

# Black Earth Farming Ltd Interim Report

1 January – 31 March 2012



**BLACK  
EARTH  
FARMING LTD.**



## Positive Operating Cash Flow as Spring Seeding gets Underway

*Positive 1Q operating cash flow of USD\* 3.5 million as 57% of carry-in stock was sold. Improved q-o-q sales price although higher quality crops remained in inventory a/o 31 March. Relatively low winter kill of 4% but late spring results in slightly reduced 2012 area of lower margin crops. Strategic sale of 9,500 hectares of low quality land for USD\* 1.1 million profit.*

### 1Q 2012 Highlights (vs. 1Q 2011)

- Sales volumes of 120.5 thousand tons (16.7) at average price per ton of USD\* 186 (235)
- Sales revenue of USD\* 22.8 million (4.3)
- Operating loss of USD\* -8.0 million (-10.9)
- Net loss of USD\* -6.4 million (-15.3)
- Net loss per share of USD\* -0.05 (-0.12)
- Operating cash flow of USD\* 3.5 million (-10.6)

### Events after the Reporting Period

- **Land Sale;** Approximately 9,500 hectares consisting of grass land and poor quality crop land was sold for USD\* 3.1 million in Voronezh region. A USD\* 1.1 million profit on sale will be recorded in 2Q 2012.
- **2012 Crop;** Late spring has delayed spring seeding but with better y-o-y operational progress. Total 2012 crop area expected slightly lower at approximately 225 thousand hectares with a reduced area of lower margin crops.

### CEO Comment Highlights (p.2)

- 1Q Sales & Market Development
- 1Q 2012 Results
- Voronezh Land Sale
- Spring Seeding Conditions & 2012 Crop Area
- Price Risk Management Progress

### Financial Overview

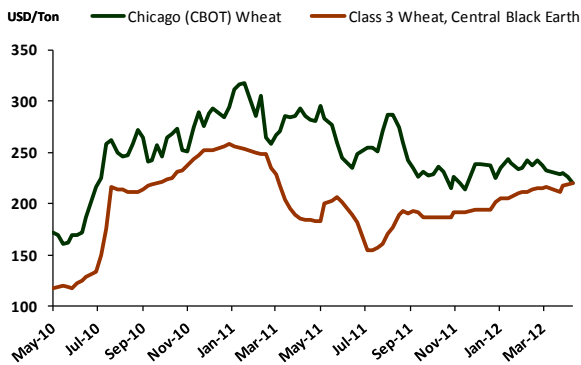
USD* million	1Q '12	1Q '11	
Crop Volumes Sold	120,485	16,688	
Av. Sales Price	186	235	
Total Revenue & Gains	23.3	1.1	
Gross Result	(1.7)	(4.5)	
EBITDA	(3.6)	(8.5)	
EBIT	(8.0)	(10.9)	
<b>Net Income</b>	<b>(6.4)</b>	<b>(15.3)</b>	

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## 1Q Sales & Market Development

Domestic as well as international grain prices strengthened during the first quarter of 2012 as concerns grew over the 2012 harvest in Ukraine as well as the regions in southern Russia. Market prices for wheat in BEF's regions were up within a range of 10-15% during 1Q and have continued to strengthen into May. We sold 120 thousand tons in total, 57% of the carry-in inventory, during 1Q 2012 with the majority of volumes consisting of wheat and corn for the domestic market. The average price of USD\* 186 per ton is up 4% from 4Q 2011 but down 21% year-on-year as 1Q 2011 marked the price peak following the 2010 drought. The remaining 90 thousand tons of higher quality 2011 crop held in inventory, valued at USD\* 18.1 million as of March 31<sup>st</sup>, should be sold before the end of May. This will allow for repair & maintenance works as well as efficiency improvements to be carried out at farm storage facilities and the elevators prior to the 2012 harvest.

### International vs. Russian Domestic Wheat Price



Source: IKAR, CBOT

## 1Q Results

The first quarter is generally the least eventful quarter of the year. With the seasonality of the business there is very limited activity during 1Q in terms of production with sales of 2011 crop inventory being the main event. Given our accounting policy of marking crop inventory to market, realised sales prices and the development of market prices is the main factor affecting the 1Q results. The majority of lower quality crops from the carry-in inventory were sold during the quarter affecting average sales price negatively while the better quality has been sold post March 31<sup>st</sup>. Sales prices during 1Q were lower than the carrying value as at December 31<sup>st</sup>, therefore the gross result was USD\* -1.7 million. As prices strengthened during the quarter a USD\* 0.5 million revaluation gain on the 90 thousand tons of crops still in inventory was recognised. G&A cost of USD\* 4.1 million was down 11% year-on-year as costs related to personnel as well as office and administration were down compared to 2011. The operating loss of USD\*

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-8.0 million compares to -10.9 million in 2011. If revaluation effects in biological assets, crop inventory and cost of sales are excluded, EBITDA for 1Q 2012 was USD\* 1.8 million compared to USD\* -4.4 million in 2011. It is also positive that operations generated a positive cash flow of USD\* 3.5 million during the quarter as the carry-in crop inventory was sold while outflows were limited by seasonal factors.

## Voronezh Land Sale

In April we sold 9,564 hectares in Voronezh region for approximately USD\* 3.1 million which implies an average price of USD\* 323 per hectare. This was a mix of grass land not suitable for cropping as well as some low quality arable land with high levels of chalk. The price range was USD\* 120-530 per hectare for grass to crop land. Given that 48% of the area was grass land I consider it a decent price for what was the bottom range in terms of quality of our overall land bank. A profit on sale will be recorded in 2Q of approximately USD\* 1.1 million as the carrying value in our balance sheet was USD\* 203 per hectare. The sale is in line with our strategy of consolidating the land area to the clusters with the best potential in terms of operating performance.

## Spring Seeding Conditions & 2012 Crop Area

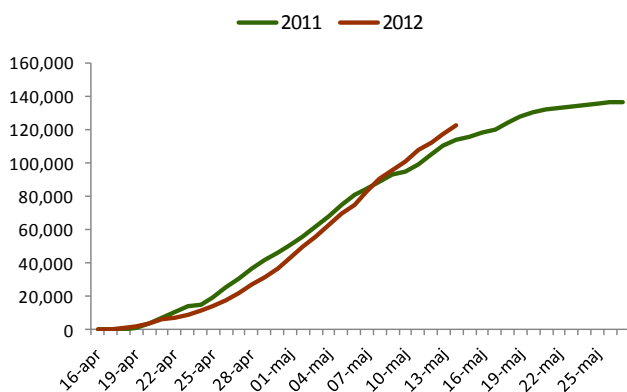
We lost some 3 thousand hectares of winter wheat due to frost heave, which is about 4% of the comparable autumn seeded area. But the surviving winter wheat came out of the winter in a good overall condition. Wet weather in early April in addition to the heavy rainfall during the autumn of 2011 has helped initial subsoil moisture levels. The spring of 2012 in our operating area has been late by around 20 days depending on region. We commenced spring seeding on April 16<sup>th</sup> but we didn't get going at full operational capacity until the end of April due to the conditions. As of May 17<sup>th</sup> 136 thousand hectares have been seeded in total. The 2012 crop area differs from 2011 in that the spring area is larger but with a lower winter crop area. This puts more pressure on our operational capacity to complete spring works within an already tight window given the climatic conditions. Overall we have managed this well. As the graphs below illustrate when conditions in May allowed, we made better progress in 2012 seeding on average 25% hectares more per day. Thus despite a later start we will finish earlier than last year. The quality of field works has also been good as employee training have yielded positive results. The late arrival of spring has meant a change to the planned area and a slight reduction in the total estimated harvest area for 2012 to approximately 225 thousand hectares. The focus has been on completing the seeding of high margin crops such as oilseeds at the expense of lower margin crops. The initial winter wheat area was lower than 2011 and the previously mentioned land sale has also decreased the winter crop area for 2012. Please see page 7 for a more detailed breakdown of the planned 2012 crop area.

