

Black Earth Farming Ltd Interim Report

1 January – 30 September 2015



**BLACK
EARTH
FARMING LTD.**



Harvest 84% complete. 9M15 net profit of USD 6.9mn (- 9.0)

With approximately 60% harvested, corn yields are averaging 5.18 t/Ha. On harvest completion, sunflower yielded 2.21 t/Ha. Prices are low for wheat and corn. 9M15 operating result of USD 18.9mn (4.9) is up USD 14.0mn y-o-y on higher biological asset valuation uplift, lower costs from operational efficiencies and weaker ruble, and gain on land swap. A foreign exchange loss of USD -8.2mn (-4.7) in 3Q15 reversed a USD 1.6mn (-2.6) forex gain in 6M15 to a USD 6.6mn (7.3) loss in 9M15. 9M15 net profit is up USD 15.9mn y-o-y to USD 6.9mn (-9.0).

Q3 2015 Highlights (vs. Q3 2014)

- Total revenue and gains of USD 21.1mn (26.7)
- Sales volume of 41 kt (67)
- Average sales price of USD 160 per ton (214)
- Sales revenue of USD 7.3mn (15.4)
- EBITDA of USD 12.5mn (13.3)
- Operating profit of USD 11.3 mn (10.4)
- Net profit of USD 2.2mn (4.7)
- Net profit per share of USD 0.01 (0.02)
- Net operating cash flow of USD -3.2mn (-8.1)

Significant and subsequent events

- **2015 harvest progress as of 12 November:** Corn is approximately 60% harvested with an average yield of 5.18 t/Ha. Sunflower is fully harvested with an average yield of 2.21 t/Ha.
- **Lipetsk-Tambov land and storage swap:** The swap announced on 17 March has closed. The Company recognized a USD 9.1mn pre-tax profit in 1H15. In 1H14, the sale of assets in Voronezh generated a USD 7.2mn pre-tax gain.
- **Ruble credit facility:** In August 2015, the Group agreed a RUR 800mn subsidized working capital credit facility with a leading Russian state bank.
- **Bond buybacks:** During 3Q15, the Company repurchased SEK 5mn (USD 0.6mn) of its own bond. On 13 October, the Company repurchased an additional SEK 12mn (USD 1.4mn).
- **Moscow office:** The Company has decided to close its Moscow office and transfer functions to Voronezh.
- **Root crops:** The Company has completed the acquisition of a small potato seed business in Kaliningrad.

CEO Comment Highlights (p.2)	Financial Overview (p.4)				
	USD million	Q3 '15	Q3 '14	9M '15	9M '14
• Market Development	Crop Volumes Sold (tons)	41.1	66.9	181.6	245.0
• 2015 Harvest Progress and Crops	Av. Sales Price	160	214	166	204
• 2015 Crop Sales	Total Revenue & Gains	21.1	26.7	55.3	63.7
• 9M Results 2015	Gross Profit	16.6	16.4	28.6	19.7
• Transactions	EBITDA	12.5	13.3	23.1	14.0
• 2016 crops	EBIT	11.3	10.4	18.9	4.9
• Risks	FX loss	(8.2)	(4.7)	(6.6)	(7.3)
• Summary	Net profit/(loss)	2.2	4.7	6.9	(9.0)

CEO Comment

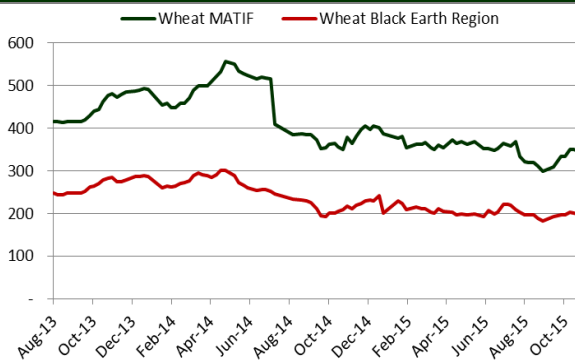


Market Development

In Russia, wheat and corn prices remain low in hard currency terms. Sunflower prices are firmer due to strong domestic demand from a domestic crushing capacity in excess of the crop. Despite ruble volatility, the domestic market has remained well correlated with the international markets in USD terms.

sold to date (excluding futures). This is due to a combination of factors, including ruble volatility, uncertainty around the export levy and low prices offered.

MATIF vs. Black Earth Region Wheat Price, USD



Source: IKAR, CBOT

2015 Harvest Progress and Crops

With the exception of our Kursk farms, 2015 crops have benefited from adequate and well timed rainfall with relatively cool temperatures. The winter wheat yield of 3.5 t/Ha, whilst lower than last year, is better than expected considering the very dry autumn of 2014, which reduced its yield potential considerably. At 3.2 t/Ha spring barley was down 11% y-o-y but 28% above the historic 5 year average of 2.5 t/Ha. Virtually all of the barley crop is of malting quality. Sunflowers have yielded 2.2 t/Ha, which is 16% higher y-o-y and the best yield in the company's history. Corn is yielding well at 5.18 t/Ha, which is 49% higher y-o-y, at 60% harvest completion and 24k Ha still to be harvested. Potatoes have yielded 34.8 t/Ha, which is 12% higher y-o-y, but quality is expected lower than in prior years.

Net Crop Yield Development

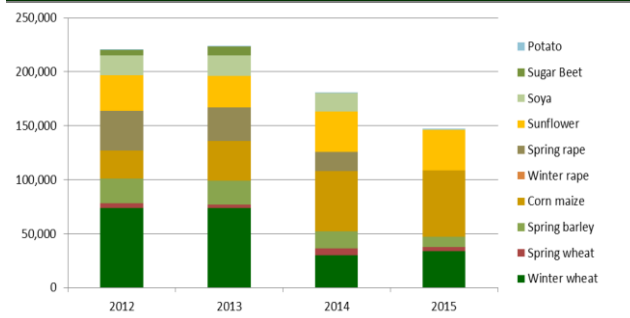
(tons/hectare)	2012	2013	2014	2015E	2010-2014	2015 to Av.%
Winter wheat	2.1	3.3	4.0	3.5	2.9	20.7%
Spring wheat	2.6	1.9	3.6	2.3	2.4	-4.3%
Spring barley	2.4	2.6	3.6	3.2	2.5	30.3%
Corn maize	5.1	4.3	3.5	5.2*	3.9	32.2%
Winter rape	n/a	n/a	0.7	n/a	0.6	n/a
Spring rape	1.3	0.9	1.4	n/a	1.0	n/a
Sunflower	1.9	2.0	1.9	2.2	1.8	20.9%
Soya	1.2	0.9	0.5	0.6	0.9	-31.9%
Sugar beet	25.3	24.3	n/a	n/a	25.1	n/a
Potatoes	33.2	33.9	31.0	34.8	32.5	6.9%
Carrot	n/a	n/a	n/a	65.0	n/a	n/a
Onion	n/a	n/a	n/a	29.0	n/a	n/a
Average Blended Yield ex SB & Pot	2.3	2.6	2.8	3.8	2.9	54.4%
Average Blended Yield	2.8	3.5	2.9	4.0	3.2	42.5%

