabilities		<u>210,949</u>	<u>194,272</u>

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015

<i>In thousands of US Dollars</i>	Share capital	Share premium	Reserves	Accumu- lated deficit	Trans- lation reserve	Total equity attributable to owners of the parent
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 loss						
Translation differences	-	-	(129)	-	(6,561)	(6,690)
Total comprehensive loss	-	-	(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
Balance as at 1 January 2015	2,077	524,771	4,868	(232,853)	(174,914)	123,949
Profit for the period	-	-	-	4,669	-	4,669
Other comprehensive income						
Translation differences	-	-	107	-	920	1,027
Total comprehensive income	-	-	107	4,669	920	5,696
Recognition of share-based payments	-	-	395	-	-	395
Shares issued	28	1,133	(1,058)	-	-	103
Balance as at 30 June 2015	2,105	525,904	4,312	(228,184)	(173,994)	130,143

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

<i>In thousands of US Dollars</i>	Six months ended 30-June-15	Six months ended 30-June-14
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the period	4,669	(13,675)
<i>Adjustments for:</i>		
Income tax expense	2,104	1,950
Depreciation and amortisation	2,955	5,955
Change in allowance for doubtful debts	66	276
Foreign exchange (gain)/loss	(1,589)	2,606
Interest income	(117)	(702)
Interest expense	2,526	4,751
Gain on disposal of property, plant and equipment	(86)	(6,911)
Swap deal	(9,080)	-
Share based payments	395	811
LTIP 2012 execution	105	-
Loss on disposal of subsidiary	-	288
Change in value of biological assets and agricultural produce	(9,821)	(73)
Effect of revaluations on cost of goods sold	10,205	5,507
	2,332	783
Movements in working capital:		
Decrease in inventories	21,778	30,272
Increase in biological assets	(39,166)	(50,889)
Decrease/(increase) in trade and other receivables	5,297	(2,066)
Increase in trade payables and other short-term liabilities	7,914	12,214
Cash used in operations	(1,845)	(9,686)
Interest paid	(2,761)	(4,740)
Income tax paid	(858)	(232)
Net cash used in operating activities	(5,464)	(14,658)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	117	702
Acquisition of land plots	(605)	(385)
Acquisition of property, plant and equipment	(4,184)	(9,395)
Proceeds from disposal of property, plant and equipment	122	20,786
Acquisition of intangible assets	(192)	(16)
Proceeds from disposal of intangible assets	(7)	-
Proceeds from disposal of investments	-	2,722
Net cash generated from/(used in) investing activities	(4,749)	14,414
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of bonds	-	(11,005)
Settlement of obligations under finance lease agreements	(46)	-
Net cash used in financing activities	(46)	(11,005)
Net decrease in cash and cash equivalents	(10,259)	(11,249)
Cash and cash equivalents at the beginning of the period	32,888	64,925
Currency translation differences on cash and cash equivalents	(1,837)	(1,889)
Effect of foreign currency exchange differences	527	(2,308)
Cash and cash equivalents at the end of the period	21,319	49,479

**BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

1. Background

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. Hereinafter the Company and its subsidiaries 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.

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.

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.

During the reporting period and subsequently to the reporting date, the Russian economy continued to be negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals, while the financial markets continued to be volatile and are characterized by frequent significant price movements and increased trading spreads. Examples of the impact of these factors on the economy during 2015 up to the date of issue of these financial statements include:

- the Central Bank of the Russian Federation (CBRF) exchange rate fluctuated between RUR 49.1777 and RUR 69.6640 per USD;
- the CBRF key interest rate gradually decreased from 17% to 11.5% p.a. following an overnight increase from 10.5% to 17% p.a. on 16 December 2014;
- the RTS stock exchange index fluctuated between 791 on 1 January 2015 and 940 on 30 June 2015;
- access to international financial markets to raise funding was limited for certain entities and bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased interest and exchange rates;

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

1 Background (continued)

Russian business environment (continued)

- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, while Standard & Poor's downgraded it to BB+ and Moody's Investors Service downgraded it to Ba1, putting it below investment grade for the first time in a decade. Fitch Rating still has Russia as investment grade. However, all rating agencies indicated a negative outlook, meaning further downgrades are possible; and
- from 1 February 2015 until 15 May 2015, a customs duty was introduced on wheat export of 15% plus EUR 7.5 but no less than EUR 35 per ton.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business. The Group does not have significant assets in Ukraine or sales to Ukraine.