## Price Risk Management Progress

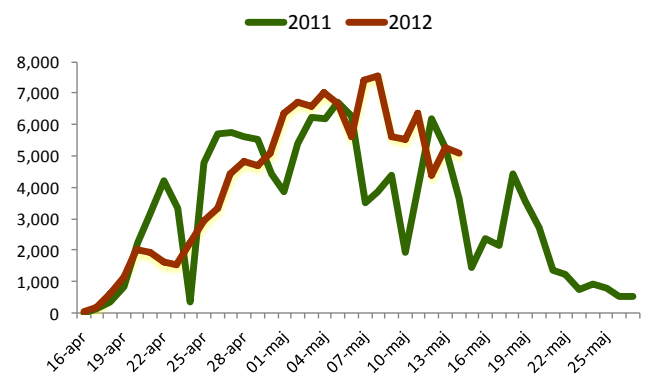
Our efforts to improve price risk management continue. We have sold forward 20% of the expected 2012 rapeseed volumes for export. In addition we have contracted all sugar beet volumes with local processors as well as 65% and 35% of malting barley and sunflowers respectively, also for the domestic market. We are continuously looking to improve within this area by developing relationships with quality counterparties as a basis for longer term contracts. I expect to make further progress during the year in order to reduce volatility in the pricing of our crops as well as improve profitability.

On behalf of the Board - 18 May 2012  
Richard Warburton CEO and President

**2012 Spring Seeding vs. 2011, Hectares**



**Hectares Seeded per Day, 2012 vs. 2011**



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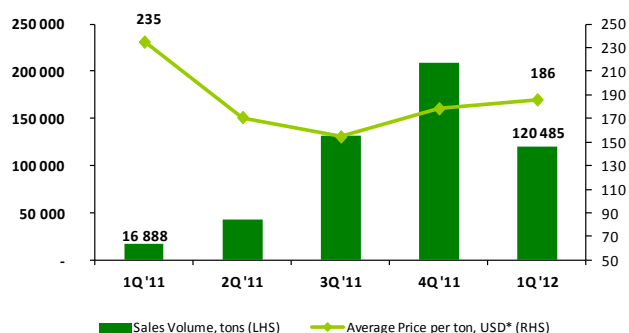
# 1Q 2012 Financial Review



## Revenue

Revenue from goods sold during 1Q increased by 425% y-o-y to USD\* 22.8 million as 120 thousand tons of crop were sold in 2012 vs. 17 thousand in 2011. The sales mix consisted mainly of wheat (51% of volumes), corn (21%) and sunflowers (14%) with an average price of USD\* 186 per ton, up 4% q-o-q but down 21% y-o-y. The quarterly realised price is generally affected by the sales mix and during 1Q the fact that lower quality crops were sold with higher quality still in inventory affected the sales price. See page 5 for more detail on sales volume and prices.

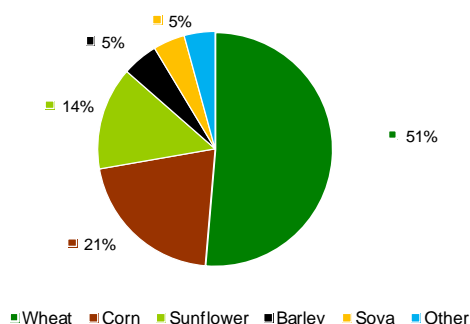
### Sales Volumes & Blended Price per Ton



## Inventory & Gain/Loss of Revaluation

90 thousand tons of crops harvested in 2011 were held in inventory as of 31 March 2012, with 61% of the volumes consisting of wheat, 15% barley and 12% sunflower. Domestic market prices (excluding 10% VAT) detailed on page 5 have been used to determine the net realisable value of USD\* 18.1 million. The revaluation of finished goods inventory resulted in a USD\* 0.5 million gain during 1Q as a result of favourable market price movements for predominantly wheat. As of the reporting date biological assets consisted mainly of costs incurred for seeding of winter crops to be harvested 2012 amounting to USD\* 25.3 million.

### 1Q 2012 Sales Mix



## Result

The company's gross result is very sensitive to crop price movements that affect changes to inventory value (both crops in storage and standing in fields) between reporting dates. Cost of sales includes the crop inventory valued at market prices as of 31 December 2011. A negative gross result in 1Q 2012 was recorded as realised prices for wheat, corn and sunflower were lower than the market value held in inventory as of 31 December. EBITDA for the period amounted to USD\* -3.6 million versus USD\* -8.5 million in 2011. Excluding revaluation effects of biological assets, inventory and cost of sales EBITDA for 1Q 2012 was USD\* 1.8 million vs. -4.4 million in 2011. During the quarter positive net financial income was recorded as a USD\* 5.5 million gain on FOREX translation (SEK/RUB weakening) affected the 1Q 2012 net result positively.

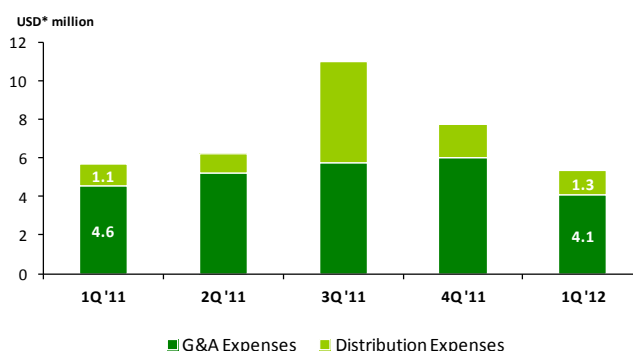
## Financial Position

Fixed assets of USD\* 204.6 million predominantly comprise PP&E, namely buildings (mainly storage facilities), land held at acquisition cost as well as 100% owned machinery and equipment used in crop production. Inventories of USD\* 51.6 million include both crops harvested 2011 and inputs to be used for 2012 crops which, together with winter crops in field to be harvested 2012, amounted to USD\* 76.9 million. The Company had USD\* 32.9 million in cash as of 31 March and interest bearing debt consisting of a SEK 750 million bond maturing in July 2014. Net interest bearing debt amounted to USD\* 87.6 million as of the end of the reporting period.

## Cash Flow

Cash flow from operations amounted to USD\* 3.5 million for 1Q 2012 as 2011 crop inventory was sold down. Net investments into fixed assets of USD\* 9.8 million consisted mainly of machinery purchases. As bonds held were re-sold the inflows of USD\* 6.2 million resulted in a neutral cash outflow for the period. A negative USD\* -0.6 million foreign exchange translation effect, resulted in cash of USD\* 32.9 million as of 31 March 2012.