*60% harvested. Source: Company data

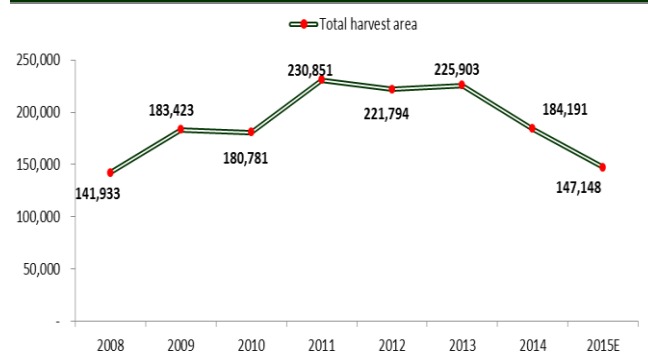
2015 Crop Sales

In comparison with prior years, less crop is 'priced' with only 58% (72%) of the expected harvest volumes

2012-2015 Crop Area Breakdown, Ha

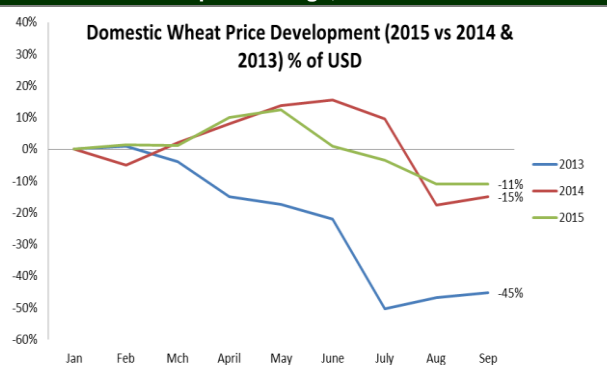


2008-2015 Total harvest area, Ha



Source: Company data

Y-o-Y price change, % of USD



% price difference per crop in USD 2015* vs 2014

	Nov 15 on Nov 14 % change	Sep 15 on Sep 14 % change
Wheat	-19%	-21%
Corn	-13%	-9%
SF	3%	28%
Average	-7%	5%

* At spot rate 9 Nov of 64.70

Source: Company data, IKAR

9M Results 2015

1Q results are typically driven by sales of the prior year crop against the inventory valuation at the end of the prior year. In 2Q, the remainder of the prior year crop is sold and the spring planting campaign is undertaken. In 3Q, the company's biological asset is revalued through sales, as inventory or in field. Early spring crops are harvested and stored or sold, while the late spring crops mostly remain in field. Winter crops are also sown in 3Q.

On 30 September, we report results of sales of prior year crop in 1H and current year crop in 3Q. We value crop in inventory at contract or market prices and crop in field 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 9M15 revenue was down 40% y-o-y to USD 31.6mn 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 in field) resulted in a USD 23.3mn gain (10.7). The Company has worked hard to increase efficiency in operations to lower ruble input costs. The weaker ruble has reduced dollar production costs while prices have remained more stable in USD terms. Meanwhile, yield improvements have reduced cost per ton. Below gross profit, distribution costs declined on lower export volumes, different export basis and lower processing costs. G&A decreased as a result of the weaker ruble. Our land swap (see also below) resulted in a USD 9.1mn pre-tax gain, which supported an EBIT of USD 18.9mn (4.9). Financial expenses declined as result of our 2014-2015 bond repurchases (a total of USD 33.4mn) and a weakening of the Swedish krona (SEK) against the USD. The weakening of the RUR against the SEK, also resulted in a USD 6.6mn (7.3) translation loss on the Company's debt. Net profit increased USD 15.9mn y-o-y to USD 6.9mn (-9.0).

Over 9M15, the Company generated USD 2.9mn (4.0) cash flow from operations, invested USD 6.2mn (18.6) in net working capital and spent USD 7.4mn (16.1) on capex. At the end of 9M15, the Company had USD 18.1mn (22.7) in cash and USD 59.7mn (71.6) of interest bearing debt (net of USD 33.4mn repurchased bonds). In August, the Company agreed its first ever ruble working capital credit facility with a leading Russian bank. The facility is an important step in optimizing our capital structure, accessing government agricultural subsidies and managing foreign exchange risks.

Transactions

On 17 March, the Company announced a swap of Lipetsk-Tambov land and storage capacity. The swap has now closed. The Company recognized a USD 9.1mn pre-tax profit. For y-o-y comparisons of profitability, in 1H14, the gain on the sales of assets in Voronezh generated a USD 7.2mn pre-tax gain.

On 27 August, the Company completed the acquisition of a small potato seed company in Kaliningrad. The purpose of the acquisition was to secure a high quality seed supplier for the Company's potato business within the Russian Federation.

2016 crops

38k Ha of winter wheat were seeded by early September and is in excellent condition. The crop footprint for 2016 is expected to be broadly similar to 2015 with a similar mix of corn, sunflowers, barley, winter wheat and rotational fallow. Dry autumn conditions have thus far allowed the Company to make good progress on cultivations for the 2016 crop.

Risks

While the Company's business is not directly impacted by the conflict in Eastern Ukraine or the related geopolitical tensions, the Group is indirectly exposed to 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 risks of a potential imposition of export levies increase uncertainty in the Company's operating environment.

Summary

There is still 24k Ha of corn left to harvest. Subject to this crop being successfully harvested at current yields and expected processing costs, the Company should for the fourth year running make substantial operational progress with productivity enhancement and reduction in cost per ton. The business is benefitting from the weaker ruble in reduced USD operating costs whilst ruble sales are in general adjusting to reflect international prices and foreign exchange volatility. The completion of the acquisition of the seed business is a small but important step for our root crop business. Our first ruble credit facility is also an important development in optimizing our capital structure, accessing government subsidies to the sector and managing our foreign exchange risk. Whilst commodity prices remain low, our operational progress means that an improved end-of-year result is within reach. Our current focus is on finalizing harvest and managing the associated costs.

13 November 2015

Richard Warburton CEO and President

Q3 2015 Financial Review



Note on foreign exchange

RUR/SEK and RUR/USD fluctuations 2014-2015

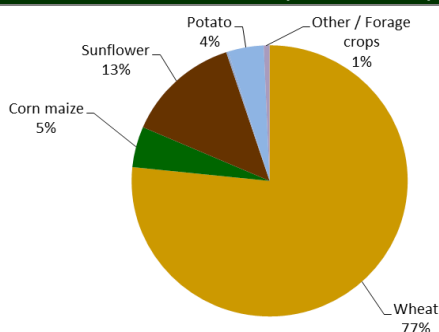


Due to significant exchange rate volatility in the nine months ending 30 September 2015, the Company has applied the respective quarterly average RUR/USD rates to convert the 1Q15 (63.19), 2Q15 (52.77) and 3Q (63.00) results from its ruble functional currency to the USD presentation currency. Opening (56.26) and closing rates (66.24) have been used to translate the balance sheet in 9M15. The Company uses the official rate of the Central Bank of Russia as reference.

