



**BLACK  
EARTH  
FARMING LTD.**

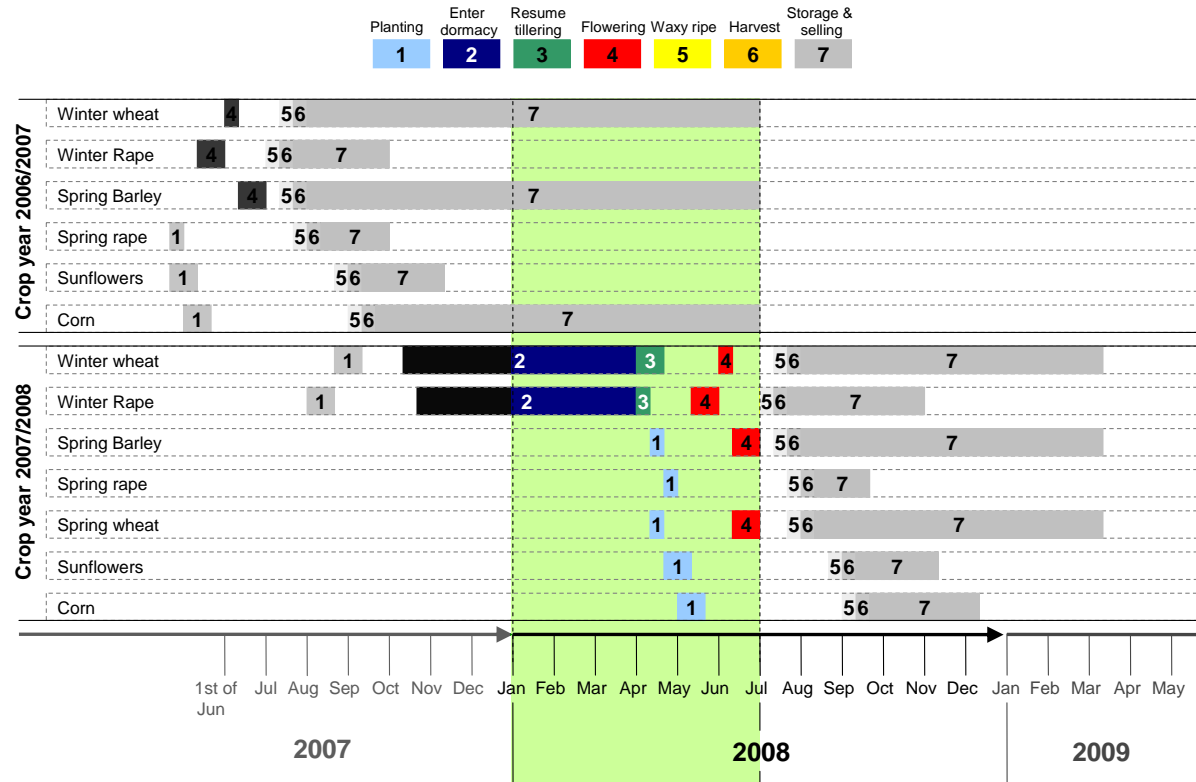
*Harvesting the potential in Russian farming*

**Q2 2008 Conf Call**

**25 August 2008**

# Introductory words from President

- As of the second quarter 2008 BEF has fully completed the second crop cycle since its inception and is already in the middle of its third and just started its fourth crop cycle by the seeding of winter rape seeds
- BEF is one of the largest agricultural companies in terms of planted area
- BEF keeps adding share value through continuous improvements in all aspects of its business



# Operational Performance 1

## Production expansion table (key production numbers)

### Planted area breakdown

(ha)	2006	2007	2008E
Winter wheat	1,290	16,805	48,763
Spring wheat	-	-	4,419
Barley	1,763	20,180	42,767
Winter rape	-	5,005	875
Spring rape	2,355	7,035	13,236
Sunflower	193	2,541	19,516
Corn	-	1,215	10,616
<i>Forage crops</i>	299	670	3,408
<b>Total planted area</b>	<b>5,900</b>	<b>53,451</b>	<b>143,600</b>