### SG&A Expenses



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# Crop Inventory & Sales Development



The Company values its inventory of finished goods at net realisable value to reflect the market value as at the end of the reporting period. A change in net realisable value affects Total Revenue and Gains in the income statement. In addition Cost of Goods Sold represents the carrying value of inventory as at the previous reporting date. The table below provides a breakdown of inventories as of 31 March 2012 as well as the development of crop sales during 2012 and 2011. Note that all recorded prices exclude 10% VAT.

## Quarterly Sales Volume & Crop Inventory

	Quarterly Sales				Crop in Inventory	
	1Q '12	4Q '11	3Q '11	2Q '11	31 Mar '12	31 Dec '11
<b>Volume, k tons</b>						
Wheat	61.9	70.9	100.4	41.8	54.7	115.5
Barley	5.9	24.2	11.5	0.5	13.1	18.5
Corn	25.2	1.0			1.7	29.0
Rape	4.6	22.2			8.0	13.9
Sunflower	17.2	64.9			10.6	24.7
Soya	5.2	0.3	0.8	0.4	1.4	6.8
Sugar beet		24.4	17.2			
Other (seeds/forage)	0.5	0.8	1.6		0.1	3.5
<b>Total Tons</b>	<b>120.5</b>	<b>208.7</b>	<b>131.4</b>	<b>42.7</b>	<b>89.5</b>	<b>211.9</b>
<b>Price, USD*/ton</b>						
Wheat	167	146	170	168	184	171
Barley	165	138	138	181	181	180
Corn	132	78			160	131
Rape	198	297			366	272
Sunflower	297	236			196	327
Soya	326	324	414	464	319	341
Sugar beet		56	55			
Other						
<b>Average Price</b>	<b>186</b>	<b>178</b>	<b>154</b>	<b>171</b>	<b>203</b>	<b>197</b>

As of 31 March 2012 the Company recorded inventories at a total value of USD\* 51.6 million. Total inventories include finished goods, i.e. crops harvested in 2011 held for sale, as well as raw materials to be used in production. Total crop inventory of finished goods included 90 thousand tons of crops harvested during 2011 valued at an average price of USD\* 203 per ton resulting in a total fair value estimate of USD\* 18.1 million. The domestic market prices below are used to value inventory. Revenues and expenses are reported excluding VAT wherefore 10% is deducted from the market prices below to estimate revenue.

Domestic Crop Prices (inc. VAT)	RUR/ton 31-Mar-2012	RUR/ton 31-Dec-2011	RUR/ton 30-Sep-2011	RUR/ton 30-Jun-2011	RUR/ton 31-Mar-2011
Wheat-3 class	6,100	5,825	5,700	5,800	6,350
Wheat-4 class	5,900	5,500	5,400	5,600	6,050
Wheat-5 class/feed	5,550	4,975	4,600	5,300	5,880
Corn	5,175	4,500	5,900	8,700	8,510
Barley-Malting	6,200	6,500	8,500	9,000	10,500
Barley-Feed	5,300	4,975	4,900	5,100	7,900
Rapeseed	11,800	10,500	10,000	15,700	16,000
Sunflower seed	11,300	11,000	9,900	16,300	18,500
Soya	10,300	11,000	11,000		
Sugar beet		1,900	1,900		

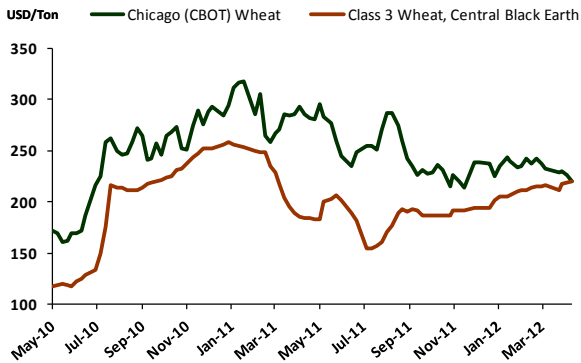
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## International

International grain prices have marginally strengthened during 2012 as there has been general nervousness about world weather conditions for upcoming northern hemisphere harvests, while developments in other commodities, energy markets and global economic news also played a role. Upward revisions for crops in some countries and an increased carry-in estimate

are expected to lift global supplies for 2010/11 by 5 million tons, but much of this is absorbed by higher than previously forecast use. World consumption of grains is expected to climb by 1.7%, to a record 1,791 million tons. Stocks in the eight major exporters at the end of their respective 2010/11 seasons are placed at 108 million tons, as much as 30% down from the previous year and the lowest level since 2003/04. Prices for both grains and oilseeds declined in early May as the USDA released its first estimate of the 2012 harvest. Global coarse grain production is projected up 6% to a record driven by strong corn production. Oilseed production is also expected up 8% to a new record as the global soybean harvest is expected to rise by 15% following a rebound in Argentina.

### International vs. Russian Domestic Wheat Price

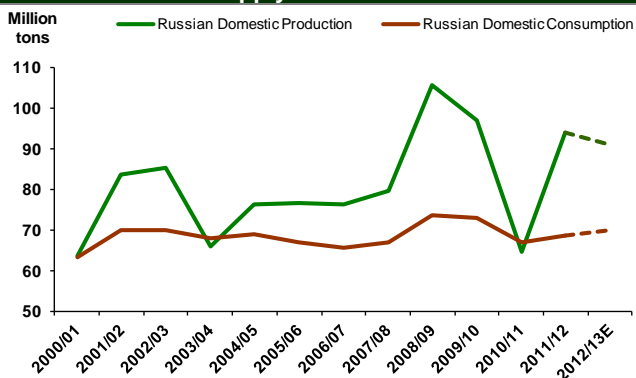


Source: IKAR, CBOT

## Russia

Since the harvest lows of July-August 2011 Russian domestic wheat prices are up 40% as strong export volumes have cleared supplies in southern regions and strengthened domestic inland prices. Concerns about 2012 harvest yields in Ukraine and Southern Russia are also supporting the price development. Prices have steadily increased since late 2011 as the southern export focused Russian regions have had less than ideal growing conditions so far with potential negative implications for 2012 harvest volumes. Spring plantings in Russia overall are ahead of the central black earth regions but lack of rain in the south remains a major concern. The Russian winter crop area of 14.5 million hectares is up 4% from the prior year, but lower than in the 3 years prior, with varying conditions so far depending on region. The total expected planted Russian grain area of close to 45 million hectares is 2% below the previous 5 year average and with lower yields expected for Southern regions. The early estimates of the total Russia grain harvest are in the range of 90-95 million tons albeit with downside risks if the dry and hot weather in May persists.