Seasonality

Agricultural sector exhibits obvious seasonal behaviour. During the period from December to March, the organic growth of the crops is minimal and no major inputs are made in the production. During the reporting period, the Group sold all of its previously harvested grain which led to the absence of finished goods in stock at 30 June 2015 as the current year crops have not been harvested yet. In the first half of the year, 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

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.

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 financial statements as were applied in the preparation of the Group's consolidated interim financial statements for the year ended 31 December 2014.

Functional and presentation currency

Functional currency of the Group entities is considered to be Russian Rouble ("RUR"), the currency of the primary economic environment in which the Group operates.

The Group's presentation currency is US Dollar ("USD"). All the financial information in these condensed consolidated interim financial statements, including comparative information, has been translated from RUR into USD using the exchange rates set by the Central Bank of the Russian Federation, as follows:

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- Share capital and other equity components, except for reserves translated at the closing rate at the date of the balance sheet, are translated at historic rates;
- Income and expenses are translated at exchange rates at the dates of the transactions (or at average exchange rates that approximate the translation using the actual transaction date rates);
- All resulting exchange differences are recognized as a separate component of equity.

The period-end exchange rates and the average exchange rates for the respective reporting periods are indicated below.

	<u>2015</u>	<u>2014</u>
RUR/USD for the six months period ended 30 June	57.7090	35.0824
RUR/USD as at 30 June 2015 (31 December 2014)	55.5240	56.2584
RUR/SEK for the six months period ended 30 June	6.8837	5.3753
RUR/SEK as at 30 June 2015 (31 December 2014)	<u>6.6748</u>	<u>5.5950</u>

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 the Tambov segment, 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 SIX MONTHS PERIOD ENDED 30 JUNE 2015

Segment revenues and results

	Six months ended 30 June 2015			
<i>In thousands of US Dollars</i>	Revenue from external sales	Inter-segment revenue	Depreciation and amortization	Net result
Agricultural companies				
– Voronezh region	2,434	516	218	(737)
– Kursk region	7,984	581	446	4,119
– Lipetsk region	8,260	731	660	2,739
– Tambov region	5,572	434	126	1,105
Elevators	127	458	1,409	(1,028)
Total	24,377	2,720	2,859	6,198
Central administrative costs and director's salaries				(6,709)
Other income and expenses				8,104
Financial expenses, net				(820)
Profit before income tax				6,773

	Six months ended 30 June 2014			
<i>In thousands of US Dollars</i>	Revenue from external sales	Inter-segment revenue	Depreciation and amortization	Net result
Agricultural companies				
– Voronezh region	4,871	4,078	1,065	(632)
– 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	(3,683)
Central administrative costs, including directors' salaries				(9,541)
Other income and expenses				7,810
Financial expenses, net				(6,311)
Loss before income tax				(11,725)

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.

Segment assets

<i>In thousands of US Dollars</i>	30-June-15	31-Dec-14
Agricultural companies		
– Voronezh region	18,331	19,380
– Kursk region	49,386	43,042
– Lipetsk region	58,725	45,238
– Tambov region	43,618	27,723
Elevators	22,814	22,857
Total segment assets	192,874	158,240
Corporate assets	18,075	36,032
Consolidated total assets	210,949	194,272

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

Revenues from major products

<i>In thousands of US Dollars</i>	Six months ended 30 June	
	2015	2014
Corn	6,101	19,718
Barley	5,924	4,773
Wheat	5,665	3,390
Sunflowers	3,840	5,843
Spring rape seed	1,534	816
Potatoes	654	239
Soya	69	1,199
Milk and meat	333	686
Other goods and services	257	327
	24,377	36,991

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

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. The following key estimates significantly impact the above balance as well as the gain/(loss) on revaluation of biological assets: 1) expected crop yield; 2) percentage of biological transformation of the crops; 3) future selling price based on the current market price plus expected movements; and 4) selling expenses to be incurred. These estimates are based on management's experience and other inputs, including expectations of future events that are believed to be reasonable under the circumstances.