Revenue

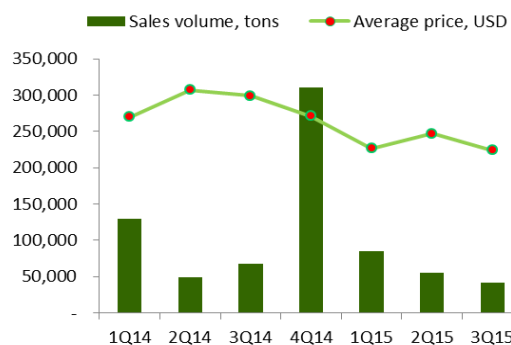
In 3Q15, the Company started selling 2015 crops. Revenue from goods sold in 3Q15 was down -52.6% y-o-y to USD 7.3mn (15.4) as sales volumes decreased -38.6% (41.1kt vs 66.9kt), and the weighted average sales price declined -25.2% in USD terms, partly as an effect of a decline in the ruble. The realized average price is affected by the crop mix of sales and the exchange rate. During 3Q15, sales included a higher share of lower priced wheat, compared with higher priced wheat and rape in 3Q14. The 3Q15 sales mix consisted mainly of wheat (77% of volumes), sunflower (13%), corn (5%), potatoes (4%). 1H15 revenue reflects sales of prior year carry-in crop inventory. For 9M15, sales revenue decreased -39.7% y-o-y to USD 31.6mn (52.4), as sales

3Q 2015 Sales Mix (% of volumes)



volumes decreased -25.9% to 181.6kt (245.0), due to lower carry-in volumes of prior year crop, and the weighted average USD sales price fell -18.6% to USD 166 per ton. Please refer to page 7 for more detail on sales volumes and prices.

Sales Volumes & Price per Ton



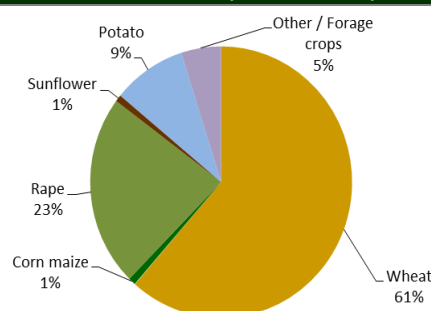
Inventory & Gain/Loss on Revaluation

At 30 September, the Company had biological assets (2015 crop in field still to be harvested) estimated at a fair value of USD 34.5mn (34.7). See page 8 for more detail regarding the accounting treatment of biological assets. The revaluation of the Company's biological assets resulted in a 3Q15 gain of USD 13.8mn (11.3), adding to the USD 9.5mn (-0.5) gain at 30 June, as corn and sunflower yields were up, ruble sales prices were higher while ruble costs were stable and despite lower completion factors. At the reporting date, the Company held 187kt (238) of 2015 crops in inventory, of which 46% of the volumes consisted of wheat, 18% sunflower, 16% barley and 16% corn. Market prices (excluding 10% VAT) detailed on page 7 and, where applicable, contract prices were used to estimate a net realizable value of finished goods of USD 27.3mn (43.1).

Result

As a result of lower sales but higher uplift on the Company's biological assets, 3Q15 total revenue and gains were down USD 5.6mn y-o-y to USD 21.1mn (26.7). Cost of sales was down -56.3% y-o-y to USD 4.5mn (10.3) as a result of 38.6% lower volume, crop sales mix and a weaker ruble.

3Q 2014 Sales Mix (% of volumes)



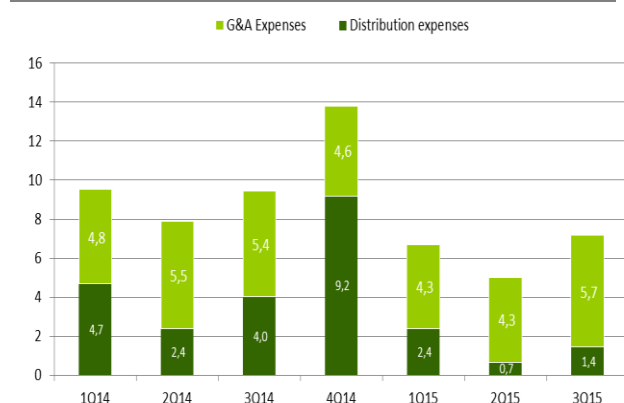
Q3 2015 Financial Review



Lower total revenue and lower cost of sales kept 3Q15 gross profit stable y-o-y at USD 16.6mn (16.4). 3Q15 distribution costs were down -65.0% y-o-y to USD 1.4mn (4.0), due to lower export volumes and the weaker ruble. G&A was up 5.6% to USD 5.7mn (5.4) despite a weaker ruble, as a result of higher labour and consultancy costs. Other income and expenses of USD 2.2mn (3.4) also holds a USD 1.5mn income on grain futures. The 3Q15 interest expense declined to USD 0.8mn (1.7), on bond repurchases in 2014 and weakening of the SEK against the USD. Weakening of the ruble against the SEK during 3Q15 resulted in a foreign translation loss on the Company's SEK denominated bonds of USD 8.2mn (4.7).

For 3Q15, the Company posted EBITDA of USD 12.5mn (13.3), EBIT of USD 11.3mn (10.4) and net income of USD 2.2mn (4.7). The 3Q15 net income result was supported by a high revaluation gain on biological assets, the impact on costs of a weaker ruble, and lower financial expenses. Negative forex translation reduced net income.

Quarterly Development of SG&A Expenses



Financial Position

The y-o-y movement in the Company's financial position was significantly affected by the movement in the RUR/USD from 39.39 on 30 September 2014 to 66.24 on 30 September 2015. The Company's non-current assets of USD 90.6mn comprise of buildings (mainly storage facilities), land (227k Ha of owned and co-owned land), as well as machinery and equipment used in crop production. As at 30 September 2015, finished goods include crops harvested in 2015 and valued at a net realisable value of USD 27.3mn (43.1). Raw materials of USD 9.1mn (13.9) include inputs to the 2016 crop. Biological assets of USD 34.5mn (34.7) mostly consists of crop in field, valued at current prices less cost to point of sales. Please see page 8 or note 4 in the condensed consolidated interim financial

statements for more information on how biological assets are valued and recorded. At 30 September 2015, the Company had USD 18.1mn (22.7) in cash and equivalents. Interest bearing debt stood at USD 59.7mn (71.6) (net of USD 33.4mn (32.5) repurchased bonds). The Company's bonds carry 9.4% annual coupon rate and mature in October 2017. As of 30 September 2015, the Company had a net debt position of USD 41.6mn (48.9). Total debt (including lease payables and short-term loan) to total equity stood at 53% (39%).

