Black Earth Farming Ltd
Unaudited Interim Report
1 January – 31 March 2017

Frame agreement reached to sell Russian operations. Crop prices decline

1Q17 revenue and gain is up to USD 22.7mn (19.9) on increased sales volume. EBIT decrease of USD 5.3mn to USD -8.9mn (-3.6) is driven by further market price decline (corn -10%, Sunflowers –14% y-o-y) and higher COS resulting from decreased production in harvest year 2016. Negative profitability in the first quarter is expected and reflects business seasonality albeit exacerbated by falling crop prices. 1Q17 Net loss accounted for USD -9.4mn.

On the 13th of February the company entered into a framework share purchase agreement (the "SPA") to sell its Russian operations ("the Transaction") and distribute the proceeds to the shareholders. The purchaser is Volgo-DonSelkhozinvest LLC, who paid a USD 10mn deposit on the 16th February. On the 23rd of March, the EGM of Black Earth Farming shareholders approved the Transaction.

Q1 2017 Highlights[1] (vs Q1 2016)

- Total revenue and gains of USD 22.7mn (19.9)
- Sales volume of 140.6kt (118.9)
- Average sales price after distribution cost USD 128 per ton (124)
- Gross loss after distribution costs of USD -5.5mn (-0.2)
- EBIT of USD -8.9mn (-3.6)
- FX income of USD 1.0mn (0.4)
- Net loss of USD -9.4mn (-4.6)

Subsequent event.

On the 12th of April the proposed transaction with Volgo-DonSelkhozinvest LLC received regulatory approval from FAS - the Russian Antimonopoly body.

On 4 April 2017, 1.9 mn new shares were issued as a result of the 2013-2015 Company's management incentive program. Following the issue, the total number of outstanding shares became 212 mn.

On the 11th of April the Company finished the remaining amounts of sunflower and corn harvest.

CEO Comment Highlights *(p.2)*

- Market development
- 1Q17 Sales & Financials
- 2017 Crop
- Revenue Risk Management
- Summary

Financial Overview *(p.5)*

USD million	**Q1 '17**	**Q1 '16**
Crop Volumes Sold (k tons)	*140.6*	*118.9*
Total Revenue & Gains	**22.7**	**19.9**
Gross Profit (Loss) after Distribution	(5.5)	(0.2)
EBITDA	**(6.1)**	**(2.3)**
EBIT	**(8.9)**	**(3.6)**
FX income	1.0	0.4
Net Profit (Loss)	**(9.4)**	**(4.6)**

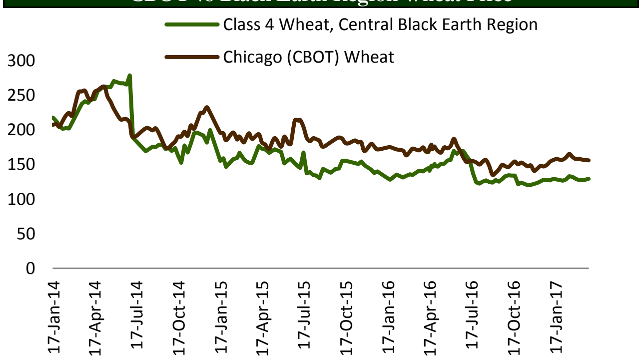
1- Revenue and other measures presented in this report are on a consistent "continued operations" reporting basis, while presentation in IFRS condensed financial statements is amended according to IFRS 5 "Non-current assets held for sale and discontinued operation", please refer to Note 4 for the details.

CEO Comment

Introduction
The first quarter of 2017 is dominated by the signing of a frame agreement to sell the Company's Russian operations and to distribute the proceeds to shareholders. Operationally there is limited activity in Q1 with some small areas of residual crops to harvest, sales of crop inventory, forex translations and any changes in G&A being the only factors that affect the financials.

Market Development
International and domestic grain prices have fallen on the back of 2016 global grain production of 2,111mmt, a new record and up 5% y-o-y according to the latest IGC estimate. World grain and oilseeds stocks are at new highs. In Russia grain production is up 14% to a record 119mmt (104 mmt, 2015) with consumption estimated to be up a modest 1-2%. Export levels are forecast at a disappointing 36mmt, unchanged from 2015-16 with a resultant doubling in ending stocks predicted at 19mmt. Sunflower production increased by 14% y-o-y to 10.6mmt.
2017-18 winter wheat area is up 10% and spring planting is well under way. Due to the record stock levels, export wheat prices are USD 10 lower than for crop 2016-17 prices.

CBOT vs Black Earth Region Wheat Price



Source: IKAR, CBOT

1Q17 Sales and Financials
In Q1 the Company sells crop from previous harvest year, thus in 1Q 2017 crops from 2016 harvest year have been sold. The sales of 2016 crop have been made at average prices less than the 2016 year end valuations.

Revenue and Gains of USD 22.7mn (19.9) reflect higher sales volume in 1Q17 of 140.6kt (118.9). Sales prices for key crops have further declined. Corn is –10% y-o-y, sunflowers – 14% vs 2016 in USD terms. Marginal price increase (average sales price after distribution cost grew from USD 124 per ton in 1Q16 to USD 128 per ton in 1Q17) was driven solely by different sales mix, in particular an increased proportion of Sunflower sales.

The Q1 ending finished goods inventory accounted for 69.5 kt (126.4) at USD 10.6mn (20.3) market value. Significant part of remaining finished goods inventory was sold in April, driven by agreements in the transaction agreement to sell all stock in the Russian entities before the Transaction completion. At the end of April 2017 38.6 kt inventory owned by BETI (Black Earth Farming's internal trading entity) and stored in deep water elevation facilities were yet to be sold to export customers.

COS increased from USD 6.4mn in 1Q2016 to USD 17.3mn in 2017 driven by higher sales, more expensive sales mix (higher share of sunflowers), production cost increase in 2016 harvest year vs. year 2015 and losses from the RUR strengthening.

1Q17 G&A was USD 3.8mn (3.2), growth driven solely by RUB strengthening in 1Q17 vs 1Q16, whereas in RUB terms G&A slightly decreased in 1Q17 to RUB 221.6mn (238.3).

The operating loss (EBIT) significant increased to USD -8.9mn (-3.6), largely driven by decreased sales prices and higher COS in 1Q17.

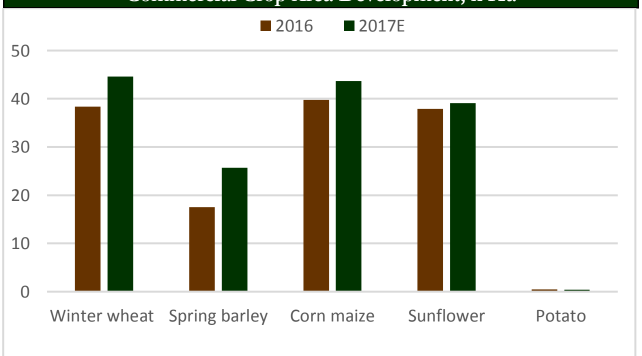
In 1Q17, the company benefited from FX revaluation, having booked FX income of USD 1.0mn (0,4) and gains from hedging operations of USD 0.4mn (-0.1).

The 1Q17 net loss amounted to USD -9.4mn (-4.6).

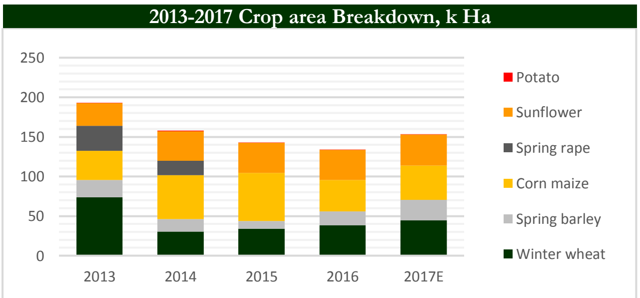
With USD 45.0mn (35.2) of cash at 31 March 2017 the Company Net Debt improved from USD 27.6mn in 1Q16 to USD 20.0mn in 1Q17.