### Russian Supply and Demand of Grains



Source: IGC, IKAR, USDA

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



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# Production Overview



## Crop Area Breakdown

(hectares)	2007	2008	2009	2010	2011	2012F
Winter wheat	16,805	48,636	84,698	72,677	93,627	76,500
Spring wheat	n/a	4,339	3,824	10,157	13,093	4,300
Spring barley	20,180	42,638	43,053	13,793	26,535	23,000
Corn maize	1,215	9,950	8,084	8,592	6,149	25,600
Winter triticale	n/a	n/a	2,740	302	n/a	n/a
<b>Total Grains</b>	<b>38,200</b>	<b>105,563</b>	<b>142,399</b>	<b>105,521</b>	<b>139,404</b>	<b>129,400</b>
Winter rape	5,005	875	7,045	536	n/a	n/a
Spring rape	7,035	13,149	7,132	29,051	33,494	37,500
Sunflower	2,541	19,378	26,466	36,761	46,518	33,300
Soya	n/a	n/a	n/a	7,899	7,863	18,500
<b>Total Oilseeds</b>	<b>14,581</b>	<b>33,402</b>	<b>40,643</b>	<b>74,247</b>	<b>87,875</b>	<b>89,300</b>
Sugar Beet	n/a	n/a	n/a	n/a	1,621	5,000
<b>Total Commercial Area</b>	<b>52,781</b>	<b>138,965</b>	<b>183,042</b>	<b>179,768</b>	<b>228,900</b>	<b>223,700</b>
<i>Other / Forage crops</i>	<i>670</i>	<i>2,968</i>	<i>381</i>	<i>1,013</i>	<i>2,130</i>	<i>1,300</i>
<b>Total harvest area</b>	<b>53,451</b>	<b>141,933</b>	<b>183,423</b>	<b>180,781</b>	<b>231,030</b>	<b>225,000</b>

## Average Gross Crop Yields

(tons/hectare)	2007	2008	2009	2010	2011	2012
Winter wheat	3.3	4.3	3.5	1.9	2.44	
Spring wheat	n/a	2.9	2.3	1.4	1.74	
Spring barley	2	3.4	3.0	1.4	1.94	
Corn maize	5.5	2.6	3.4	0.7	5.72	
Winter triticale	n/a	n/a	2.3	0.8	n/a	
Winter rape	1.3	1.8	1.6	0.5	n/a	
Spring rape	0.9	1.4	1.4	0.6	1.29	
Sunflower	2.4	1.4	1.8	0.8	2.14	
Soya	n/a	n/a	n/a	0.3	1.09	
Sugar beet	n/a	n/a	n/a	n/a	28.42	

## Gross Harvest Volumes

(tons)	2007	2008	2009	2010	2011	2012
Winter wheat	49,262	206,961	292,657	141,145	228,609	
Spring wheat	n/a	12,779	8,764	14,008	22,810	
Spring barley	42,477	143,259	127,793	19,937	51,536	
Corn	1,311	26,088	27,823	5,797	35,148	
Winter triticale	n/a	n/a	6,432	249	n/a	
<b>Total Cereal Grains</b>	<b>93,050</b>	<b>389,087</b>	<b>463,469</b>	<b>181,136</b>	<b>338,103</b>	
Winter rape	n/a	1,536	11,527	293	n/a	
Spring rape	12,859	18,761	9,708	16,822	43,249	
Sunflower	3,815	27,742	46,602	30,849	99,452	
Soya	n/a	n/a	n/a	2,306	8,546	
<b>Total Oilseeds</b>	<b>16,674</b>	<b>48,039</b>	<b>67,837</b>	<b>50,270</b>	<b>151,247</b>	
Sugar beet	n/a	n/a	n/a	n/a	46,065	
<b>Total Commercial Crops</b>	<b>109,724</b>	<b>437,126</b>	<b>531,306</b>	<b>231,406</b>	<b>535,415</b>	
<i>Other/Forage crops</i>	<i>2,659</i>	<i>22,928</i>	<i>3,381</i>	<i>3,686</i>	<i>14,597</i>	
<b>Total Output</b>	<b>112,383</b>	<b>460,054</b>	<b>534,687</b>	<b>235,092</b>	<b>550,012</b>	

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# The Black Earth Farming Share



**BLACK  
EARTH  
FARMING LTD.**

## Outstanding shares

As of 31 Mar 2012 the amount of outstanding shares was 124,601,667. The Company's market capitalisation was approximately SEK 1,620 million or USD 231 million.

## 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

## Shareholders

The total number of shareholders, as of 31 March 2012, amounted to about 8,100.

## Trade data for the period 7 Nov 2011 - 7 May 2012

6 Months Average Daily Turnover (SEK)	Average No of Traded Shares	Average No of daily trades
<b>1,244,590</b>	<b>88,812</b>	<b>101</b>

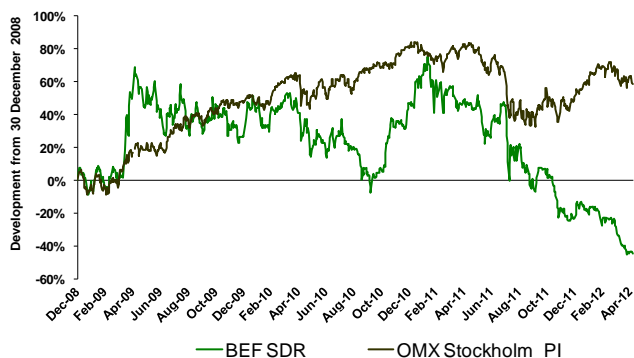
Source: NASDAQ OMX

## Top 5 shareholders as of 31 March 2012

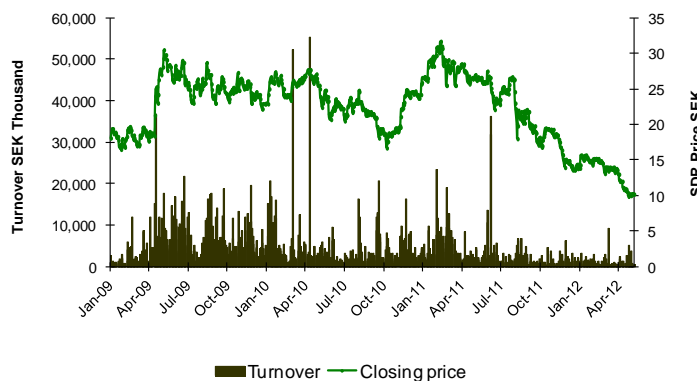
Owner	% of votes & capital
<b>AB INVESTMENT KINNEVIK</b>	<b>24.9%</b>
<b>VOSTOK NAFTA INVESTMENT LTD</b>	<b>24.8%</b>
<b>ALECTA PENSION FUND</b>	<b>9.3%</b>
<b>HOLBERG FUNDS</b>	<b>2.2%</b>
<b>VARMA MUTUAL PENSIONFUND</b>	<b>1.7%</b>

Source: Euroclear Sweden share registry & shareholders' reference

## Share Performance vs. OMX Stockholm index



## Share Price and Turnover



## Black Earth Farming SDR

Price SEK/SDR 13 May 2012	Change 1 Month	Change 3 Months	52 Week High
<b>9.85</b>	-11.3%	-35.2%	27.50
	Change 6 Months	Change 1 Year	52 Week Low
	-46.3%	-60.6%	9.80

More historic share data and information, including a current list of analysts following Black Earth Farming, can be found on the Company's website – [www.blackearthfarming.com](http://www.blackearthfarming.com).