<i>In thousands of US Dollars</i>	Crop production (current)	Livestock (non-current)	Total
Balance at 1 January 2014	17,637	674	18,311
Increase due to incurred expenses	46,483	73	46,556
Transfer from land cultivation works	7,013	-	7,013
Decrease due to sales	-	(133)	(133)
Change in fair value less estimated point-of-sale costs	(482)	(42)	(524)
Effect of foreign exchange differences	1,815	(23)	1,792
Balance at 30 June 2014	72,466	549	73,015
Balance at 1 January 2015	6,066	431	6,497
Increase due to incurred expenses	35,162	69	35,231
Transfer from land cultivation works	1,575	-	1,575
Decrease due to sales	-	(72)	(72)
Change in fair value less estimated point-of-sale costs	9,500	(14)	9,486
Effect of foreign exchange differences	1,062	6	1,068
Balance at 30 June 2015	53,365	420	53,785

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.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

5. Revenue and gains

In thousands of US Dollars

	Six months ended 30 June	
	2015	2014
Revenue from sales of crop production	23,792	36,002
Revenue from sales of milk and meat	333	686
Revenue from sales of other goods and services	252	303
Gain/(loss) on revaluation of biological assets	9,486	(524)
Change in net realizable value of agricultural produce after harvest	335	597
	34,198	37,064

6. Cost of sales

In thousands of US Dollars

	Six months ended 30 June	
	2015	2014
Materials	7,279	17,934
Depreciation and amortization charge	2,084	4,497
Salary and social taxes	1,319	2,670
Third party crop handling services	468	1,516
Loss of crops	291	383
Rent	142	345
Taxes	166	559
Repair expenses	113	246
Other expenses	85	105
	11,947	28,255

7. Other income and expenses, net

In thousands of US Dollars

	Six months ended 30 June	
	2015	2014
Gain related to swap deal	9,080	-
Result on disposal of property, plant and equipment	100	(305)
Write-off accounts receivable or payable	(19)	125
Donations	(34)	(25)
Change in bad debts provision	(62)	(276)
Losses and gains related to disposal of other assets	(110)	6
(Loss)/income on grain hedge	(414)	1,334
Other income and expenses	(437)	(422)
Gain on assets sale in Voronezh region	-	7,215
Fines and penalties received	-	107
Income on foreign exchange hedge	-	51
	8,104	7,810

Swap deal

At 17 March 2015 the Group announced that it had agreed to swap the land and related real estate assets from its Stanovoye (Lipetsk region), Shatsk (Ryazan region) and Pervomaisky (Tambov region) farms with three counterparties, in return for land and an elevator in proximity to Black Earth Farming's existing operations at Morshansk (Tambov region).

The deal was finalized in June 2015, subject to further transfer to the customer and re-registration of Pervomaisky land and elevator, accounted for as assets classified as held for sale, with a corresponding liability included in accounts payable.

Assets received are measured at fair value on the basis of a valuation carried out by an independent appraiser, who has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

In thousands of US Dollars

Fair value of property, plant and equipment and other assets received	13,870
Carrying value of property, plant and equipment disposed	(4,790)
Result before tax	9,080

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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 1,699 thousand.

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 with a net book value of USD 13,148 thousand for a total cash consideration received of USD 20,165 thousand, realizing a gain of USD 7,017 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

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 1,872 thousand.