Spring Seeding and 2017 Crop Area
The spring of 2017 has been generally favourable and by the 15th of May, spring planting is 97% completed. Winter wheat crops remain in good to excellent condition. The 2017 crop area is planned to be 154k Ha.

Commercial Crop Area Development, k Ha



2013-2017 Crop area Breakdown, k Ha



CEO Comment

The agreement to sell the Russian operations

During 2016, the Company received a number of expressions of interest substantially above the undisturbed share price level of SEK 3.55 per share prior to the announcement on 9th August 2016 confirming that the Company were in talks with potential buyers. All were from prospective Russian buyers underpinning the higher value put on the Company by potential domestic purchasers. On 9th August 2016, the Board of Directors of Black Earth Farming communicated by press release that the Company was in talks with potential buyers regarding a substantial land and asset sale in Russia. Having evaluated an asset sale versus other alternatives, the Board of Directors of Black Earth Farming has concluded that a divestment of AIMC and AIRMC to Volgo-DonSelkhozInvest is the best alternative for the Company and its shareholders. Additionally the Board of Directors believes that this alternative is a better alternative for Black Earth Farming's shareholders than continued long-term operations. It has not been possible to solicit a public takeover offer for all depositary receipts in the Company on terms more favorable than the terms of the Transaction.

A deposit of USD 10mn was received on 16th of February 2017. On the 23rd March the EGM of Black Earth Farming shareholders approved the Transaction. On the 12th of April regulatory approval from FAS, the Russian anti-monopoly body. The company is now progressing through the various completion processes. Upon completion and receipt of funds we plan to give notice of a combined EGM for the distribution of funds and an AGM.

There would then be a required period to trade redemption shares before the actual redemption took place. At this point the Company would apply to the Stock Exchange for de-listing and proceed with liquidation.

Risks

While the Company's business is not directly impacted by current geopolitical tensions, the Group is indirectly exposed to changes in its operating and financial environment. Sanctions on Russia could negatively impact the Russian economy and affect the Company's financial and operating 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.

Specifically the proposed transaction remains exposed to exchange rates, market prices for remaining crops and other costs. The Company continues the process of hedging USD to SEK when favorable rates are achievable.

Summary

Q1 2017 prices have declined, driven by strong international and domestic production dynamics and high stock levels. During Q1 the company entered into an agreement to sell its Russian operations and distribute the proceeds to the shareholders and has been progressing towards completion having received shareholder approval on the 23rd March and regulatory approval on 12th of April.

On behalf of the Board - 18 May 2017
Richard Warburton CEO and President

BLACK EARTH FARMING LTD.

The Transaction implications to the presentation

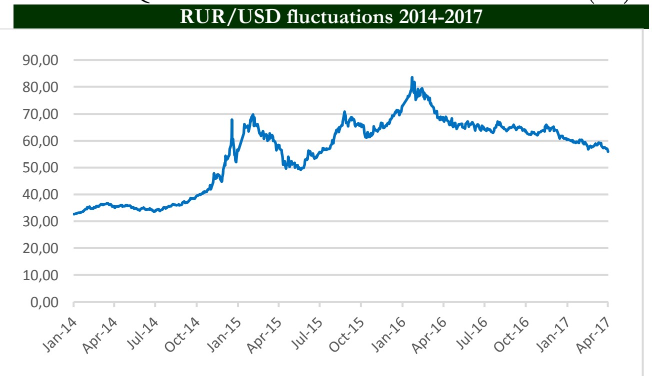
At the reporting date, the sale transaction met the International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operation" definition of being highly probable, therefore the assets and liabilities being disposed of are classified as held for sale and the net result of discontinued operations realized over the period is disclosed by a single amount on the face of the condensed consolidated statement of income into the line named "Loss for the period from discontinued operations". While measures presented in the management report are on a consistent "continued operations" reporting basis.

Note on foreign exchange and FX income

Black Earth Farming uses USD as presentation currency. The 1Q17 average RUB/USD rate, used to translate the income statement, was 58.84 vs 74.63 in 1Q16 (26.8% appreciation y-o-y). Company's operating results suffers from RUB strengthening as export is foreign currency denominated and domestic prices highly correlate with export prices, while most part of operating costs is ruble driven.

Applying ruble as functional currency, we translate FX denominated assets and liabilities to ruble at closing rate reflecting income and loss from this translation in income statement.
1Q17 RUB closing rate strengthened 7.6% from 60.66 RUB/USD on 31 December 2016 to 56.38 RUB/USD on 31 March 2017, and strengthened by 4.9% vs SEK. As a result, the Company booked FX income on SEK denominated bond debt revaluation and FX loss on mostly USD denominated cash. Net 1Q17 FX income accounted for USD 1.0mn (0.4).

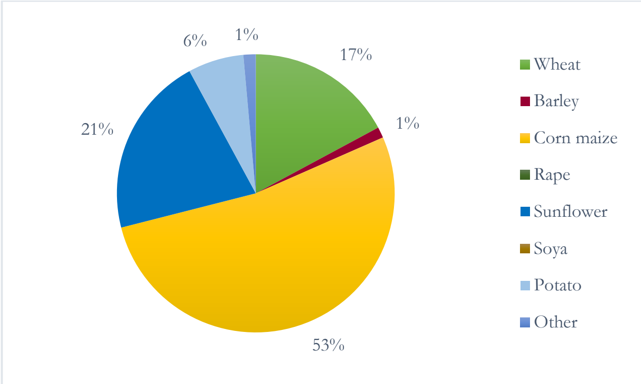
RUR/USD fluctuations 2014-2017



Revenue

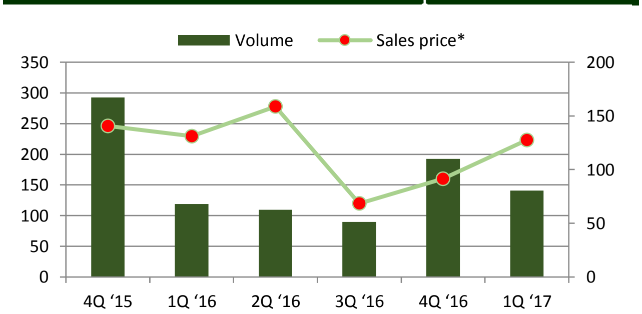
Revenue from goods sold during 1Q17 increased by 17.1% y-o-y to USD 23.4mn (20.0), as volumes sold were up 18.1% from 118.9kt in 1Q16 to 140.6kt in 1Q17.

The 1Q17 volume sales mix consisted of corn – 53% (67%), wheat – 17% (16%), sunflower – 21% (8%) and barley – 1% (6%).



Increasing of Sunflower share in sales had noticeable mix impact on 1Q17 financial result vs. 1Q16. In 1Q17 Sunflower revenue was USD 273 per ton or 65% above average, similarly Sunflower COS is USD 162 per ton 40% higher than average.

Sales Volumes & Realised Price per Ton



In 1Q17 sales prices for key crops demonstrated decline vs. 1Q16: Corn -10.7%, Sunflowers -13,6%.

Weighted average price marginally decreased from USD 166 per ton to USD 165 per ton, at the same time, average sales price less distribution has increased from 124 to 128 driven by smaller share of export sales in the mix: 33% in 1Q17 vs 49% in 1Q16.

Inventory & Gain/Loss of Revaluation

69.5kt of crops harvested in 2016 were held in inventory as of 31 March 2017 vs 192.2kt as of 31 December 2016. 46% of the end-of-period volumes consisted of corn, 30% of barley, 11% of wheat and 13% of sunflower. Average December valuation inventory price for March inventory mix was USD 160 per ton vs 152 actual in March. Change in NRV resulted in marginal loss of USD -0.8mn (-0.1). 1Q17 average prices, as well as prices used for inventory valuation are detailed on page 8.

Result

The seasonality of BEF business usually assumes negative profitability in Q1. Year-end inventory valued at market price and then sold in Q1, therefore in the absence of positive price move Gross profit tends to be negative or zero. At the same time Q1 Income Statement bears G&A costs and other overheads.

1Q17 Gross loss less distribution is USD -5.5mn (-0.2) as a result of significant price decline and increase in COS.