Risks and Uncertainties are described in the annual report for 2011. The risks can be summarised as Risks relating to the Company, Risks relating to the Company's business and Risks relating to Russia. All significant risks and uncertainty factors that existed on 31 December 2011 also exist on 31 March 2012.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME /  
(LOSS) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2012**



*In thousands of*

	Notes	RUR 31-Mar- 2012	RUR 31-Mar- 2011	USD* 31-Mar- 2012	USD* 31-Mar- 2011
Revenue		668,094	127,198	22,780	4,337
Gain on revaluation of biological assets		(311)	2,677	(11)	91
Change in net realisable value of agricultural produce after harvest		14,211	(98,441)	485	(3,357)
<b>Total revenue and gains</b>	4	<b>681,994</b>	<b>31,434</b>	<b>23,254</b>	<b>1,071</b>
Cost of sales	5	(733,071)	(163,871)	(24,995)	(5,587)
<b>Gross loss</b>		<b>(51,077)</b>	<b>(132,437)</b>	<b>(1,741)</b>	<b>(4,516)</b>
Distribution expenses		(37,656)	(32,134)	(1,284)	(1,096)
General and administrative expenses		(119,087)	(134,160)	(4,060)	(4,574)
Taxes other than on income		(14,484)	(12,759)	(494)	(435)
Government grants		-	2,562	-	87
Other income and expenses		(12,893)	(9,533)	(440)	(325)
<b>Operating loss</b>		<b>(235,197)</b>	<b>(318,461)</b>	<b>(8,019)</b>	<b>(10,859)</b>
Financial income	8	168,675	9,185	5,751	313
Financial expenses	8	(89,268)	(144,076)	(3,043)	(4,912)
<b>Loss before income tax</b>		<b>(155,790)</b>	<b>(453,352)</b>	<b>(5,311)</b>	<b>(15,458)</b>
Income tax expense/(benefit)		(30,661)	5,233	(1,046)	179
<b>Loss for the period and total comprehensive loss attributable to owners of the parent</b>		<b>(186,451)</b>	<b>(448,119)</b>	<b>(6,357)</b>	<b>(15,279)</b>
<i>Loss per share (amounts are indicated in)</i>	10	RUR	RUR	USD*	USD*
Loss per share, basic and diluted		(1.50)	(3.60)	(0.05)	(0.12)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 13 to 19.

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2012**



<i>In thousands of</i>		RUR	RUR	USD*	USD*
	<b>Notes</b>	<b>31-Mar-12</b>	<b>31-Dec-11</b>	<b>31-Mar-12</b>	<b>31-Dec-11</b>
<b>ASSETS</b>					
<i>Non-current assets</i>					
Property, plant and equipment		6,009,388	6,019,548	204,903	205,248
Investment property	6	42,584	-	1,452	-
Intangible assets		6,421	6,845	219	233
Biological assets (livestock)		23,402	23,514	798	802
Other non-current assets		191,391	88,646	6,526	3,023
Deferred tax assets		88,672	111,766	3,023	3,811
<b>Total non-current assets</b>		<b>6,361,858</b>	<b>6,250,319</b>	<b>216,921</b>	<b>213,117</b>
<i>Current assets</i>					
Inventories		1,512,502	1,910,709	51,572	65,149
Biological assets (crop production)		743,446	532,598	25,349	18,160
Trade and other receivables		475,729	474,074	16,221	16,164
Cash and cash equivalents		964,214	985,452	32,877	33,601
<b>Total current assets</b>		<b>3,695,891</b>	<b>3,902,833</b>	<b>126,019</b>	<b>133,074</b>
<b>Total assets</b>		<b>10,057,749</b>	<b>10,153,152</b>	<b>342,940</b>	<b>346,191</b>
<b>EQUITY AND LIABILITIES</b>					
<i>Equity</i>					
Share capital		32,921	32,921	1,123	1,123
Share premium		11,275,731	11,275,731	384,467	384,467
Reserves		168,830	178,189	5,757	6,076
Accumulated deficit		(5,384,372)	(5,197,921)	(183,590)	(177,233)
<b>Total equity attributable to owners of the parent</b>		<b>6,093,110</b>	<b>6,288,920</b>	<b>207,757</b>	<b>214,433</b>
<b>LIABILITIES</b>					
<i>Non-current liabilities</i>					
Non-current loans and borrowings	7	3,281,199	3,265,713	111,879	111,351
Deferred tax liabilities		43,598	42,153	1,487	1,437
<b>Total non-current liabilities</b>		<b>3,324,797</b>	<b>3,307,866</b>	<b>113,366</b>	<b>112,788</b>
<i>Current liabilities</i>					
Current loans and borrowings	7	252,572	165,166	8,612	5,632
Trade and other payables		387,270	391,200	13,205	13,338
<b>Total current liabilities</b>		<b>639,842</b>	<b>556,366</b>	<b>21,817</b>	<b>18,970</b>
<b>Total liabilities</b>		<b>3,964,639</b>	<b>3,864,232</b>	<b>135,183</b>	<b>131,758</b>
<b>Total equity and liabilities</b>		<b>10,057,749</b>	<b>10,153,152</b>	<b>342,940</b>	<b>346,191</b>

The condensed consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the interim consolidated financial statements set out on pages 13 to 19.

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2012**



<i>In thousands of</i>	RUR	RUR	RUR	RUR	RUR
	Share capital	Share premium	Equity-settled employee benefits reserve	Accumulated deficit	Total equity attributable to owners of the parent
<b>Balance as at 1 January 2011</b>	<b>32,921</b>	<b>11,275,731</b>	<b>152,556</b>	<b>(3,855,813)</b>	<b>7,605,395</b>
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(448,119)	(448,119)
Recognition of share-based payments	-	-	870	-	870
<b>Balance as at 31 March 2011</b>	<b>32,921</b>	<b>11,275,731</b>	<b>153,426</b>	<b>(4,303,932)</b>	<b>7,158,146</b>
<b>Balance as at 1 January 2012</b>	<b>32,921</b>	<b>11,275,731</b>	<b>178,189</b>	<b>(5,197,921)</b>	<b>6,288,920</b>
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(186,451)	(186,451)
Recognition of share-based payments	-	-	(9,359)	-	(9,359)
<b>Balance as at 31 March 2012</b>	<b>32,921</b>	<b>11,275,731</b>	<b>168,830</b>	<b>(5,384,372)</b>	<b>6,093,110</b>

<i>In thousands of</i>	USD*	USD*	USD*	USD*	USD*
	Share capital	Share premium	Equity-settled employee benefits reserve	Accumulated deficit	Total equity attributable to owners of the parent
<b>Balance as at 1 January 2011</b>	<b>1,123</b>	<b>384,467</b>	<b>5,202</b>	<b>(131,471)</b>	<b>259,321</b>
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(15,279)	(15,279)
Recognition of share-based payments	-	-	30	-	30
<b>Balance as at 31 March 2011</b>	<b>1,123</b>	<b>384,467</b>	<b>5,231</b>	<b>(146,751)</b>	<b>244,070</b>
<b>Balance as at 1 January 2012</b>	<b>1,123</b>	<b>384,467</b>	<b>6,076</b>	<b>(177,233)</b>	<b>214,433</b>
Loss for the period and total comprehensive loss attributable to owners of the parent	-	-	-	(6,357)	(6,357)
Recognition of share-based payments	-	-	(319)	-	(319)
<b>Balance as at 31 March 2012</b>	<b>1,123</b>	<b>384,467</b>	<b>5,757</b>	<b>(183,590)</b>	<b>207,757</b>

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 13 to 19.