Statement of Financial Position

E-rate	RUR million		USD million	
	30-Sep-15	30-Sep-14	30-Sep-15	30-Sep-14
			66.24	39.39
Land	2,133	1,631	32.2	41.4
Buildings	1,755	1,820	26.5	46.2
Equipment & other	484	2,036	7.3	51.7
Investment property	159	142	2.4	3.6
Other	1,470	51	22.2	1.3
Total Non-current assets	6,001	5,680	90.6	144.2
Cash	1,196	894	18.1	22.7
Finished goods	1,807	1,698	27.3	43.1
Raw materials and consumables	603	547	9.1	13.9
Bio assets & cultivation	2,716	1,575	41.0	40.0
Receivables	784	894	11.8	22.7
Assets held for sale	84	-	1.3	-
Total Current Assets	7,190	5,608	108.6	142.4
Total Assets	13,191	11,288	199.2	286.6
Total Debt	(3,954)	(2,820)	(59.7)	(71.6)
Trade and other payables	(1,729)	(1,205)	(26.1)	(30.6)
Other Liabilities	(30)	(24)	(0.5)	(0.6)
Equity	(7,478)	(7,239)	(112.9)	(183.8)
Total Equity & Liabilities	(13,191)	(11,288)	(199.2)	(286.6)

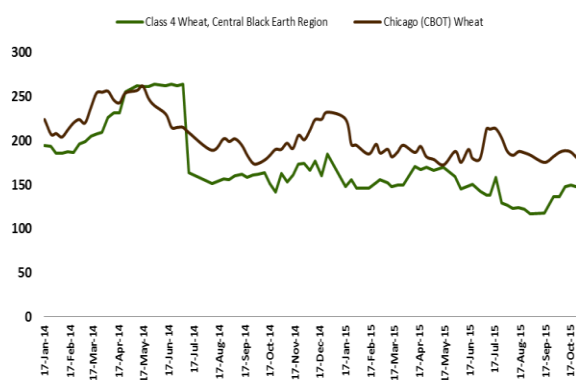
Cash Flow

During 9M15, the Company generated USD 2.9mn (4.0) cash flow from operations. The net increase in working capital was USD 6.2mn (18.6). A lower interest payment of USD 4.0mn (6.6) contributed to reducing the net cash used in operating activities to USD 8.7mn (22.8). Net capital expenditures were USD 7.4mn (16.1) in 9M15. In 3Q15, the Company drew USD 4.4mn from its working capital facility. The Company spent USD 0.7mn before and another USD 1.4mn after the reporting date to repurchase its own bonds. As a net result, cash and equivalents decreased USD 14.8mn (42.2) from USD 32.9mn (64.9) to USD 18.1mn (22.7) over the reporting period.

International

While poor initial weather conditions caused concern in the run up to the main 2015-16 US and EU harvests, yields came out better than expected as conditions turned more benign towards the end of the season. The International Grains Council (IGC) recently raised its global grain (wheat, corn, barley and sorghum) stock

International vs. Russian Domestic Wheat Price, USD



Source: IKAR, CBOT

outlook to a 29-year high after a forecast increase by 9mn tons to a total of 456mn. The increase is driven mainly by an improved production outlook for wheat, up 10mln tonnes to 720mln tonnes. World corn output is lower than the record 2013-14 corn crop of 1bn tons, as EU and Ukraine are down 13% and 20% respectively due to drought and South America is down 5%. Overall, South American 2015-16 grain and oilseed crops are however expected to be unchanged from 2014-15. Brazil's soya crop is expected to be close to 100mn tons, offsetting the lower corn crop but adding to the already high grain and oilseed stocks from 2014-15. The first four months of the 2015-16 season are characterized by increased crop production, higher stocks and falling prices. World cereal prices are down 18% y-o-y, with 4% and 7% declines in grain and oilseed prices respectively in the last month alone. Buying patterns have changed in 2015, with consumers generally postponing sales to capture potentially lower prices. Lower farmer selling is estimated to be down by a third in the US and is a common feature to most major markets, including the EU and Russia. This is possibly currently containing further decline in prices. Combined with currency devaluations in Latin America, this however also allows South America to increase its market share in soya and corn through cheap exports. Further price declines are possible, especially in the US where currency strength and cost of production make domestic crops uncompetitive on international markets and crop will likely be sold locally. In terms of the 2016 crop outlook, there are concerns regarding lower South American corn plantings, dry conditions in the Black Sea countries and weather conditions in parts of the US adversely affecting winter crops. Such concerns are providing some price support in an otherwise bearish market.

Russia

The 2015 crop is expected to be the third largest in post-Soviet history, despite a dry autumn in 2014. The total crop is expected to be 101mn in 2015-16 (vs 105mn in 2014), of which wheat will account for 61mn (65). The oilseed harvest will be completed soon and production is expected to decline by 500,000 tons to 11,75mn tonnes in 2015-16. This is the lowest level since 2011-12, following a 48% drop in winter oilseed rape plantings. The 2015-16 sunflower area was only marginally higher y-o-y but despite an expectation of unchanged yields from 2014-15, demand will exceed supply by approximately 1mn tons. This would leave this season's ending stocks at a record low (since 2012-13) at under 250,000 tonnes. 2015-16 prices are at record highs, up by 90% from last year. Wheat quality is generally lower this year with low gluten levels and average protein levels at around 12% (vs the 12.5% typical for the region). As a result, there is a bigger than average share of feed category in the wheat crop. Barley quality is higher, with a bigger than average share of malting vs feed. The ruble has followed oil prices lower and weakened against most major currencies since July. Combined with lower farm selling, this has provided some price support. Demand both from domestic and international buyers have been strong. Exports picked up following a beneficial change in the calculation of the export levy. 14mn tons is expected to have been shipped abroad by the end of October. In dollar terms, prices in Russia are in line with world market prices but 18% down y-o-y. Further price support may come from concerns about the 2016-17 crop. Continued dryness in the Black Sea countries is worsening the outlook. In Ukraine, poor establishment has reduced the winter rape and winter wheat outlook. In Russia the trend is similar with winter wheat area down 12% from 2014-15, which implies greater reliance on spring conditions for supply levels.

Sales Development & Crop Inventory



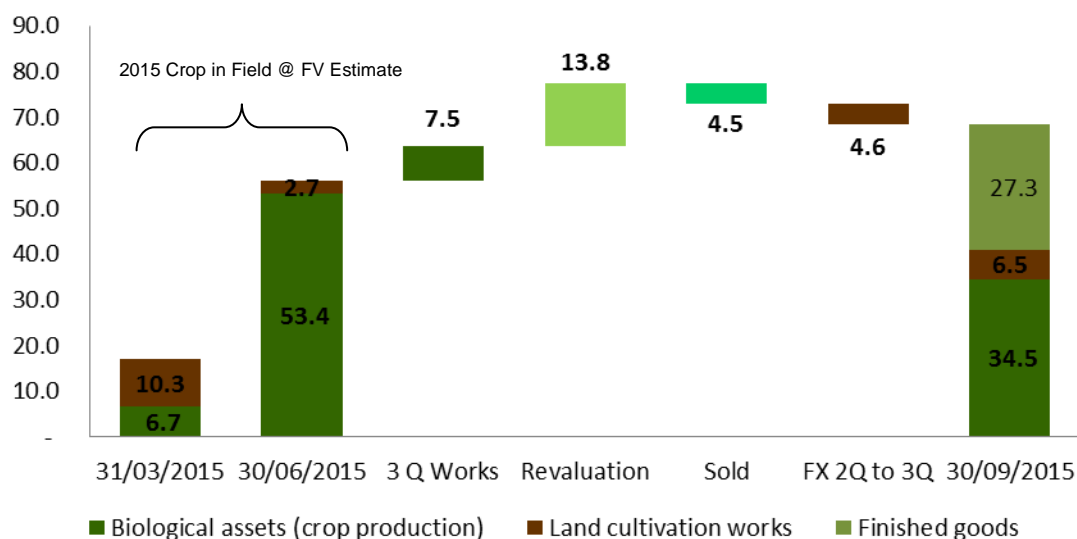
The Company values its inventory of finished goods at net realisable value to reflect the market value as at the end of the reporting period. Contract or market prices are used to estimate net realisable value. A change in net realisable value affects total revenue and gains in the statement of income. 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 September 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		
	3Q '15	2Q '15	1Q '15	4Q '14	3Q '14	30 Sep '15	31 Dec '14
Volume, k tons							
<i>Wheat</i>	31,526	11,106	22,152	60,180	41,115	87,088	33,655
<i>Barley</i>	-	30,767	9,374	13,411	34	30,426	43,058
<i>Corn</i>	1,996	2,609	39,427	149,635	601	29,530	40,250
<i>Rape</i>	-	4,645	49	6,225	15,274	-	4,779
<i>Sunflower</i>	5,526	1,632	12,723	56,550	549	33,539	13,841
<i>Soya</i>	97	-	510	9,659	-	1	124
<i>Potato</i>	1,714	4,914	460	12,210	6,064	5,742	8,174
<i>Other</i>	283	-	84	2,509	3,300	208	-
Total Tons	41,142	55,673	84,779	310,379	66,937	186,534	143,881
Price, USD/ton							
<i>Wheat</i>	133	166	172	193	167	127	163
<i>Barley</i>	-	155	124	158	131	156	134
<i>Corn</i>	122	227	140	151	128	111	135
<i>Rape</i>	-	326	384	516	320	-	301
<i>Sunflower</i>	344	466	242	265	297	313	299
<i>Soya</i>	381	-	125	320	-	333	335
<i>Potato</i>	103	118	157	135	220	112	162
<i>Other</i>	92	-	71	345	298	-	-
Average Price	160	181	162	194	214	162	164