Significant COS growth of USD 10.9mn, from USD 6.4mn in 1Q16 to USD 17.3mn in 1Q17 mainly resulted from 4 key effects:
- Physical sales growth by increased COS by USD 1.2mn,
- Growth in 2016 harvest year production costs vs. 2015 harvest year production costs negatively impacted 1Q17 COS by USD 2.4mn. In Q1 company sells crop from previous harvest year,
- Changed Sales Mix (mainly increased share of Sunflower sales) effect on COS increase was USD 2.9 mn
- RUB appreciation led to dollar COS growth of USD 3.7mn

1Q17 G&A expense of USD 3.8mn is USD 0.6mn higher than in 1Q16, due to RUB strengthening, while G&A RUB value slightly declined in RUB terms from RUB 238.3mn in 1Q16 to 221.4 1Q17. Benefit from state subsidies in 1Q17 of USD 0.1mn (0.5) is significantly below 1Q16 since part of the programs were canceled, other programs were financed on selective basis.

Other Income and Expenses improved from USD -0.3mn in 1Q16 to USD 0.6mn in 1Q17 benefiting from USD 0.4mn (-0.1) gain on hedging activity.

The operating loss (EBIT) declined from USD -3.6mn in 1Q16 to USD -8.9mn in 1Q17. Usual negative expectation in Q1 profitability was worsened by further market price decline and adverse effects on COS.

In 1Q17, the company benefited from FX revaluation, having booked FX income of USD 1.0mn, while FX revaluation positive effect was USD 0.4mn in 1Q16.

1Q17 Net loss increased by USD 4.8mn y-o-y from USD -4.6mn to USD -9.4mn.

Financial Position

The Company's fixed assets of USD 96.1mn comprise of buildings (mainly storage facilities), land (217k Ha of owned and co-owned land), as well as machinery and equipment used in crop production.

At 31 March 2017, finished goods include crops harvested in 2016 and valued at a net realisable value of USD 10.6mn (20.3). Raw materials of USD 18.6mn (15.7) include inputs to the 2017 crop.

Biological assets of USD 25.0mn (18.0) mostly consist of crop in field, valued at current prices less cost to point of sales. At 31 March 2017, the Company had USD 45.0mn (35.2) in cash and equivalents. Interest bearing debt stood at USD 65.0mn (62.8) included bond debt of USD 46.8mn and VTB working capital loan of USD 18.2mn. The Company's bonds carry 9.4% annual coupon rate and mature in October 2017. As of 31 March 2017, the Company had a net debt position of USD 20.0mn (27.6). Total debt to total equity stood at 39% excluding the working capital, and 54% including the RUB credit facility.

Cash Flow

Net cash flow from operations amounted to USD 3.2mn (6.1) in 1Q17 mainly driven by working capital movements: increase in advances and trade receivables, caused by accelerated Q1 sales program. Full effect of working capital movements is being positively reflected in Transaction price.

Net cash generated from investment activity is USD 10.0mn (-1.1) due to deposit received as part of the Transaction.

No bond buyback in 1Q17. Net cash flow of USD 16.9 mn (2.2) and foreign exchange difference on cash resulted in cash and equivalents of USD 21.5mn as of 31 March 2017 (35.2).

Statement of Financial Position

	RUR million		***USD million***	
E-rate			56.38	67.61
	31-Mar-17	**31-Mar-16**	**31-Mar-17**	**31-Mar-16**
Land	2,176	2,150	38.6	31.8
Buildings	2,193	1,846	38.9	27.3
Equipment & other	1,048	1,663	18.6	24.6
Investment property	-	155	-	2.3
Cash	2,538	2,377	45.0	35.2
Finished goods	595	1,371	10.6	20.3
Raw materials and consumables	1,049	1,061	18.6	15.7
Bio assets & cultivation	1,409	1,217	25.0	18.0
Receivables	530	665	9.4	9.8
Other	62	101	1.1	1.4
Total Assets	**11,600**	**12,606**	**205.8**	**186.5**
Total Debt	(3,664)	(4,246)	(65.0)	(62.8)
Trade and other payables	(1,139)	(784)	(20.2)	(11.6)
Other Liabilities	(49)	(24)	(0.9)	(0.4)
Equity	**(6,748)**	(7,552)	**(119.7)**	(111.7)
Total Equity & Liabilities	**(11,600)**	**(12,606)**	**(205.8)**	**(186.5)**

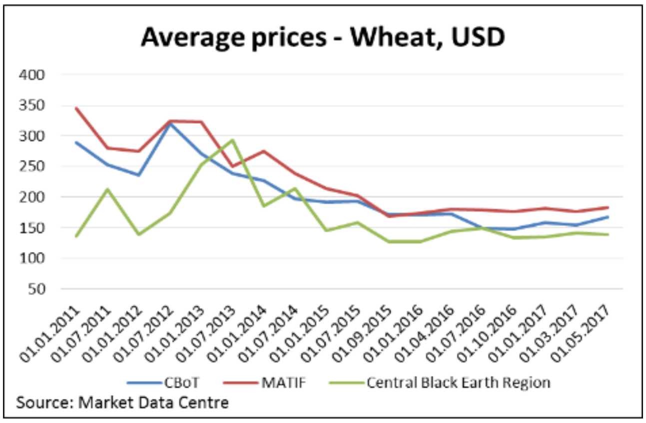
Grain & Oilseed Markets

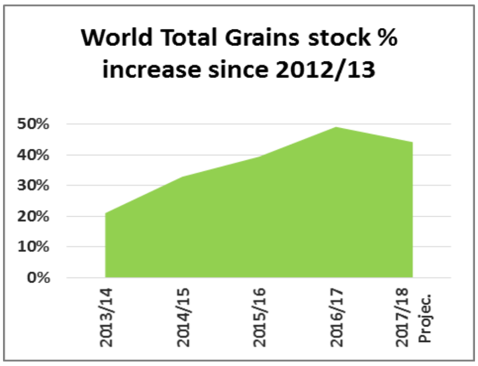
BLACK EARTH FARMING LTD.

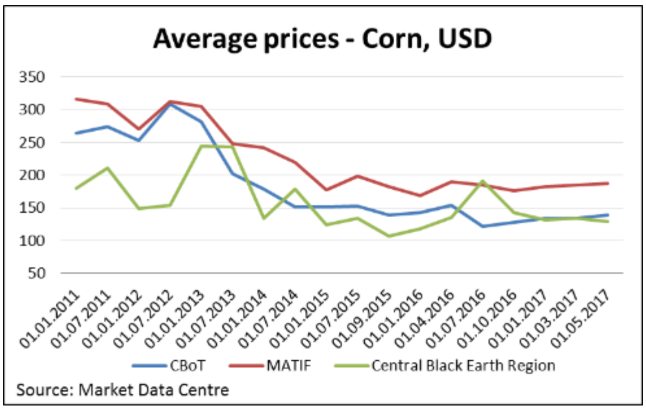
International

The International Grains Council (IGC) in their latest report estimate the **2016-17** global grain production up 5% y-o-y at a record 2,111mmt. Despite stronger demand, at just below last year's record high, stocks climbed 8% y-o-y to a new high of 516mmt. Prices continue at 10-year lows as reflected on the benchmark Chicago Board of Trade Futures at the end of April.

The IGC upward revision of **2017-18** wheat & corn production increases their previous forecast by 4mmt to the second biggest ever crop at 2,054mmt (3% lower y-o-y) with ending stocks at 491mmt (5% lower y-o-y) also the second largest ever. Combined 2017-18 production and the record high stocks from 2016-17 will see supplies next season only marginally lower than the current season baring any problems with the developing crops.