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2012**



<i>In thousands of</i>		RUR	RUR	USD*	USD*
	Notes	3 m. 2012	3 m. 2011	3 m. 2012	3 m. 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss for the period		(186,451)	(448,119)	(6,357)	(15,279)
<i>Adjustments for:</i>					
Income tax expense/(benefit)		30,661	(5,233)	1,046	(179)
Depreciation and amortisation		117,963	61,965	4,022	2,113
Bad debt expense		11,103	10,243	379	349
Foreign exchange (gain) / loss		(162,456)	55,317	(5,539)	1,886
Interest income		(6,219)	(9,185)	(212)	(313)
Interest expense		86,285	88,759	2,941	3,026
Gain on disposal of property, plant and equipment and intangible assets		(2,980)	(1,963)	(102)	(67)
Warrant expense		(9,359)	870	(319)	30
Loss on land write-off		-	-	-	-
Impairment of PPE		-	-	-	-
Change in value of biological assets and inventory		(13,900)	95,764	(474)	3,266
Effect of revaluations on COGS		172,426	25,382	5,879	865
		<b>37,073</b>	<b>(126,200)</b>	<b>1,264</b>	<b>(4,303)</b>
<b>Movements in working capital:</b>					
Decrease/(increase) in inventories		265,268	(86,858)	9,045	(2,962)
Increase in biological assets		(211,047)	(127,840)	(7,196)	(4,359)
Decrease/(increase) in trade and other receivables		1,675	(27,747)	57	(946)
Increase in trade and other payables		9,239	56,838	315	1,938
<b>Cash used in operations</b>		<b>102,208</b>	<b>(311,807)</b>	<b>3,485</b>	<b>(10,632)</b>
Income tax paid		(98)	(39)	(2)	(1)
<b>Net cash used in operating activities</b>		<b>102,110</b>	<b>(311,846)</b>	<b>3,483</b>	<b>(10,633)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		6,400	10,338	218	352
Acquisition of land plots		(2,303)	(17,748)	(79)	(605)
Acquisition of property, plant and equipment		(291,989)	(141,392)	(9,956)	(4,821)
Proceeds from disposal of property, plant and equipment		1,838	8,287	63	283
Acquisition of intangible assets		(1,735)	(1,093)	(59)	(37)
Proceeds from disposal of investments		-	630	-	21
<b>Net cash used in investing activities</b>		<b>(287,789)</b>	<b>(140,978)</b>	<b>(9,813)</b>	<b>(4,807)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from the issue of bonds/selling bonds	7	183,099	-	6,243	-
<b>Net cash used in/(from) financing activities</b>		<b>183,099</b>	<b>-</b>	<b>6,243</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>(2,580)</b>	<b>(452,824)</b>	<b>(87)</b>	<b>(15,440)</b>
Cash and cash equivalents at beginning of period		985,452	2,982,817	33,601	101,705
Effect of exchange rate fluctuations on cash and cash equivalents		(18,658)	(54,511)	(637)	(1,859)
<b>Cash and cash equivalents at end of the period</b>		<b>964,214</b>	<b>2,475,482</b>	<b>32,877</b>	<b>84,406</b>

The condensed consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 13 to 19.

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

## 1 Background

### (a) Organisation 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 and the Russian Federation. Those entities are together referred to as the “Group”.

The Company’s registered office is 8 Church Street, St. Helier, Jersey, JE4 OSG, Channel Islands.

The Group is involved in the acquisition and subsequent management of agricultural companies in Russia. The Group’s activities include farming, production of crops and dairy produce and the distribution of related products in the Russian Federation. The Group commenced operations in 2005. The majority of the subsidiaries was established in 2006 and had limited activities.

### (b) Russian business environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russia and Russia’s economy in general.

Laws and regulations affecting businesses in Russia continue to change rapidly. Tax, currency and customs legislation within Russia are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of Russia is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Russia’s economy, adversely affect the Group’s access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because Russia produces and exports large volumes of oil and gas, Russia’s economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

### (c) Seasonality

Agricultural sector exhibits obvious seasonal behavior. During the winter period, i.e. December to March, the organic growth of the crops is minimal. Due to this no major inputs are made in the production. All costs related to planting are capitalized in the Balance Sheet under “Biological assets”. During the first three months the Group has been selling its crop production harvested in 2011.

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

## 2 Basis of preparation

### (a) Statement of compliance

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRSs”) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

### (b) Significant accounting policies

The condensed consolidated financial statements have been prepared under historical cost convention, except for biological assets measured at fair value less estimated point-of-sale costs at date of harvest and except for agricultural produce measured at net realisable value at the end of each reporting period.

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 financial statements for the year ended 31 December 2011.

### (c) Functional and presentation currency

The currency of the Russian Federation is the Russian Rouble (“RUR”) which is the functional currency of the Group’s Russian subsidiaries and is the currency in which these consolidated financial statements are presented. The Group’s main activities are RUR denominated. All financial information presented in RUR has been rounded to the nearest thousand.

### (d) Convenience translation

In addition to presenting the condensed consolidated financial statements in RUR, supplementary information in United States dollars (“USD”) has been presented for the convenience of users of the condensed consolidated financial statements.

All amounts in the condensed consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 March 2012 of RUR 29.3282 to USD 1. All financial information in USD has been rounded to the nearest thousand.

## 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-climactic split of the cropped areas in the four Black Earth regions: Voronezh, Kursk, Lipetsk and Tambov. The Group also has one operating entity in Samara region; however, for segment reporting purposes it was included in Tambov, as the entity’s result is not material as a single operating segment.

The Elevator segment consists of two legal entities: Agroterminal (with working elevator containing 60 tons of capacity) and Nedvizhimost’ (with new working elevators containing 120 tons of capacity). Elevators are mainly used for storing internally produced crops with small portion of external sales.

The management company is located in Moscow. The management company does not produce anything itself and its revenue is a result of selling crops harvested by the Group’s companies. It sets the general policies for all entities, collects the data and controls implementation of all decisions received therefore it bears the majority of general and administrative expenses.

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 in the corporate segment of the assets and expenses.