As at 30 September 2015, the Company recorded inventories at a total value of USD 36.4mn in the balance sheet. Total inventory include finished goods, i.e. crops harvested in 2015 and held for sale, as well as raw materials to be used in production. At 30 September 2015, the Company held 187 thousand tons of crops harvested during 3Q15, valued at an average price of USD 162 per ton to USD 27.3mn. At 30 September 2014, the Company held 238 thousand tons of crops harvested during 3Q14, valued at an average price of USD 181 per ton to USD 43.1mn.

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 a 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. At 30 September, average completion typically moves towards 70-90%. 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 estimates fair value on the most relevant and reliable market information available, applying 2015 harvest current prices to estimate the value of its 9M15 biological assets. The Group applies historical and current yield estimates in its valuation of its biological assets. Where harvest progress is low (less than 25%) and visibility on yield is poor, the Company uses five year average historical yields. For the crops that are currently being harvested, the Company uses 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 9M15 and 9M14 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 9.

Biological assets valuation 9m15 vs. biological assets valuation 9m14						
Crops	9m 2015			9m 2014		
	Yield	Price, net VAT, USD	Average completion*	Yield	Price, net VAT, USD	Average completion*
Corn maize	5.2	117		3.7	126	
Sunflower	2.2	335	76.3%	1.9	296	94.0%
Potato	29.3	132		31.0	198	
Total Biological assets and Land cultivation works			41,015			40,007

* Weighted average of per crop completion rates

Production Overview



**BLACK
EARTH
FARMING LTD.**

Crop Area Breakdown

(Ha)	2010	2011	2012	2013	2014	2015
Winter wheat	72,677	93,627	73,912	73,702	30,235	34,071
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	108,492
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	37,781
Soya	7,899	7,863	18,187	18,682	16,932	166
Total Oilseeds	74,247	87,875	88,002	79,115	72,605	37,947
Sugar Beet	n/a	1,621	5,085	8,822	n/a	n/a
Potatoes	n/a	n/a	31	196	884	592
Total Commercial Area	179,768	228,900	220,119	223,911	181,257	147,031
<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>63</i>
Total harvest area	180,781	230,851	221,794	225,903	184,191	147,094

Average Net Crop Yields

(tons/ha)	2010	2011	2012	2013	2014	2015 9M
Winter wheat	1.9	2.4	2.1	3.3	4.0	3.5
Spring wheat	1.4	1.6	2.6	1.9	3.6	2.3
Spring barley	1.4	1.9	2.4	2.6	3.6	3.2
Corn maize	0.7	4.9	5.1	4.3	3.5	5.2 ¹
Winter triticale	0.8	n/a	n/a	n/a	n/a	n/a
Winter rape	0.5	n/a	n/a	n/a	0.7	n/a
Spring rape	0.6	1.1	1.3	0.9	1.4	n/a
Sunflower	0.8	2.0	1.9	2.0	1.9	2.2 ²
Soya	0.3	0.9	1.2	0.9	0.5	0.6
Sugar beet	n/a	25.6	25.3	24.3	n/a	n/a
Potatoes	n/a	n/a	33.2	33.9	31.0	34.8 ²

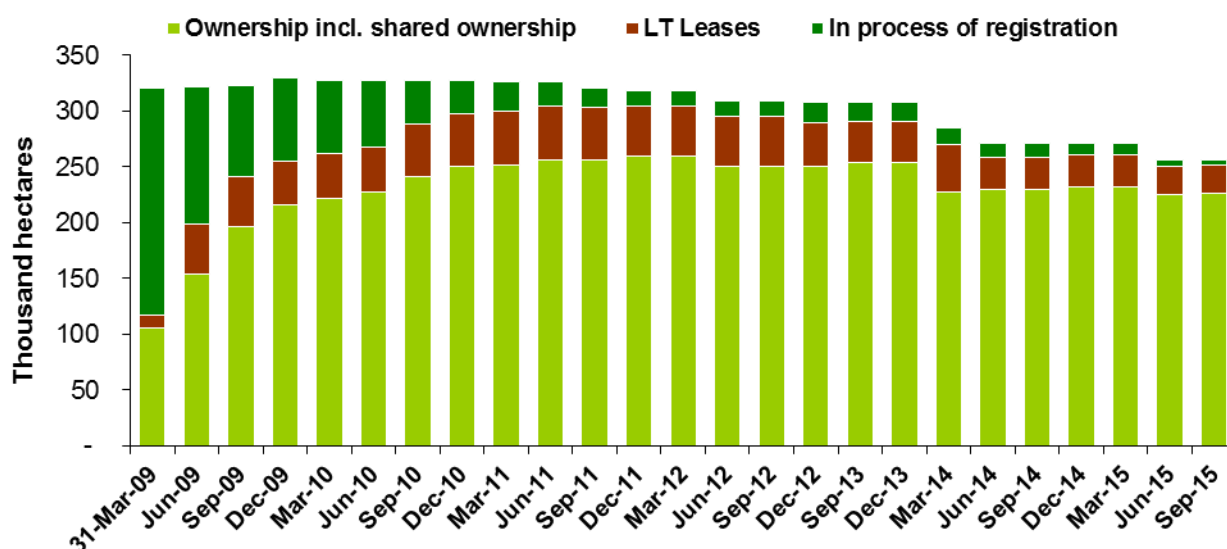
Net Harvest Volumes

(tons)	2010	2011	2012	2013	2014	2015 9M
Winter wheat	137,703	220,608	157,571	243,217	121,185	119,647
Spring wheat	13,791	21,187	11,495	6,585	22,379	8,627
Spring barley	19,595	49,166	55,074	56,592	57,492	30,673
Corn	5,152	29,989	132,829	158,986	195,747	316,550
Winter triticale	211	n/a	n/a	n/a	n/a	n/a
Total Cereal Grains	176,452	320,950	356,969	465,380	396,803	475,497
Winter rape	246	n/a	n/a	n/a	75	n/a
Spring rape	15,497	36,887	46,052	28,292	26,064	n/a
Sunflower	28,904	92,805	62,759	57,994	70,927	82,257
Soya	1,818	7,114	22,364	16,006	9,098	97
Total Oilseeds	46,465	136,806	131,175	102,292	106,164	82,354
Sugar beet	n/a	41,531	128,405	214,720	n/a	n/a
Potatoes	n/a	n/a	1,029	6,644	27,404	20,576
Total Commercial Crops	222,917	499,287	617,578	789,036	530,371	578,427
<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>	<i>3,194</i>
Total Output	226,603	513,884	630,791	802,279	549,946	581,621