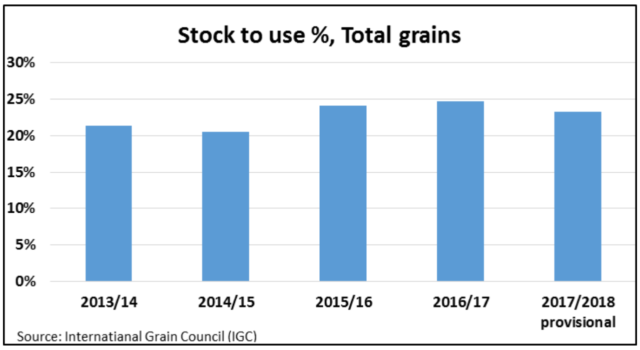




Grains – 2016-17 New supplies from the Southern Hemisphere grain harvests now nearing completion are increasingly pushing prices further down as buyers require minimal new purchases prior to this summer's harvest. US exports of wheat and corn continue at strong levels and are up 32% & 62% respectively from the same time last year. Russia, the market leader for export milling wheat prices for the first part of the season has, despite a record crop at 13% higher y-o-y, failed to increase its export share due to the strong ruble and latterly reluctant farmer selling making exports less competitive.

US wheat & corn export prices are now the cheapest in the world being marginally lower than Russian instead of the usual $10-15 premium.

Prospects for **2017-18** are for prices to remain at current low levels based on near record production, a small increase in demand and record high carry in stocks. Until harvest, it will be difficult to truly estimate crop damage, if any, from the recent unseasonably cold and wet start to the delayed spring planting & growing season in North America, dry conditions in parts of Europe and Black Sea countries. However, the record high carry in stocks, +8% y-o-y at 516mmt, and the second highest record crop, 2,054mmt, are sufficient to buffer all but the most severe losses. In Europe, wheat stocks are the exception having fallen 35% y-o-y to a record low of 10mmt after the very poor 2016 harvest. The predicted increased EU production for 2017-18 of 10% is needed to rebuild stocks and boost EU exports, which even if the crop is as high as predicted, will see the lowest exportable surplus since 2011.

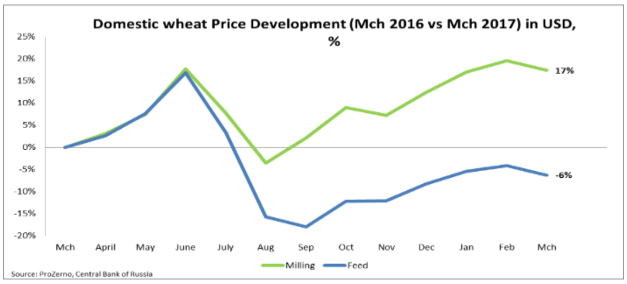


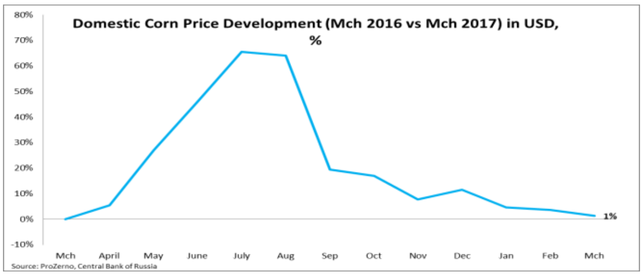
Oilseeds – The South American harvest continues in good conditions resulting in higher **2016-17** soya crop estimates and adding 4mmt to global output according to the IGC at 345mmt, up 30mmt y-o-y. Ending stocks are forecast to be an all-time high of 40mmt.

Projected world production in **2017-18** is 348mmt, up 1% y-o-y, although expected continued increased usage, up 4%, will see stocks decline 5% to 38mmt. The delayed US corn planting may encourage a swing to soya there, which, if happens, could see stocks unchanged from 2016-17 levels.

Russia

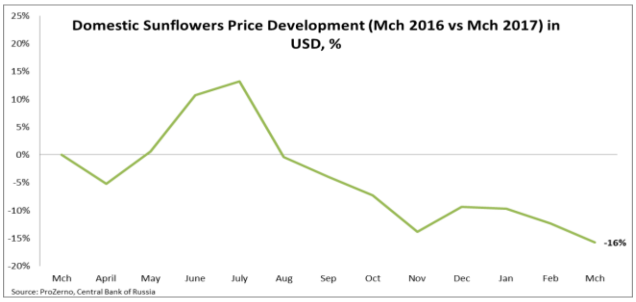
Grains – A small downward adjustment to the **2016-17** wheat crop estimate to 72mmt (73mmt previously) give a crop 15% higher y-o-y at a record 119mmt, a substantial increase on the previous record of 104mmt produced in 2015-16 according to IKAR. Exports at the 10-month stage are 31mmt, and a disappointing 36mmt total forecasted for the full year, unchanged from 2015-16. With domestic consumption up a modest 2-3%, ending stocks are predicted to nearly double to 19mmt at the end of the current season. Domestic feed grain prices in the Central Black Soil Region have fallen according to Prozerno, in part due to a 20% appreciation in the rubble and low exports leading to record high end of season stocks.





2017-18 winter wheat area is up 10% and spring planting is under way, however, yields are unlikely to be above trend for a 3rd year in a row and the crop is expected to be in the region of 112mmt, the second highest on record. Due to the record stock levels, export wheat prices are $10 lower than for crop 2016-17 and have regained its competitive position as the cheapest on the international market by $12-15 compared to EU & US prices.

Oilseeds – The **2016-17** oilseeds crop is expected to finalise 14%% higher y-o-y at 15mmt. The main increase is in sunflower production where the crop is now projected at 10.5 - 11mmt. The crush in the first 6 months after the harvest was record high but Sunseed prices declined as bigger volumes became available according to IKAR. The increase in domestic oil & meal stocks coincided with a decline in international oil prices at the year-end leading to a price slump in the first quarter of 2017. The effective import ban of Russian sun oil into Turkey at the end of March added further pressure and prices y-o-y are 30% lower in ruble terms and 16% down in USD according to ProZerno.



Sales Development & Crop Inventory

2017 Quarterly Sales Volume & Crop Inventory	Quarterly Sales					Crop in Inventory	
	1Q '17	4Q '16	3Q '16	2Q '16	1Q '16	31 Mar '17	31 Dec '16
Volume, *k tons*							
Wheat	24.1	54.1	71.0	18.9	18.6	**7.3**	31.2
Barley	1.8	11.6	5.0	5.9	7.6	**20.6**	21.8
Corn	74.0	96.8	12.1	57.9	79.3	**32.2**	91.2
Rape	-	-	-	-	-	**-**	-
Sunflower	29.6	19.6	0.2	18.5	9.7	**9.2**	38.8
Soya	-	-	-	-	-	**-**	-
Potato	9.1	8.1	0.7	7.6	3.0	**-**	8.2
Other	2.0	2.5	0.5	0.5	0.8	**0.1**	1.0
Total Tons	**140.6**	**192.7**	**89.5**	**109.3**	**118.9**	**69.5**	**192.2**
Price, *USD/ton*							
Wheat	123	72	78	125	116	**125**	126
Barley	99	124	131	156	142	**147**	143
Corn	150	122	175	181	168	**136**	118
Rape	-	-	-	-	-	**-**	-
Sunflower	273	293	345	346	316	**242**	311
Soya	7	-	-	-	-	**-**	-
Potato	82	65	117	45	49	**-**	94
Other	41	59	41	53	49	**40**	38
Average Price	**165**	**122**	**95**	**188**	**166**	**152**	**160**

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 comprehensive income. In addition, cost of goods sold represents the carrying value of inventory as at the previous reporting date. The table above provides a breakdown of inventories as of 31 March 2017 as well as the development of crop sales during 2017 and 2016.

As of 31 March 2017, crop inventory of finished goods included 69.5 thousand tons of crops harvested during 2016 and valued at an average price of USD 152 per ton resulting in total fair value estimate of USD 10.5mn. On 31 March 2016, the Company held 118.9 thousand tons of crops harvested during 2015 valued at an average price of USD 166 per ton, resulting in a total fair value estimate of USD 20.3 mn.

Production Overview

BLACK EARTH FARMING LTD.