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

**(a) Segment revenues and results**

*In thousands of*

	RUR Revenue from external sales <b>3 m. 2012</b>	RUR Inter- segment revenue <b>3 m. 2012</b>	RUR Depreciation and amortisation <b>3 m. 2012</b>	RUR Net result <b>3 m. 2012</b>
Agricultural companies				
- Voronezh region	230,756	5,416	23,703	(26,963)
- Kursk region	188,873	5,803	24,102	(15,017)
- Lipetsk region	194,972	6,489	26,909	(39,102)
- Tambov region	52,153	4,276	23,949	(16,078)
Elevators	1,340	54,613	17,105	(8,920)
Management company (Moscow)	-	5,151	2,195	(96,229)
<b>Total</b>	<b>668,094</b>	<b>81,748</b>	<b>117,963</b>	<b>(202,309)</b>
Central administrative costs				(36,933)
Other income and expenses				4,045
Financial result, net				79,407
<b>Loss before income tax</b>				<b>(155,790)</b>

*In thousands of*

	RUR Revenue from external sales <b>3 m. 2011</b>	RUR Inter- segment revenue <b>3 m. 2011</b>	RUR Depreciation and amortisation <b>3 m. 2011</b>	RUR Net result <b>3 m. 2011</b>
Agricultural companies				
- Voronezh region	2,781	2,028	7,102	(36,876)
- Kursk region	69,380	7,698	7,549	(35,737)
- Lipetsk region	42,214	4,886	8,513	(41,534)
- Tambov region	7,804	2,315	4,919	(32,277)
Elevators	3,239	8,976	31,131	(16,070)
Management company (Moscow)	1,780	5,328	2,753	(92,022)
<b>Total</b>	<b>127,198</b>	<b>31,231</b>	<b>61,965</b>	<b>(254,517)</b>
Central administrative costs				(31,290)
Other income and expenses				(32,654)
Financial result, net				(134,891)
<b>Loss before income tax</b>				<b>(453,352)</b>

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

<i>In thousands of</i>	USD*	USD*	USD*	USD*
	Revenue from external sales	Inter- segment revenue	Depreciation and amortisation	Net result
	12 m. 2012	12 m. 2012	12 m. 2012	12 m. 2012
Agricultural companies				
- Voronezh region	7,868	185	808	(920)
- Kursk region	6,440	198	822	(512)
- Lipetsk region	6,648	221	918	(1,333)
- Tambov region	1,778	146	817	(548)
Elevators	46	1,862	583	(304)
Management company (Moscow)	-	176	74	(3,281)
<b>Total</b>	<b>22,780</b>	<b>2,788</b>	<b>4,022</b>	<b>(6,898)</b>
Central administrative costs				(1,259)
Other income and expenses				138
Financial result, net				2,708
<b>Loss before income tax</b>				<b>(5,311)</b>

<i>In thousands of</i>	USD*	USD*	USD*	USD*
	Revenue from external sales	Inter- segment revenue	Depreciation and amortisation	Net result
	3 m. 2011	3 m. 2011	3 m. 2011	3 m. 2011
Agricultural companies				
- Voronezh region	95	69	243	(1,257)
- Kursk region	2,366	262	257	(1,219)
- Lipetsk region	1,439	167	290	(1,416)
- Tambov region	266	79	168	(1,101)
Elevators	110	306	1,061	(548)
Management company (Moscow)	61	182	94	(3,138)
<b>Total</b>	<b>4,337</b>	<b>1,065</b>	<b>2,113</b>	<b>(8,679)</b>
Central administrative costs				(1,067)
Other income and expenses				(1,113)
Financial result, net				(4,599)
<b>Loss before income tax</b>				<b>(15,458)</b>

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

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

**(b) Segment assets**

<i>In thousands of</i>	RUR 31-Mar-12	RUR 31-Dec-11	USD* 31-Mar-12	USD* 31-Dec-11
Agricultural companies				
- Voronezh region	1,664,463	1,825,922	56,753	62,258
- Kursk region	2,179,466	2,241,161	74,313	76,417
- Lipetsk region	2,072,759	2,123,407	70,675	72,402
- Tambov region	1,368,210	1,229,073	46,652	41,908
Elevators	1,652,292	1,670,075	56,338	56,944
Management company (Moscow)	528,454	571,647	18,019	19,491
<b>Total segment assets</b>	<b>9,465,644</b>	<b>9,661,286</b>	<b>322,750</b>	<b>329,420</b>
Corporate assets	592,105	491,866	20,190	16,771
<b>Consolidated total assets</b>	<b>10,057,749</b>	<b>10,153,152</b>	<b>342,940</b>	<b>346,191</b>

**(c) Revenues from major products**

The Group's revenues from its major products were as follows:

<i>In thousands of</i>	RUR 3 m. 2012	RUR 3 m. 2011	USD* 3 m. 2012	USD* 3 m. 2011
Wheat	303,155	78,975	10,336	2,692
Sunflowers	149,607	-	5,101	-
Corn	97,481	3,570	3,324	122
Soya	50,179	7,506	1,711	256
Spring barley	28,708	24,574	979	838
Spring rape seed	26,625	-	908	-
Milk and meat	9,291	7,165	317	244
Waste grains	798	257	27	10
Other goods and services	2,250	5,151	77	175
	<b>668,094</b>	<b>127,198</b>	<b>22,780</b>	<b>4,337</b>

**(d) Geographical information**

The Group's business operations are concluded in the Russian Federation. The Group has a head office in Jersey, UK; however the head office owns no non-current assets and generates only financial income and expenses, and incurs administration costs and director salaries expenses. All non-current assets are located in Russia and all of the Group's operating activities are performed in Russia.

**4 Revenue and gains**

<i>In thousands of</i>	RUR 3 m. 2012	RUR 3 m. 2011	USD* 3 m. 2012	USD* 3 m. 2011
Revenue from sales of crop production	656,553	114,882	22,386	3,917
Revenue from sales of milk and meat	9,291	7,165	317	244
Revenue from sales of other goods and services	2,250	5,151	77	176
Gain on revaluation of biological assets	(311)	2,677	(11)	91
Change in net realisable value of agricultural produce after harvest	14,211	(98,441)	485	(3,357)
	<b>681,994</b>	<b>31,434</b>	<b>23,254</b>	<b>1,071</b>

\* The USD equivalent figures are provided for information purposes only and do not form part of the interim consolidated financial statements – refer to note 2 (d).

## 5 Cost of sales

<i>In thousands of</i>	RUR 3m. 2012	RUR 3m. 2011	USD* 3m. 2012	USD* 3m. 2011
Materials	339,582	61,077	11,579	2,082
Depreciation and amortisation charge	96,207	30,320	3,280	1,034
Salary and social taxes	48,167	29,369	1,642	1,001
Third party crop handling services	27,718	4,272	945	146
Operating leasing	12,277	3,084	419	105
Taxes	11,442	3,481	390	119
Other expenses	25,252	6,886	861	235
Effect of previous revaluations	172,426	25,382	5,879	865
	<b>733,071</b>	<b>163,871</b>	<b>24,995</b>	<b>5,587</b>

## 6 Investment property

During first quarter 2012 the Group conducted several lease agreements on its land in Samara region. The Group does not use the land plots in Samara in its current agricultural activity and intends to earn rentals instead. The Group classifies the land as investment property and measures it applying cost model therefore the transfer from owner-occupied property to investment property did not influence profit and loss for the period.

## 7 Repurchase and repayment of debt securities

In 2010, the Group issued Bonds with a nominal amount of SEK 750,000,000. The Bonds bear an interest coupon of 10%, payable annually on the anniversary date (1 July). The Bonds are due to be redeemed in 2014 and are listed on the Nasdaq OMX Stockholm exchange. As at 31 March 2012, the Group is in compliance with all covenants stipulated in the bond agreement.