¹ 60% of area harvested; ² 100% of area harvested as of November 12, 2015

As of 30 September 2015, Black Earth Farming held 227k Ha of owned and co-owned land, corresponding to 89% of the total controlled land bank of 256k Ha. 25k Ha were leased and 4k 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 2.4mn (3.6). 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.

227 Thousand Ha in Ownership (89% 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 196k Ha of land that is not leased at acquisition cost of USD 23.6mn (less Samara and Tambov after swap), as recorded in the statement of financial position as property, plant and equipment, which translates into a per hectare value of USD 120. 13k Ha in Samara are held at a fair value of USD 2.4mn, which translates into a per hectare fair value of USD 182. Following a land swap announced in March 2015 (see also below), 22k Ha in Lipetsk-Tambov are held at a fair value of USD 8.6mn, which translates into a per hectare value of USD 394.

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.

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 September 2015. Please refer to note 1 of this report for more details on the Company's risk environment.

Outstanding shares

As of 30 September 2015 the amount of outstanding shares was 210,426,241.

In June 2015, 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 September 2015 was approximately SEK 625mn or USD 74mn.

Shareholders

The total number of shareholders, as of 30 September 2015, amounted to approximately 13,600.

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 – 2 November 2015

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
1,471,026	318,098	125

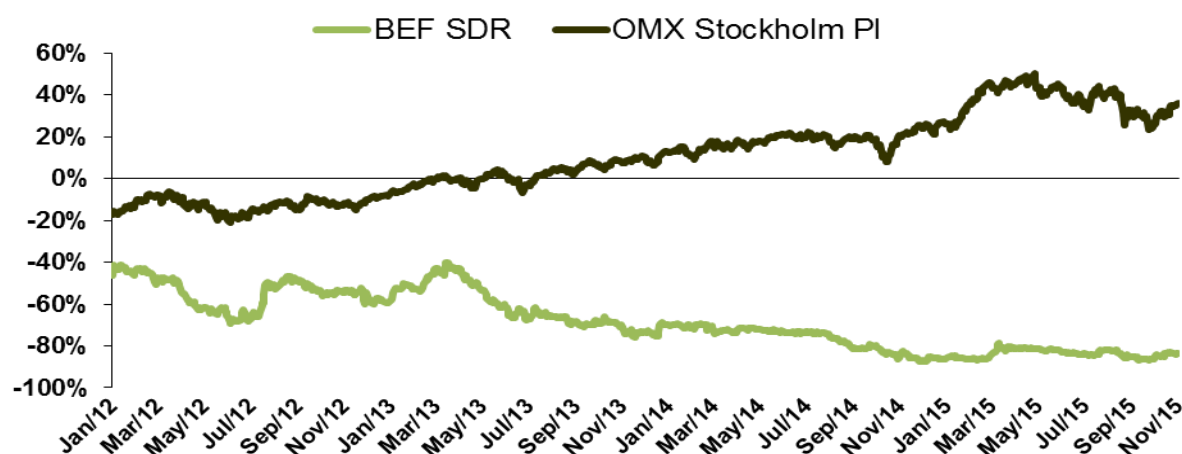
Source: NASDAQ OMX

Top 5 shareholders as of 30 September 2015

Owner	% of votes & capital
AB INVESTMENT KINNEVIK	24.62%
GOMOBILE NU AB	11.59%
ALECTA PENSION FUNDS	9.68%
AVANZA PENSION	4.88%
DANSKE INVEST FUNDS	3.32%

Source: Euroclear Sweden share registry & shareholders' reference

Share Performance vs. OMX Stockholm index



Black Earth Farming SDR

Price SEK/SDR 30 Sep 2015	Change 1 Month	Change 3 Months	52 Week High
2.97	-7.19%	-13.91%	4.99
	Change 6 Months	Change 1 Year	52 Week Low
	-28.43%	-32.19%	2.77

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

In thousands of US Dollars

	Notes	Nine months ended		Three months ended	
		30-Sep-15	30-Sep-14	30-Sep-15	30-Sep-14
Revenue	3	31,644	52,405	7,267	15,414
Gain on revaluation of biological assets	4	23,298	10,733	13,812	11,257
Change in net realisable value of agricultural produce after harvest		335	590	-	(7)
Total revenue and gains	5	55,277	63,728	21,079	26,664
Cost of sales	6	(16,488)	(38,539)	(4,541)	(10,284)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		(10,175)	(5,447)	30	60
Gross profit		28,614	19,742	16,568	16,440
Distribution expenses		(4,514)	(11,070)	(1,435)	(4,006)
General and administrative expenses		(14,351)	(15,740)	(5,726)	(5,424)
Taxes other than income		(1,157)	(1,034)	(167)	(374)
State grants and subsidies		1,075	2,061	194	424
Crop insurance net of insurance grants		(1,097)	(324)	(353)	(201)
Other income and expenses, net	7	10,314	11,304	2,210	3,494
Operating profit		18,884	4,939	11,291	10,353
Financial income		237	1,192	120	146
Financial expenses		(3,336)	(6,444)	(810)	(1,693)
Foreign exchange loss		(6,624)	(7,275)	(8,213)	(4,669)
Profit/(loss) before income tax		9,161	(7,588)	2,388	4,137
Income tax (expense)/ benefit		(2,244)	(1,398)	(140)	552
Profit/(loss) for the period		6,917	(8,986)	2,248	4,689
Earnings/(loss) per share, basic and diluted, in USD	11	0.03	(0.04)	0.01	0.02

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

<i>In thousands of US Dollars</i>	Notes	Nine months ended		Three months ended	
		30-Sep-15	30-Sep-14	30-Sep-15	30-Sep-14
Profit/(loss) for the period		6,917	(8,986)	2,248	4,689
Other comprehensive loss					
Translation difference		(19,539)	(36,742)	(20,459)	(30,052)
Other comprehensive loss for the period		(19,539)	(36,742)	(20,459)	(30,052)
Total comprehensive loss for the period attributable to owners of the parent		(12,622)	(45,728)	(18,211)	(25,363)