Crop Area Breakdown

(thousand hectares)	2012	2013	2014	2015	2016	2017
Winter wheat	73.9	73.7	30.2	34.1	38.4	44.3
Spring wheat	4.4	3.4	6.1	3.8	n/a	n/a
Spring barley	22.7	21.9	16.1	9.5	17.6	25.7
Corn maize	26.0	36.8	55.3	61.1	39.7	43.7
Total Grains	127.0	135.8	107.8	108.5	95.7	113.7
Winter rape	n/a	n/a	111.0	n/a	n/a	n/a
Spring rape	36.6	31.4	18.1	n/a	n/a	n/a
Sunflower	33.2	29.0	37.5	40.0	37.9	39.1
Soya	18.2	18.7	16.9	166.0	n/a	n/a
Total Oilseeds	88.0	79.1	72.6	40.1	37.9	39.1
Sugar Beet	5.1	8.8	n/a	n/a	n/a	n/a
Potatoes	0.1	0.2	0.9	0.6	0.6	0.5
Onions				0.03	0.01	0.0
Carrot				0.04	0.04	0.05
Total Commercial Area	220.1	223.9	181.3	149.2	134.2	152.8
Other / Forage crops	1.7	2.0	2.9	0.1	0.7	0.7
Total harvest area	221.8	225.9	184.2	149.3	134.9	153.5

Average Net Crop Yields

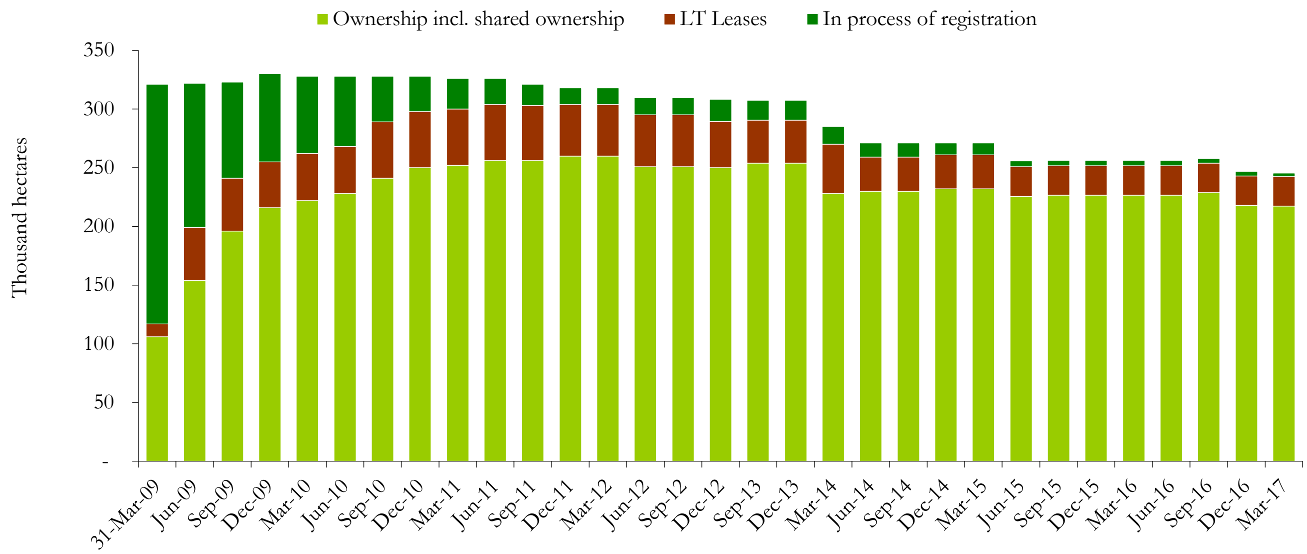
(tons/hectare)	2012	2013	2014	2015	2016	2017
Winter wheat	2.1	3.3	4.0	3.5	4.3	
Spring wheat	2.6	1.9	3.6	2.3	n/a	NA
Spring barley	2.4	2.6	3.6	3.2	2.3	
Corn maize	5.1	4.3	3.5	5.3	5.2	
Winter rape	n/a	n/a	0.7	n/a	n/a	
Spring rape	1.3	0.9	1.4	n/a	n/a	NA
Sunflower	1.9	2.0	1.9	2.2	1.6	
Soya	1.2	0.9	0.5	0.6	n/a	
Sugar beet	25.3	24.3	n/a	n/a		
Potatoes	33.2	33.9	31.0	35.9	32.0	NA
Onion				29.0	22.6	
Carrot				65.0	48.1	

Net Harvest Volumes

(thousand tons)	2012	2013	2014	2015	2016	2017
Winter wheat	157.6	243.2	121.2	119.1	163.3	
Spring wheat	11.5	6.6	22.4	8.6	n/a	NA
Spring barley	55.1	56.6	57.5	30.3	39.9	
Corn	132.8	159.0	195.7	321.9	205.4	
Total Cereal Grains	357.0	465.4	396.8	479.9	408.6	
Winter rape	n/a	n/a	75.0	n/a	n/a	
Spring rape	46.1	28.3	26.1	n/a	n/a	NA
Sunflower	62.8	58.0	70.9	83.2	59.8	
Soya	22.4	16.0	9.1	97.0	-	
Total Oilseeds	131.2	102.3	106.2	83.3	59.8	
Sugar beet	128.4	214.7	n/a	n/a	n/a	
Potatoes	1.0	6.6	27.4	21.3	19.9	NA
Onion	n/a	n/a	n/a	0.8	0.2	
Carrot	n/a	n/a	n/a	2.6	2.0	
Total Commercial Crops	617.6	789.0	530.4	584.4	490.5	
Other/Forage crops	13.2	13.2	19.6	n/a	12.2	
Total Output	630.8	802.3	549.9	587.8	502.7	

Land

217 Thousand Hectares in Ownership (88% of total controlled land)



As of 31 March 2017, Black Earth Farming held 217k Ha of owned and co-owned land, corresponding to 88% of the total controlled land bank of 245k Ha. 25k Ha were leased and 3k Ha were in the process of registration.

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 198k Ha of land that is not leased at acquisition cost of USD 29.3mn (less certain Tambov and Lipetsk land after swap), as recorded in the statement of financial position as property, plant and equipment, which translates into a per hectare value of USD 148. 22k Ha in Lipetsk and Tambov are held at fair value of USD 9.2mn, which translates into a per hectare value of USD 420.

The depreciation in the Russian RUB has resulted in a decline, in hard currency terms, in the value of the Group's assets, which are carried at historical cost in RUB (the Group's functional currency) on its balance sheet.

The Black Earth Farming Share

BLACK EARTH FARMING LTD.

Risks and Uncertainties
Risks and uncertainties are described in the annual report for 2016. 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 2016 also exist on 31 March 2017.

Outstanding shares
As of 31 March 2017 the amount of outstanding shares was 210,426,241. The market capitalisation as of 31 March 2017 was approximately SEK 1 431mn or USD 161mn.

Shareholders
The total number of shareholders, as of 31 March 2017, amounted to 11,356.

2017 Share issue
On 4 April 2017, 1,853,740 new shares (0.88% of shares then outstanding) were issued as a result of the Company's management incentive program. Following the issue, the total number of outstanding shares (as represented by SDRs) and votes became 212.3 mn.

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

Trading data for 1 Jan 2017 – 31 March 2017

Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
5,645,2196	**840,144**	**150**

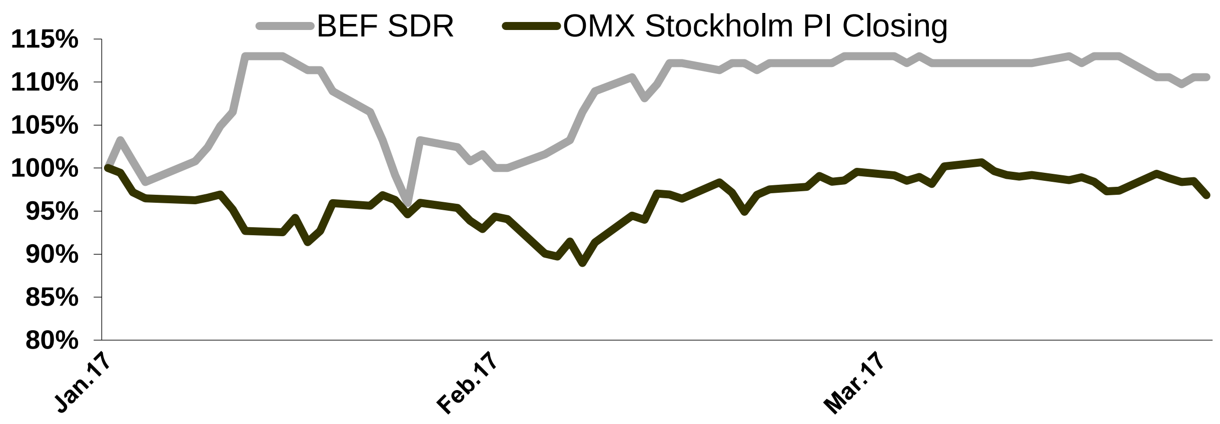
Source: NASDAQ OMX

Top 5 shareholders as of 31 March 2017

Owner	% of votes & capital
INVESTMENT AB KINNEVIK	**24.62%**
GOMOBILE NU AB	**12.33%**
ALECTA PENSION FUNDS	**9.68%**
AVANZA PENSION	**5.92%**
EUROCLEAR BANK	**4.00%**