In first quarter 2012 the Group sold SEK 40.0 million of its bonds that were purchased during the first half of 2011. The Group received a total of RUR 183,099 thousand (USD\* 6,243 thousand) from the sale.

## 8 Financial income and expenses

<i>In thousands of</i>	RUR 3 m. 2012	RUR 3 m. 2011	USD* 3 m. 2012	USD* 3 m. 2011
<b>Financial income</b>				
Interest income on deposits	6,219	9,185	212	313
Gain on foreign exchange differences	162,456	-	5,539	-
	<b>168,675</b>	<b>9,185</b>	<b>5,751</b>	<b>313</b>
<b>Financial expenses</b>				
Interest expense	(129)	(123)	(4)	(4)
Bond interest	(86,156)	(88,636)	(2,937)	(3,022)
Loss from repurchase of bonds	(2,983)	-	(102)	-
Loss on foreign exchange differences	-	(55,317)	-	(1,886)
	<b>(89,268)</b>	<b>(144,076)</b>	<b>(3,043)</b>	<b>(4,912)</b>
<b>Net financial gain / (expense)</b>	<b>79,407</b>	<b>(134,891)</b>	<b>2,708</b>	<b>(4,599)</b>

## 9 Dividends

During the three months period ended 31 March 2012 no dividends were paid or declared.

\* The USD equivalent figures are provided for information purposes only and do not form part of the condensed consolidated financial statements – refer to note 2 (d).

## 10 Loss per share

*The amounts are indicated in*

	RUR <b>3 m. 2012</b>	RUR <b>3 m. 2011</b>	USD* <b>3 m. 2012</b>	USD* <b>3 m. 2011</b>
Loss for the period	(186,451,000)	(448,119,000)	(6,357,397)	(15,279,458)
Weighted average number of ordinary shares	124,601,667	124,601,667	124,601,667	124,601,667
Basic loss per share (RUR/share, USD*/share)	(1.50)	(3.60)	(0.05)	(0.12)

The effect of the Company's potentially dilutive securities is anti-dilutive for the three months period ended 31 March 2012. Accordingly, the diluted loss per share is the same as the basic loss per share for the period ended 31 March 2012.

## 11 Contingencies and commitments

*In thousands of*

	RUR <b>3 m. 2012</b>	USD* <b>3 m. 2012</b>
Commitments for acquisition of property, plants and equipment	216,718	7,389
Commitments for acquisition of materials	61,321	2,091
Commitments for lease agreements	29,573	1,008
	<b>307,612</b>	<b>10,488</b>

## 12 Subsequent events

No significant subsequent events have occurred.

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# Terms & Definitions



In 2011 Black Earth Farming harvested over 230,000 hectares, effectively making it one of the world's largest farming companies by cropped area. The Company's main crops are wheat, barley, sunflower and rape seeds constituting over 90% of total production volumes.

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 2012

\_\_\_\_\_  
Per Brilioth, Chairman of the Board

\_\_\_\_\_  
Sture Gustavsson, Executive Director

\_\_\_\_\_  
Alex Gersh, Non-executive Director

\_\_\_\_\_  
Henrik Persson, Non-executive Director

\_\_\_\_\_  
Poul Schroeder, Non-executive Director

\_\_\_\_\_  
Magnus Unger, Non-executive Director

\_\_\_\_\_  
Richard Warburton, Executive Director and CEO

## Financial Calendar

Annual General Meeting 2012	25 May 2012
Interim Report January – June 2012	24 August 2012
Interim Report January – September 2012	23 November 2012

For further information contact

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Group's website: [www.blackearthfarming.com](http://www.blackearthfarming.com)

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1 hectare (ha) = 2.47105 acres  
1 hectare (ha) = 10,000 square meters

1 metric ton = 2,204.622 pounds (lb)  
1 metric ton = 10 centners  
1 metric ton of wheat = 36.74 bushels of wheat  
1 metric ton of corn = 39.37 bushels of corn

**“AGRO-Invest Group”**

The Company’s subsidiary OOO Management Company AGRO-Invest and its subsidiaries, including OOO Management Company AGRO-Invest-Regions.

**“Black Earth”**

A soil type which contains a very high percentage of organic matter in the form of humus, rich in phosphorus.

**“Black Earth Farming” or the “Company”**

Black Earth Farming Limited, a company incorporated in Jersey, Channel Islands, under the 1991 Law with company registration number 89973, including its subsidiaries, unless otherwise is apparent by the surrounding context.

**“Black Earth Region”**

A territory located in parts of Russia, Ukraine and Kazakhstan endowed with Black Earth.

**“Cadastre”**

A Russian state register of real property including details of the area owned, the owners and the value of the land.

**“CIS”**

Commonwealth of Independent States which consists of the former republics of the Soviet Union, excluding the Baltic States. The following countries are included Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan (associated member), Ukraine and Uzbekistan.

**“Crop year”**

A crop year in Europe typically begins in late summer with the seeding of winter crops and ends approximately one and a half years later depending on when the crops is being harvested and sold.

**“Debt/Equity Ratio”**

Total amount of long term borrowings divided by total shareholders’ equity.

**“EBITDA”**

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

**“Earnings per Share”**

Net profit attributable to shareholders holding ordinary shares divided by the number of shares issued.

**“Equity/Assets Ratio”**

Total shareholders’ equity divided by total assets.

**“EU-27”**

The following EU membership countries: Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden the United Kingdom, Bulgaria and Romania.

**“Fallow land”**

Land which is not being cultivated.

**“FOB”**

Free On Board - an export pricing term where the seller covers all costs up to and including the loading of goods aboard a vessel, but not following freight/shipping costs.

**“Grains”**

Generic name for wheat, barley, oats, rye, rye-wheat, durra millet, corn maize and rice

**“Grain elevator”**

Building or complex of buildings for drying, cleaning, storage and shipment of grain.

**“Land in ownership”**

Land where the Company has obtained the, in the central Cadastre, registered rights of ownership to the land.

**“Land under control”**

Refers to all land under the Company’s control, including fully registered ownership, long term leased land and acquired cropping rights (Pais) in the process of being registered as ownership rights.

**“Oblast”**

An administrative region of Russia.

**“Oilseeds”**

A wide variety of seeds which are grown as a source of oils, e.g. cottonseed, sesame, rape seed, sunflower and soybean. After extraction of the oil the residue is a valuable source of protein, especially for animal feedstuffs.

**“OOO”**

“Closed joint stock company”, the Russian equivalence to a limited liability company.

**“Operating Margin”**

Operating income divided by net sales.

**“Pai”**

A share in jointly-owned land received by a farm worker (in the Company’s transactions often comprising approximately 2 to 17 hectares of undefined land).

**“Russian Export taxes”**

There are currently no export taxes for wheat or barley. For Sunflowers and Oil seed rape there is an export tax.

**“SDR”**

The Swedish depository receipts issued representing the Shares according to the general terms and conditions for depository receipts in Black Earth Farming.

**“VPC”**

VPC AB, the Swedish central securities depository and clearing house with address Regeringsgatan 65, Box 7822, SE-103 97, Stockholm, Sweden.

**“Öhman”**

E. Öhman J:or Fondkommission AB, company registration number 556206-8956, Box 7415, SE-103 91, Stockholm, Sweden.

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