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

<i>In thousands of US Dollars</i>	Notes	<u>30-Sep-15</u>	<u>31-Dec-14</u>
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		86,640	95,141
Intangible assets		67	24
Biological assets (livestock)	4	384	431
Other non-current assets		753	670
Deferred tax assets		373	415
Investment property		2,371	2,792
Total non-current assets		<u>90,588</u>	<u>99,473</u>
<i>Current assets</i>			
Finished goods		27,277	23,495
Raw materials and consumables		9,118	9,859
Biological assets (crop production)	4	34,517	6,066
Land cultivation works		6,498	6,887
Trade and other receivables	8	11,845	15,604
Cash and cash equivalents		18,050	32,888
Assets held for sale		1,261	-
Total current assets		<u>108,566</u>	<u>94,799</u>
Total assets		<u>199,154</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		5,305	4,868
Accumulated deficit		(225,936)	(232,853)
Translation reserve		(194,453)	(174,914)
Total equity		<u>112,925</u>	<u>123,949</u>
LIABILITIES			
<i>Non-current liabilities</i>			
Non-current loans and borrowings	9	54,067	58,819
Lease payables		192	461
Deferred tax liabilities		398	372
Total non-current liabilities		<u>54,657</u>	<u>59,652</u>
<i>Current liabilities</i>			
Current loans and borrowings	9	5,229	1,380
Trade and other payables		26,093	9,021
Lease payables		250	270
Total current liabilities		<u>31,572</u>	<u>10,671</u>
Total liabilities		<u>86,229</u>	<u>70,323</u>
Total equity and liabilities		<u>199,154</u>	<u>194,272</u>

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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	-	-	-	(8,986)	-	(8,986)
Other comprehensive loss						
Translation differences	-	-	(1,234)	-	(36,742)	(37,976)
Total comprehensive loss	-	-	(1,234)	(8,986)	(36,742)	(46,962)
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
Balance as at 1 January 2015	2,077	524,771	4,868	(232,853)	(174,914)	123,949
Profit for the period	-	-	-	6,917	-	6,917
Other comprehensive income/(loss)						
Translation differences	-	-	(764)	-	(19,539)	(20,303)
Total comprehensive income/ (loss)	-	-	(764)	6,917	(19,539)	(13,386)
Recognition of share-based payments	-	-	2,259	-	-	2,259
Shares issued	28	1,133	(1,058)	-	-	103
Balance as at 30 September 2015	2,105	525,904	5,305	(225,936)	(194,453)	112,925

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

<i>In thousands of US Dollars</i>	Notes	Nine months ended 30-Sep-15	Nine months ended 30-Sep-14
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		6,917	(8,986)
<i>Adjustments for:</i>			
Income tax expense		2,244	1,398
Depreciation and amortisation		4,173	9,032
Change in allowance for doubtful debts		90	299
Foreign exchange loss		6,624	7,275
Financial income		(237)	(786)
Financial expense		3,336	6,444
Gain on disposal of property, plant and equipment		(94)	(7,112)
Swap deal	7	(9,080)	-
Share based payments		2,259	2,044
LTIP 2012 execution		103	-
Loss on disposal of subsidiary		-	285
Change in value of biological assets and agricultural produce		(23,633)	(11,323)
Effect of revaluations on cost of goods sold		10,175	5,447
		2,877	4,017
Movements in working capital:			
Decrease/(increase) in inventories		4,447	(5,581)
Increase in biological assets		(30,080)	(24,830)
Decrease/(increase) in trade and other receivables		1,238	(5,809)
Increase in trade payables and other short-term liabilities		18,172	17,619
Cash used in operations		(3,346)	(14,584)
Interest paid		(3,994)	(6,649)
Income tax paid		(1,331)	(1,562)
Net cash used in operating activities		(8,671)	(22,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		237	786
Acquisition of land plots		(296)	(392)
Acquisition of property, plant and equipment		(6,927)	(15,663)
Proceeds from disposal of property, plant and equipment		1,308	20,558
Acquisition of intangible assets		(193)	(22)
Acquisitions of subsidiaries, net of cash acquired		(190)	-
Proceeds from disposal of intangible assets		-	15
Proceeds from disposal of investments		-	2,692
Net cash generated from/(used in) investing activities		(6,061)	7,974
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		4,376	-
Repurchase of bonds		(654)	(19,816)
Settlement of obligations under finance lease agreements		(125)	-
Net cash from/(used in) financing activities		3,597	(19,816)
Net decrease in cash and cash equivalents		(11,135)	(34,637)
Cash and cash equivalents at the beginning of the period		32,888	64,925
Currency translation differences on cash and cash equivalents		(673)	(27)
Effect of foreign currency exchange differences		(3,030)	(7,531)
Cash and cash equivalents at the end of the period		18,050	22,730

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.

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 70.7465 per USD;
- the CBRF key interest rate decreased from 17.0% to 11.0% p.a. following an overnight increase from 10.5% to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index fluctuated between 790.71 on 1 January 2015 to 789.73 on 30 September 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;

1 Background (continued)

(b) 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;
- capital outflows decreased compared to prior years; 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. From 1 July 2015 until the present day, a customs duty on wheat export of 50% minus RUR 5.5 thousand but no less than RUR 50 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. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business.

Seasonality

The agricultural sector exhibits obvious seasonal behavior. 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 summer period the finished goods in stock are at the same 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 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.

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

2 Basis of preparation (continued)

(c) Functional and presentation currency (continued)

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:

- 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 nine months period ended 30 September	59.6290	35.4719
RUR/USD as at 30 September 2015 (31 December 2014)	66.2367	56.2584
RUR/SEK for the nine months period ended 30 September	7.0850	5.3164
RUR/SEK as at 30 September 2015 (31 December 2014)	<u>7.8687</u>	<u>7.2021</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 and criteria 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.

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Segment revenues and results

Nine months ended 30 September 2015				
<i>In thousands of US Dollars</i>	Revenue from external sales	Inter- segment revenue	Depreciation and amortization	Net result
Agricultural companies				
– Voronezh region	3,679	926	318	6,347
– Kursk region	10,973	822	875	5,706
– Lipetsk region	9,343	952	949	4,533
– Tambov region	7,524	295	358	5,427
Elevators	125	1,084	1,548	(1,345)
Total	31,644	4,079	4,048	20,668
Central administrative costs and director's salaries				(12,098)
Other income and expenses				10,314
Financial expenses, net				(9,723)
Profit before income tax				9,161

Nine months ended 30 September 2014				
<i>In thousands of US Dollars</i>	Revenue from external sales	Inter- segment revenue	Depreciation and amortization	Net result
Agricultural companies				
– Voronezh region	9,264	2,714	1,488	(2,055)
– Kursk region	12,280	1,204	1,301	3,499
– Lipetsk region	19,082	1,006	1,632	6,063
– Tambov region	11,533	728	1,136	1,839
Elevators	246	3,051	3,231	(2,920)
Total	52,405	8,703	8,788	6,426
Central administrative costs, including directors' salaries				(12,791)
Other income and expenses				11,304
Financial expenses, net				(12,527)
Loss before income tax				(7,588)

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-Sep-15	31-Dec-14
Agricultural companies		
– Voronezh region	21,018	19,380
– Kursk region	45,704	43,042
– Lipetsk region	57,798	45,238
– Tambov region	38,990	27,723
Elevators	19,147	22,857
Total segment assets	182,657	158,240
Corporate assets	16,497	36,032
Consolidated total assets	199,154	194,272

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Revenues from major products

<i>In thousands of US Dollars</i>	Nine months ended 30 September	
	2015	2014
Wheat	9,779	10,241
Corn	6,245	19,619
Barley	5,828	4,725
Sunflowers	5,675	5,943
Spring rape seed	1,554	5,688
Potatos	819	1,570
Soya	105	1,186
Other and Waste grains	32	6
Peas	-	982
Milk and meat	497	888
Other goods and services	1,110	1,557
	31,644	52,405

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	25,545	30	25,575
Transfer from land cultivation works	1,284	-	1,284
Decrease due to sales	-	(154)	(154)
Change in fair value less estimated point-of-sale costs	10,703	30	10,733
Effect of foreign exchange differences	(15,162)	(105)	(15,267)
Balance at 30 September 2014	40,007	475	40,482
Balance at 1 January 2015	6,066	431	6,497
Increase due to incurred expenses	12,852	59	12,911
Transfer from land cultivation works	(3,159)	-	(3,159)
Decrease due to sales	-	(109)	(109)
Change in fair value less estimated point-of-sale costs	23,228	70	23,298
Effect of foreign exchange differences	(4,470)	(67)	(4,537)
Balance at 30 September 2015	34,517	384	34,901

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

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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.