Source: Euroclear Sweden share registry & shareholders' reference

Share Performance vs OMX Stockholm index



Black Earth Farming SDR			
Price SEK/SDR 31 March 2017	Change 1 Month	Change 3 Months	52 Week High
6.80	-1.45%	15.25%	7.2
	Change 6 Months	Change 1 Year	52 Week Low
	64.25%	73.91%	3.40

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

In thousands of US Dollars

	Notes	Three months ended 31 Mar 2017	31 Mar 2016*	31 Mar 2016
Continuing operations				
Revenue	3	8,219	11,290	19,972
Gain on revaluation of biological assets		-	-	20
Change in net realisable value of agricultural produce after harvest		-	-	(141)
Total revenue and gains	3	**8,219**	**11,290**	**19,851**
Cost of sales		(4,028)	(3,643)	(6,437)
Effect of revaluations (revaluation of biological assets to agricultural produce and change in net realizable value of agricultural produce after harvest)		337	(358)	(8,537)
Gross profit		**4,528**	**7,289**	**4,877**
Distribution expenses		(1,901)	(2,539)	(5,075)
General and administrative expenses		(1,670)	(1,155)	(3,194)
Taxes other than income		(7)	-	(266)
State grants and subsidies		-	-	478
Crop insurance net of insurance grants		-	-	(91)
Other income and expenses, net	5	388	(105)	(292)
Operating profit/(loss)		**1,338**	**3,490**	**(3,563)**
Financial income		1	-	30
Financial expenses		(1,117)	(1,111)	(1,443)
Foreign exchange gain		1,681	1,291	429
Profit/(loss) before income tax		**1,903**	**3,670**	**(4,547)**
Income tax expense		-	-	(24)
Profit/(loss) for the period from continuing operations		**1,903**	**3,670**	**(4,571)**
Loss for the period from discontinued operations	4	(11,341)	(8,241)	-
Total loss for the period		**(9,438)**	**(4,571)**	**(4,571)**
Loss per share, basic and diluted, in USD				
From continuing and discontinued operations	8	(0.04)	(0.02)	(0.02)
From continuing operations	8	0.01	0.02	(0.02)
From discontinued operations	8	(0.05)	(0.04)	-

** The net loss of discontinued operations realized over the period is disclosed by a single amount on the face of the consolidated income statement into the line named "Loss for the period from discontinued operations". The income statement of comparative periods is re-presented in accordance with IFRS 5.*

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

	Three months ended 31 Mar		
in thousands of US Dollars	**2017**	**2016***	**2016**
Loss for the period	**(9,438)**	**(4,571)**	**(4,571)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Translation reserve	8,706	7,982	7,982
Other comprehensive income for the period	**8,706**	**7,982**	**7,982**
Total comprehensive income for the period attributable to owners of the parent	**(732)**	**3,411**	**3,411**

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

In thousands of US Dollars

	Notes	31 Mar 2017	31 Dec 2016
ASSETS			
Current assets			
Property, plant and equipment		-	91,344
Finished goods		5,830	30,231
Raw materials and consumables		-	11,700
Biological assets (crop production)		-	11,308
Land cultivation works		-	7,928
Trade and other receivables		2,403	5,229
Biological assets (livestock)		-	492
Investment property		-	240
Other non-current assets		-	146
Deferred tax assets		-	176
Intangible assets		-	25
Cash and cash equivalents		21,511	26,832
Assets held for sale	4	176,015	-
Total assets		**205,759**	**185,651**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		2,105	2,105
Share premium		525,904	525,904
Reserves		5,335	4,858
Accumulated deficit		(237,769)	(228,641)
Translation reserve		(175,853)	(184,640)
Total equity		**119,722**	**119,586**
LIABILITIES			
Current loans and borrowings	6	46,749	59,043
Trade and other payables		10,879	6,751
Deferred income		-	130
Current finance lease liabilities		-	120
Deferred tax liabilities		-	21
Liabilities directly associated with assets held for sale	4	28,409	-
Total liabilities		86,037	66,065
Total equity and liabilities		**205,759**	**185,651**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 17 to 23.

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

In thousands of US Dollars

	Share capital	Share premium	Share-based payments reserve	Accumu-lated deficit	Trans-lation reserve	Total equity attributable to owners of the parent
Balance as at 1 January 2016	**2,105**	**525,904**	**4,249**	**(218,516)**	**(205,662)**	**108,080**
Loss for the period	-	-	-	(4,571)	-	**(4,571)**
Other comprehensive income						
Translation differences	-	-	-	-	7,982	**7,982**
Total comprehensive (loss)/income	**-**	**-**	**-**	**(4,571)**	**7,982**	**3,411**
Reclassification from Share-based payments reserve to Accumulated deficit			(49)	49	-	-
Recognition of Share-based payments	-	-	243	-	-	**243**
Balance as at 31 March 2016	**2,105**	**525,904**	**4,443**	**(223,038)**	**(197,680)**	**111,734**
Balance as at 1 January 2017	**2,105**	**525,904**	**4,858**	**(228,641)**	**(184,640)**	**119,586**
Loss for the period	-	-	-	(9,438)	-	**(9,438)**
Other comprehensive (loss)/income						
Translation differences	-	-	**(81)**	-	8,787	**8,706**
Total comprehensive (loss)/income	**-**	**-**	**(81)**	**(9,438)**	**8,787**	**(732)**
Reclassification from Share-based payments reserve to Accumulated deficit	**-**	**-**	(310)	310	**-**	**-**
Recognition of Share-based payments	-	-	868	-	-	**868**
Balance as at 31 March 2017	**2,105**	**525,904**	**5,335**	**(237,769)**	**(175,853)**	**119,722**

BLACK EARTH FARMING LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

In thousands of US Dollars	Three months ended	
	31 Mar 2017	**31 Mar 2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(9,438)	(4,571)
Adjustments for:		
Income tax expense	77	24
Depreciation and amortization	2,739	1,311
Change in allowance for doubtful debts	131	11
Change in provision for inventory	174	-
Gain on foreign exchange differences	(972)	(429)
Interest income	(47)	(30)
Interest expense	1,524	1,443
Gain on disposal of property, plant and equipment	(119)	(36)
Long-term employee benefits	868	243
Gain related to disposal of other assets	(17)	-
Write-off accounts receivable or payable, net	(466)	-
Deferred income	(15)	-
Change in value of biological assets and agricultural produce	742	121
Effect of revaluations on cost of goods sold	5,636	8,537
	817	**6,624**
Movements in working capital:		
Decrease in inventories	8,691	62
Increase in biological assets	(4,453)	(1,904)
Decrease/ (increase) in trade and other receivables	(3,786)	1,527
Increase in trade payables and other short-term liabilities	3,594	1,524
Cash generated from operations	**4,863**	**7,833**
Interest paid	(1,483)	(1,575)
Income tax paid	(157)	(128)
Net cash generated from operating activities	**3,223**	**6,130**
Of which operating cash flows provided by discontinued operations	***4,781***	***11,586***
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	47	30
Government grants for assets received	644	
Acquisition of land plots	(54)	(57)
Acquisition of property, plant and equipment	(105)	(1,128)
Proceeds from disposal of property, plant and equipment	54	89
Acquisition of intangible assets	(294)	(75)
Proceeds from sale of investment property	173	-
Deposit received as part of the Transaction	10,000	-
Net cash generated from/(used in) investing activities	**10,465**	**(1,141)**
Of which investing flows provided/(used) by discontinued operations	***464***	***(1,141)***
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,759	583
Repurchase of bonds	-	(3,276)
Settlement of obligations under finance lease agreements	(100)	(79)
Net cash generated from/(used in) financing activities	**3, 659**	**(2, 771)**
Of which financing flows provided by discontinued operations	***3, 659***	***504***
Net increase in cash and cash equivalents	**17,347**	**2,218**
Cash and cash equivalents at the beginning of the period	26,832	31,959
Transfer to assets held for sale	(23,531)	-
Currency translation differences on cash and cash equivalents	(1,256)	(1,427)
Effect of foreign currency exchange differences	2,119	2,446
Cash and cash equivalents at the end of the period	**21,511**	**35,196**

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the condensed consolidated financial statements set out on pages 17 to 23.