### Average Crop Yields

(ton/ha)	2006	2007	2008E
Winter wheat	2.0	3.3	4.4
Spring wheat	-	-	3.3
Barley	2.3	2.0	3.3
Winter rape	n/a	1.3	1.7
Spring rape	0.6	0.9	1.9
Sunflower	2.1	2.4	2.0
Corn	n/a	5.5	5.5

### Gross harvest

(ton)	2006	2007	2008E
Winter wheat	2,528	49,262	214,557
Spring wheat	0	0	14,583
Barley	4,020	42,477	141,131
Winter rape	0	0	1,488
Spring rape	1,366	12,859	25,148
Sunflower	0	3,815	39,032
Corn	400	1,311	58,388
<i>Forage crops</i>	687	2,659	67,745
<b>Total output</b>	<b>9,000</b>	<b>112,383</b>	<b>562,071</b>

### Elevator Capacity (owned)

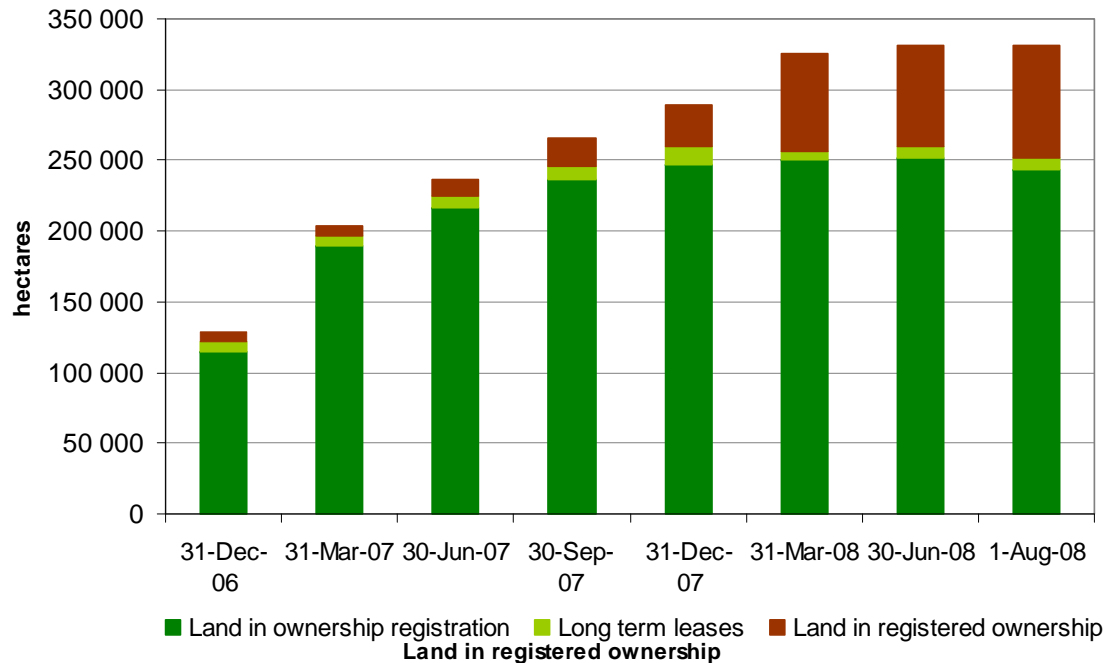
(tons)	2006	2007	2008E
Per harvest	-	-	60,000

- As communicated in the Q1 report a total of 146,831 hectares had then been seeded with a target of 148,267 to be seeded and harvested. Current target for area to be harvested in 2008 is 143,600 hectares. Late machinery supply led to some fields in the end not being planted and certain fields were written off after poor seed germination or high weed population, related to the large amount of first year fields. Write off of a certain field is made when expected revenue is less than the additional costs to complete the crop cycle, i.e. adding additional inputs and harvesting would have been unprofitable. 1-2 years when the majority of land will be in at least its second to third year, post-planting write offs will be minimal