5. Revenue and gains

In thousands of US Dollars

	Nine months ended 30 September	
	2015	2014
Revenue from sales of crop production	30,037	49,960
Revenue from sales of milk and meat	497	888
Revenue from sales of other goods and services	1,110	1,557
Gain/(loss) on revaluation of biological assets	23,298	10,733
Change in net realizable value of agricultural produce after harvest	335	590
	55,277	63,728

6. Cost of sales

In thousands of US Dollars

	Nine months ended 30 September	
	2015	2014
Materials	10,228	23,721
Depreciation and amortization charge	3,018	6,894
Salary and social taxes	1,775	4,077
Third party crop handling services	495	1,569
Loss of crops	300	364
Rent	153	430
Taxes	201	755
Repair expenses	141	359
Other expenses	177	370
	16,488	38,539

7. Other income and expenses, net

In thousands of US Dollars

	Nine months ended 30 September	
	2015	2014
Gain related to swap deal	9,080	-
Income on grain hedge	1,143	4,743
Result on disposal of property, plant and equipment	94	91
Fines and penalties received	2	279
Write-off accounts receivable or payable	(20)	115
Donations	(59)	(27)
Change in bad debts provision	(90)	(299)
Losses and gains related to disposal of other assets	(162)	94
Other income/ (expenses)	326	(603)
Gain on assets sale in Voronezh region	-	7,021
Income on foreign exchange hedge	-	110
	10,314	11,304

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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 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

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 1,690 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:

In thousands of US Dollars

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

Cash consideration received

3,359

Loss on disposal of subsidiary

(267)

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

The income tax related to these transactions amounted to USD 1,872 thousand.

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8. Trade and other receivables

<i>In thousands of US Dollars</i>	<u>30-Sep-15</u>	<u>31-Dec-14</u>
Advances paid for goods and services	2,751	5,170
VAT receivables	4,798	3,230
Trade receivables	541	6,071
Income tax receivable	365	1,009
Other prepayments and receivables	3,097	1,400
Promissory note	1,155	-
Allowance for doubtful debts	(862)	(1,276)
	<u>11,845</u>	<u>15,604</u>

9. Borrowings

<i>In thousands of US Dollars</i>	<u>30-Sep-15</u>	<u>31-Dec-14</u>
Unsecured SEK bonds – at amortized cost, including:		
Non-current	54,067	58,819
Current	1,039	1,380
Borrowings from VTB Bank of Russia – at amortized cost, including:		
Current	4,190	-
Total borrowings	<u>59,296</u>	<u>60,199</u>

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.

In August 2015 the Group signed a new credit facility with VTB Bank of Russia for up to RUR 800 million. The credit facility must be used to finance working capital and related requires the Group, over the period for up to twelve months. As of the date of these interim condensed consolidation financial statements, USD 4,190 thousand (RUR 277,525 thousand) has been drawn under this credit facility.

As at 30 September 2015 the Group is in compliance with all covenants stipulated in borrowing agreements.

10. Dividends

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

11. Earnings/(loss) per share

<i>In US Dollars</i>	<u>Nine months ended 30 September</u>	
	<u>2015</u>	<u>2014</u>
Profit/(loss) for the period	6,917,000	(8,986,000)
Weighted average number of ordinary shares	<u>208,652,567</u>	<u>207,669,445</u>
Basic and diluted earnings/(loss) per share	0.03	(0.04)

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.

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12. Related party balances and transactions

<i>In thousands of US Dollars</i>	Nine months ended 30	
	September	
	2015	2014
Purchase of services from related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	960	618
KCM International Ltd	1,494	651
	2,454	1,269
	30-Sep-15	31-Dec-14
Accounts payable owed to related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	328	209
KCM International Ltd	752	186
	1,080	395

TerraVost Ltd (formerly KinnAgri Ltd) provided consultancy services related to business strategy, 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 members of the Board.

In December 2014, KinnAgri Ltd completed a buyback of the shares of Investment Kinnevik AB in KinnAgri Ltd. As Investment Kinnevik AB 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

<i>in thousands of US Dollars</i>	30-Sep-15	31-Dec-14
Commitments for acquisition of materials	2,736	5,892
Commitments for acquisition of plant, property and equipment	276	195
	3,012	6,087

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

14. Subsequent events

As at 13 October the Group repurchased additional SEK 12 million (USD 1,4 thousand) of bonds in order to manage interest expense and foreign exchange exposure.

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 **corn**, wheat, barley, sunflower 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, 13 November 2015

Per Åhlgren, Chairman

Camilla Öberg, Non-executive Director

Franco Danesi, Non-executive Director

Dmitry Zavgorodniy, Non-executive Director

Poul Schroeder, Non-executive Director

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

Financial calendar:

4Q/FY 2015 Year-end report
2015 Annual report
1Q 2016 interim report
Annual General Meeting
2Q/1H 2016 report
3Q/9M 2016 report
4Q/FY 2016 Year-end report

26 February 2016
31 March 2016
19 May 2016
20 May 2016
12 August 2016
11 November 2016
24 February 2017

For further information, please contact:

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Group's website: www.blackearthfarming.com

NOMINATION COMMITTEE FOR THE 2016 ANNUAL GENERAL MEETING

In accordance with the resolution of the 2015 Annual General Meeting, a Nomination Committee has been convened consisting of members representing the three largest shareholders in Black Earth Farming Ltd.

The Nomination Committee is comprised by Joakim Andersson appointed by Investment AB Kinnevik, Per Ahlgren appointed by GoMobile Nu AB, and Ramsay Brufer appointed by Alecta. The members of the Nomination Committee will appoint its Chairman at the Committee's first meeting.

Shareholders wishing to submit proposals to the Nomination Committee should do so in writing via email to nominationcommittee@blackearthfarming.com or by mail to Black Earth Farming Ltd, attention Nomination Committee, Nautilus House, La Cour des Casernes, St Helier, Jersey, JE1 3NH, Channel Islands.

Information about the work of the Nomination Committee can be found on Black Earth Farming's corporate website at www.blackearthfarming.com.

For additional information, please contact:

Erik Danemar, Chief Financial Officer, Black Earth Farming Ltd., tel.: +7(495)664 27 63, +7(910)246 78 00.

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.