1. BACKGROUND

(a) Organization and operations

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

The Company's registered office is Black Earth Farming Limited, 3rd Floor, 37 Esplanade, St Helier JE2 3QA Jersey.

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 Small Cap segment on NASDAQ OMX Stockholm.

In February 2017, the Group entered into a framework share purchase agreement to sell all its Russian operating subsidiaries to a third party buyer for a consideration exceeding the carrying value of the respective net assets. On 23 March 2017, the sale transaction was approved by the shareholders. It is expected that, upon completion of the sale transaction, the Board of Directors is going to propose that an Extraordinary General Meeting resolves on a voluntary liquidation of the Company as soon as practically possible after the Company has repurchased its outstanding bonds and distributed excess proceeds to the shareholders. Accordingly, these condensed consolidated interim financial statements are not prepared on a going concern basis. Because, in management's judgement, at the reporting date, the sale transaction met the International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operation" definition of being highly probable, the assets and liabilities being disposed of are classified as held for sale. The net result of discontinued operations realized over the period is disclosed by a single amount on the face of the condensed consolidated interim statement of income into the line named "Loss for the period from discontinued operations".

(b) Russian business environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During the period Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession and a decline in gross domestic product. The financial markets continue to be volatile and are characterized by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade (as per S&P and Moody's). This operating environment has a significant impact on the Group's operations and financial position.

(c) 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.

2. BASIS OF PREPARATION

(a) Statement of compliance

As stated in Note 1, these condensed consolidated interim financial statements are not prepared on a going concern basis.

Nevertheless, these condensed consolidated interim financial statements are still prepared in compliance with IAS 34, "Interim financial reporting" and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, prepared in accordance with IFRS.

2. BASIS OF PREPARATION (CONTINUED)

(b) Significant accounting policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

All assets and liabilities of the Group at 31 March 2017 and 31 December 2016 are classified as current, including those previously treated as non-current, due to the fact that these assets and liabilities are in the process of realisation, as described in Note 1. No adjustments to the carrying values of assets and liabilities are necessary, as the sale price is higher than the net assets of the disposal group.

Assets held for sale. Non-current assets held for sale are presented on a separate line of the balance sheet when (i) the Group has made a decision to sell the asset(s) concerned and (ii) the sale is considered to be highly probable. These assets are measured at the lower of net carrying amount and fair value less costs to sell. When the Group is committed to a sale process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale, irrespective of whether the Group retains a residual interest in the entity after sale.

Discontinued operations. A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When these criteria are met, the results and cash flows of discontinued operations are presented on a separate line in the consolidated income statement and statement of cash flows for each period. The Group assesses whether a discontinued operation represents a major line of business or geographical area of operations mainly on the basis of its relative contribution to the Group's consolidated financial statements.

In compliance with IFRS 5, the Group applies the following specific measurements which impact the condensed consolidated interim financial statements:

- discontinued operations (including non-current assets, current assets and the related liabilities classified as held for sale), as a whole, are measured at the lower of their carrying amount and fair value less costs to sell;
- the exception of IAS 12 consisting in not recognizing mechanical deferred taxes resulting from the difference between tax and consolidated values of the investments/subsidiaries being disposed is no more applicable since it becomes probable that the temporary difference will reverse in the foreseeable future with the sale of the subsidiaries. Thus, deferred tax liabilities are recognized with an income statement impact presented within the "Net profit from discontinued operations";
- non-current assets classified as "assets held for sale" ceases at the date of IFRS 5 application;
- costs specifically incurred in the context of the Transaction are presented in the condensed interim statement of income within the "Net profit/(loss) from discontinued operations";
- all intercompany balance-sheet positions are eliminated.

(c) Functional and presentation currency

The functional currency of the Group entities is the Russian Ruble ("RUB"), the currency of the primary economic environment in which the Group operates.

2. BASIS OF PREPARATION (CONTINUED)

The Group's presentation currency is the US Dollar ("USD") which the Group management considers most representative for the users of these condensed consolidated interim financial statements. All the financial information in these condensed consolidated interim financial statements, including comparative information, has been translated from RUB 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 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 rate of the actual transaction dates);
- All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

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

	2017	2016
RUR/USD for the three months period ended 31 March	58.8366	74.6283
RUR/USD as at 31 March (31 December in 2016)	56.3779	60.6569
RUR/SEK for the three months period ended 31 March	6.5891	8.8351
RUR/SEK as at 31 March (31 December in 2016)	6.3379	6.6674

3. REVENUE AND GAINS

	Three months ended 31 Mar	
In thousands of US Dollars	**2017**	**2016**
Continuing operations		
Revenues from sales of crop production		
Corn	8,219	11,290
Total revenue and gains from continuing operations	**8,219**	**11,290**
Discontinued operations		
Revenues from sales of crop production		
Sunflowers	8,060	3,048
Wheat	2,967	2,154
Corn	2,901	2,012
Potatoes	748	148
Barley	174	1,085
Other and Waste grains	83	40
Total revenues from sales of crop production	14,933	8,487
Revenue from sales of milk and meat	223	125
Revenues from sales of other goods and services	22	70
Gain on revaluation of biological assets	46	20
Change in net realizable value of agricultural produce after harvest	(788)	(141)
Total revenue and gains from discontinued operations	**14,436**	**8,561**

(b) Geographical information

The split of the Group's revenues from continued operations between countries was as follows:

	Three months ended 31 Mar	
in thousands of US Dollars	**2017**	**2016**
Revenue from continuing operations		
Denmark	2,675	5,693
Ireland	5,096	2,100
Norway	448	-
Germany	-	2,493
United Kingdom	-	1,004
	8,219	**11,290**
Revenue from discontinued operations		
Russia	14,933	8,487
	14,933	**8,487**

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 13 February 2017 the Company's direct wholly owned subsidiary, Planalto Enterprises Limited ("Planalto"), entered into a framework share purchase agreement (the "SPA") regarding the sale of its wholly owned subsidiaries LLC Managing Company Agro Invest ("AIMC") and LLC Managing Company Agro Invest Regions ("AIRMC"), that in turn hold shares in all other Russian subsidiaries of the Group, and an assignment agreement pursuant to which Planalto assigns its claims under the intergroup loans to AIMC, to LLC Volgo-DonSelkhozInvest, an unrelated entity (the "Transaction"). In accordance with the SPA, on 16 February 2017 Volgo-DonSelkhozInvest paid USD 10 million as a deposit to the Transaction.
As mentioned in Note 1, since shareholders' approval on 23 March 2017, conditions for the application of IFRS 5 are met with respect to sell all Russian subsidiaries. In accordance with IFRS 5:

- the assets held for sale and the related liabilities are presented separately from other assets and liabilities on specific lines on the condensed interim statement of financial position as at 31 March 2017, with no reclassification of the comparative balance sheet as at 31 December 2016;
- the net loss of discontinued operations realized over the year is disclosed by a single amount on the face of the condensed consolidated interim statement of income into the line named "Loss for the period from discontinued operations". The statement of income of comparative period is re-presented in accordance with IFRS 5;
- the net cash flows attributable to the operating, investing and financing activities of discontinued operation realized over the three months period ended 31 March 2017 are disclosed in the consolidated interim statement of cash flows.