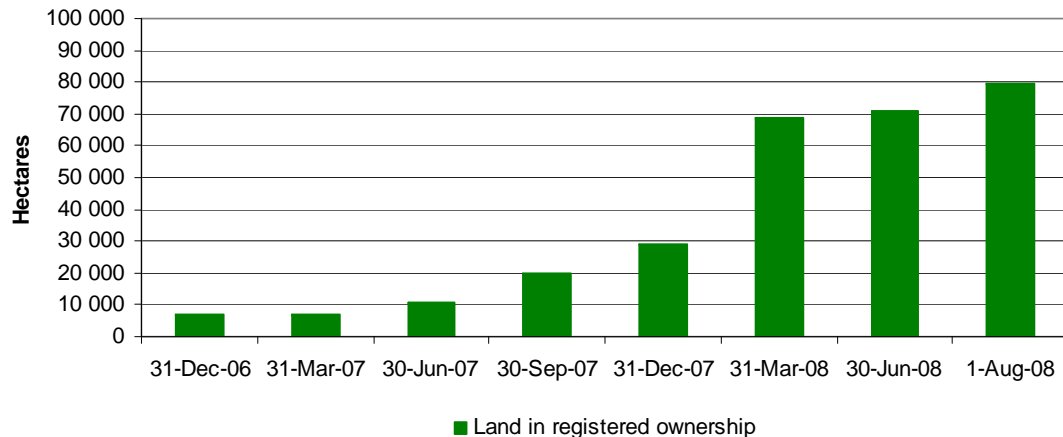
- As of 15 August slightly above 50% of the 2008 harvest had been finished, with 80% of winter wheat area finished, 75% of barley area as well as 100% of winter rape area harvested. So far yields, except for winter rape, are in line with expectation which means a significant improvement from 2006 and 2007.

- Our elevator is in full use storing wheat and barley, the rest of the stored grain are with third party providers

# Operational Performance 2



- Both total land under control and land in ownership has increased so far in 2008 – ownership registration proportionally faster, in line with the company’s current land strategy of Consolidation and obtaining full ownership, thereby further improving the quality of the asset base.



- In the Company’s pursuit of further consolidation it does not exclude divestment of some less beneficially located land assets as well as potential swaps of land with other external parties. Consequently it is possible that going forward inter quarterly figures could show a reduction in the total figure for land while the quality of the asset base has improved. However, the yearly targets of overall increase in land holdings stand firm.

# Financial Performance

## CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2008

*In thousand of*

	RUR 6m. 2008	RUR 6m. 2007	USD* 6m. 2008	USD* 6m. 2007
Revenue	299,583	14,159	12,771	604
Other revenue	458	117	20	5
Gain on revaluation of biological assets and agricultural produce	416,965	199,606	17,775	8,509
Total revenue	717,006	213,882	30,566	9,118
Cost of sales	(232,621)	(12,374)	(9,917)	(528)
Gross profit	484,385	201,508	20,649	8,590
Distribution expenses	(8,321)	(138)	(355)	(6)
General and administrative expenses	(344,029)	(141,510)	(14,666)	(6,033)
Taxes other than on income	(5,394)	(2,280)	(230)	(97)
Other expenses	(53,100)	(38,706)	(2,264)	(1,650)
Operating income	73,541	18,874	3,134	804
Financial income	333,091	33,765	14,200	1,439
Financial expenses	(143,396)	(66,100)	(6,113)	(2,818)
Profit/ (loss) before income tax	263,236	(13,461)	11,221	(575)
Income tax expense	(124,349)	(56,150)	(5,301)	(2,394)
<b>Profit / (loss) for the year</b>	<b>138,887</b>	<b>(69,611)</b>	<b>5,920</b>	<b>(2,969)</b>

*Amounts are indicated in:*

	RUR	RUR	USD*	USD*
Basic profit / (loss) per share (RUR/share)	1.12	(0.91)	0.05	(0.04)
Diluted profit / (loss) per share (RUR/share)	1.12	(0.91)	0.05	(0.04)

Gross Margin (excl. Gain on Revaluation)	Jan-Jun 2008	Jan-Jun 2007
	22.5%	13.3%

- Gross Margin in 6m 2008 (excl Gain on Revaluation) – 22.5%. Sales in 6m 2008 represent grain from 2007 harvest. 2008 harvest with expected profitability improvement has not impacted margin of sold crops yet. Improvement between 2007 and 2006 harvest noticeable.

- Gain on Revaluation of biological assets methodology:

area to be harvested

x estimated clean yields

x crop readiness percentage

x market prices as of June 30

- costs of production up to valuation  
= Gain on Revaluation

- Income tax mainly consists of Deferred Taxes related to current and prior period biological assets and warrants expense valuation methodologies.