8. Trade and other receivables

<i>In thousands of US Dollars</i>	30-June-15	31-Dec-14
Advances paid for goods and services	3,292	5,170
VAT receivables	4,907	3,230
Trade receivables	878	6,071
Income tax receivable	170	1,009
Other prepayments and receivables	1,125	1,399
Promissory note	1,378	-
Allowance for doubtful debts	(1,042)	(1,275)
	10,708	15,604

9. Borrowings

<i>In thousands of US Dollars</i>	30-June-15	31-Dec-14
Unsecured SEK bonds – at amortized cost, including:		
Non-current	55,233	58,819
Current	1,418	1,380
Total borrowings	56,651	60,199

Borrowings represent SEK 750 million (USD 118,030 thousand translated at the exchange rate of SEK/USD of 6.3543 at that date) senior unsecured bonds, each of a nominal amount of SEK 1,000,000, which is also the minimum round lot, issued on 30 October 2013. The bonds have a fixed annual coupon of 9.40% and the maturity of 4 years. Interest is payable 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.

Up to 30 June 2015 the Group repurchased SEK 276 million (USD 33,179 thousand translated at the exchange rate at the reporting dates SEK/USD of 8.3185).

As at 30 June 2015 the Group is in compliance with all covenants stipulated in the bond agreement.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

10. Dividends

During the six months period ended 30 June 2015 the Board of Directors proposed no dividends to be paid or declared.

11. Earnings/(loss) per share

In US Dollars

	Six months ended 30 June	
	2015	2014
Profit/(loss) for the period	4,669,000	(13,675,000)
Weighted average number of ordinary shares	<u>207,746,023</u>	<u>207,669,445</u>
Basic and diluted earnings/(loss) per share	0.02	(0.07)

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 diluted loss per share.

12. Related party balances and transactions

In thousands of US Dollars

	Six months ended 30 June	
	2015	2014
Purchase of services from related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	545	618
KCM International Ltd	853	651
	<u>1,398</u>	<u>1,269</u>
	30-June-15	31-Dec-14
Accounts payable owed to related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	306	209
KCM International Ltd	471	186
	<u>777</u>	<u>395</u>

TerraVost Ltd (formerly KinnAgri Ltd) provided consultancy services related to budgeting and forecasting process, production planning, harvest, storage and logistics. KCM International provided crop technical information and consultancy services. KCM International is a subsidiary of TerraVost Ltd. All contracts have been scrutinized for arm's length and approved by the members of the Board of Directors independent from Kinnevik.

In December 2014, KinnAgri Ltd completed a buyback of the shares of AB Investment Kinnevik in KinnAgri Ltd. As AB Investment Kinnevik fully exited the shareholder structure of KinnAgri Ltd, the company was subsequently renamed TerraVost Ltd. As a result of the transaction, Richard Warburton, the CEO of the Group, reverted back to being the majority shareholder of TerraVost Ltd.

13. Contingencies and commitments

Purchase commitments

in thousands of US Dollars

	30-June-15	31-Dec-14
Commitments for acquisition of materials	2,423	5,892
Commitments for acquisition of plant, property and equipment	1,540	195
	<u>3,963</u>	<u>6,087</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

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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 2015, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

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 256,000 Ha of what perhaps is the world's most fertile soil.



In 2015 Black Earth Farming plans to harvest approximately 150,000 Ha, 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 August 2015

Per Åhlgren, Chairman

Camilla Öberg, Non-executive Director

Franco Danesi, Non-executive Director

Dmitry Zavgorodniy, Non-executive Director

Poul Schroeder, Non-executive Director

Future financial reports:

Q3 Report
Year End Report

13 November 2015
26 February 2016

For further information, please contact:

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Group's website: www.blackearthfarming.com

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 2015 and the related condensed consolidated interim statements of income and of comprehensive income for the three-month and the six-month periods then ended, of changes in equity and of 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".

**AO PricewaterhouseCoopers Audit
Alexei Ivanov**

**Moscow, Russian Federation
14 August 2015**

**PricewaterhouseCoopers AB
Bo Lagerström**

**Stockholm, Sweden
14 August 2015**

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 Ha of undefined land).

“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.