(a) Financial statements of discontinued operations

	Three months ended 31 Mar	
In thousands of US Dollars	**2017**	**2016**
Revenue and gains	14,436	8,561
Expenses	(25,700)	(16,778)
Loss before tax of discontinued operations	**(11,264)**	**(8,217)**
Income tax relating to profit before tax of discontinued operations	(77)	(24)
Loss for the year from discontinued operations	**(11,341)**	**(8,241)**

(b) Assets held for sale and liabilities related to assets held for sale

In thousands of US Dollars	**31 Mar 2017**
Assets of a disposal group held for sale	
Property, plant and equipment	96,112
Raw materials and consumables	18,625
Biological assets (crop production)	15,948
Land cultivation works	9,002
Trade and other receivables	7,008
Finished goods	4,721
Biological assets (livestock)	570
Deferred tax assets	190
Intangible assets	247
Other non-current assets	61
Cash and cash equivalents	23,531
Total assets classified as held for sale	**176,015**
Liabilities directly associated with disposal groups classified as held for sale	
Short-term loans and borrowings	18,244
Trade and other payables	9,325
Deferred income	796
Current finance lease liabilities	44
Total liabilities directly associated with disposal groups classified as held for sale	**28,409**

Borrowings

At 31 March 2017, USD 18,099 thousand (RUB 1,020,369 thousand) had been drawn under credit facility from VTB Bank.
As at 31 March 2017 land carried at USD 2,671 thousand have been pledged to VTB Bank as collateral for borrowings.
At the date of approval of these condensed consolidated interim financial statements the bank has brought no claims for early repayment of the Group's borrowings.

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

(c) Cash flow

	Three months ended 31 Mar	
In thousands of US Dollars	**2017**	**2016**
Operating cash flows provided by discontinued operations	4,781	4,699
Investing cash flows provided/(used) by discontinued operations	464	(1,141)
Financing cash flows provided by discontinued operations	3,659	504

5. OTHER INCOME AND EXPENSE, NET

	Three months ended 31 Mar	
In thousands of US Dollars	**2017**	**2016**
Income/(loss) on grain and forex hedge	383	(95)
Other income and expenses	5	(10)
	388	**(105)**

6. BORROWINGS

In thousands of US Dollars	**31 Mar 2017**	**31 Dec 2016**
SEK bonds		
Non-current	-	-
Current	46,749	45,600
	46,749	**45,600**
Other borrowings – current		
Bank VTB	-	13,443
	-	**13,443**
Total borrowings	**46,749**	**59,043**

On October 2013 the Group issued a SEK 750 million (USD 118,030 thousand translated at the exchange rate at that date) senior unsecured bonds, each of a nominal amount of SEK 1,000,000, which is also the minimum round lot. The bonds have a fixed annual coupon of 9.40% and mature after 4 years. Interest will be paid on 30 January, 30 April, 30 July and 30 October each year, with the first interest payment on 30 January 2014 and the last on 30 October 2017. The bonds are listed on the NASDAQ OMX Stockholm exchange.

Up to 31 March 2017, the Group repurchased SEK 338 million (USD 48,603 thousand) of bonds in order to manage interest expense and foreign exchange exposure.

As at 31 March 2017 the Group is in compliance with all covenants stipulated in the bond agreement.

7. DIVIDENDS

During the three months period ended 31 March 2017 the Board of Directors proposed no dividends to be paid or declared.

8. EARNINGS/(LOSS) PER SHARE

	Three months ended 31 Mar	
The amounts are indicated in US Dollars	**2017**	**2016**
Loss for the period	(11,341,000)	(4,571,000)
Weighted average number of ordinary shares	210,426,241	210,426,241
Basic and diluted loss per share (USD/share)	(0.04)	(0.02)
Basic and diluted earnings per share (USD/share) from continuing operations	0.01	0.02
Basic and diluted loss per share (USD/share) from discontinued operations	(0.05)	(0.04)

9. RELATED PARTIES BALANCES AND TRANSACTIONS

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.

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

	Three months ended 31 Mar	
In thousands of US Dollars	**2017**	**2016**
Purchase of services from related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	135	232
KCM International Ltd	211	208
	346	**440**
Less: subcontracted to third parties		
TerraVost Ltd (formerly KinnAgri Ltd)	-	(38)
KCM International Ltd	-	-
	-	**(38)**
Purchase of services from related parties, net of subcontractors		
TerraVost Ltd (formerly KinnAgri Ltd)	135	194
KCM International Ltd	211	208
Total	**346**	**402**

	31 Mar 2017	**31 Dec 2016**
Accounts payable to related parties		
TerraVost Ltd (formerly KinnAgri Ltd)	135	159
KCM International Ltd	214	133
	349	**292**

For contracts with the related parties a review of alternative options and arm's length pricing was conducted by three members of the Board of Directors, including Chairman of Audit Committee, in November 2015 and terms of the contracts found to be satisfactory. KCM and TerraVost contracts were reviewed, renewed and signed in 2Q16.

10. CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings

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

(b) Tax contingencies

Russian tax and customs 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 relevant authorities. Russian tax administration 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 of review. Under certain circumstances, reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions

10. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Starting from 1 January 2015, the "de-offshorisation law" came into force introducing broader rules for determining the tax residency of legal entities, which may have an impact on the Group's operations. In particular, more specific and detailed rules were put in place for establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such a legal entity's worldwide income will be taxed in Russia.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profit tax, as they do not have a permanent establishment in Russia and were not Russian tax residents by way of application of the new tax residency rules. This interpretation of the relevant legislation in regards to the Group companies incorporated outside of Russia may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position 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 of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk of an outflow of resources should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

As at 31 March 2017, management believes that its interpretation of the relevant legislation is appropriate and that the Group`s tax, currency and customs positions are appropriate and can be sustained.

11. SUBSEQUENT EVENTS

On 4 April 2017, 1,853,740 new shares (0,88% of shares then outstanding) were issued as a result of the 2013-2015 Company's management incentive program. Following the issue, the total number of outstanding shares became 212,279,981.

On 12 April 2017 the Company received regulatory approval from the relevant authorities for the sale of Company's Russian operations.

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 245,000 hectares of what perhaps is the world's most fertile soil.

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, 18 May 2017

Per Åhlgren, Chairman	Camilla Öberg, Non-executive Director
Dmitry Zavgorodniy, Non-executive Director	Franco Danesi, Non-executive Director
Poul Schroeder, Non-executive Director	

This report has not been subject to review by the auditors of the Company

Future financial reports:

2Q/1H 2017 report 11 August 2017

For further information, please contact:

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Group's website: www.blackearthfarming.com

Non-IFRS performance measure

In addition to IFRS performance measures, Black Earth Farming Ltd. presents a number of financial performance measures that are outside IFRS definitions (Alternative performance measures, according to ESMA's guidelines) with the aim of enabling effective evaluation of the company's financial position and performance for investors and for the company's management. This means that these measures are not always comparable with measures used by other companies and shall therefore be considered as a complement to measures defined according to IFRS. The Company applies these alternative performance measures consistently over time. Definitions are provided below of how the Company's key ratios are calculated.

Non-IFRS performance measure	Description
Average sales price after distribution cost per ton	Revenue by crops divided by tons sold during the period minus distribution expenses divided by total tons sold during the period
Gross profit after distribution cost	Gross profit minus distribution expenses
EBIT	Profit (loss) before financial income/(expenses) and income taxes.
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.
Cash from operations less investments (FCF)	Net cash generated from/ (used in) operating activities less cash flows from investing activities
Net debt position	Consists of the Group's interest-bearing liabilities including accrued interest and finance lease liabilities, less cash and cash equivalents
Debt/Equity Ratio	Total amount of long-term borrowings divided by total shareholders' equity.
Equity/Assets Ratio	Equity expressed as a percentage of total assets
Numerous ratios excluding SWAP	These ratios represent measures defined in IFRS or APMs described above minus net result from swap deal (as this deal is non-recurring event). For instance EBIT excluding swap effect represents EBIT minus effect from swap deal which is presented in note 9 « Other income and expenses, net ».

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, and 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.

"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.

"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.