

**Black Earth Farming Limited
and Subsidiaries**

Condensed Consolidated Interim Financial Information
as of and for the three-month period ended 31 March 2007

Black Earth Farming Limited
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as of and for the three-month period ended 31 March 2007

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

<i>In thousand of RUR</i>	<u>Note</u>	<u>Three months ended 31 March 2007</u>
Revenues	4	9 727
Cost of sales		<u>(10 134)</u>
Gross loss		(407)
Selling expenses		(75)
General and administrative expenses	5	(70 028)
Cost of bond issue	17	(48 253)
Taxes other than on income		(1 092)
Other expenses		(8 264)
Financial income	7	14 457
Financial expenses	7	<u>(926)</u>
Loss before income tax		(114 588)
Income tax credit	8	<u>2 664</u>
Net loss for the period		<u><u>(111 924)</u></u>

The condensed consolidated interim statement of income is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial information set out in the present document.

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS OF 31 MARCH 2007

<i>In thousand of RUR</i>	Note	31 March 2007	31 December 2006
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	9	1 144 556	775 386
Intangible assets	11	9 487	9 502
Financial assets		6 516	2 660
Other non-current assets	12	450 891	34 390
Deferred tax assets		7 214	4 542
		1 618 664	826 480
<i>Current assets</i>			
Inventories	13	250 718	143 064
Trade and other receivables	14	535 143	136 472
Current financial assets		1 222	21 177
Cash and cash equivalents	15	2 267 644	1 913 118
		3 054 727	2 213 831
Total assets		4 673 391	3 040 311
EQUITY AND LIABILITIES			
<i>Equity</i>			
	16		
Share capital		20 967	20 967
Share premium		3 210 780	3 210 780
Retained earnings		(333 106)	(221 182)
Total equity		2 898 641	3 010 565
LIABILITIES			
<i>Non-current liabilities</i>			
Bonds issued	17	1 685 327	
Deferred tax liabilities		125	127
<i>Current liabilities</i>			
Trade and other payables	18	89 298	29 619
Total liabilities		1 774 750	29 746
Total equity and liabilities		4 673 391	3 040 311

The condensed consolidated interim balance sheet is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial information set out in the present document.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

<i>In Thousand of RUR</i>	<u>Three months ended 31 March 2007</u>
OPERATING ACTIVITIES	
Net loss for the year	(111 924)
<i>Adjustments for:</i>	
Depreciation and amortization	6 981
Loss (gain) on foreign exchange differences	926
Interest income	(14 457)
Income tax credit	<u>(2 664)</u>
Operating loss before changes in working capital	(121 138)
Decrease (increase) in inventories	(107 654)
Decrease (increase) in trade and other receivables	(382 572)
Increase (decrease) in trade payables and other short-term liabilities	59 677
Increase in other assets	<u>(15 247)</u>
Cash flows used by operating activities before income tax and interest	(566 934)
Interest	14 457
Income tax	<u>2 664</u>
Cash flows utilised by operating activities	<u>(549 813)</u>
INVESTING ACTIVITIES	
Disposal (acquisition) of property, plant and equipment	(784 335)
Disposal (acquisition) of intangible assets	17
Transfers of property, plant and equipment to other assets	<u>4 256</u>
Cash flows utilised by investing activities	<u>(780 062)</u>
FINANCING ACTIVITIES	
Proceeds from the bond issue, net	<u>1 685 327</u>
Cash flows from financing activities	<u>1 685 327</u>
Net increase in cash and cash equivalents	355 452
Cash and cash equivalents at beginning of period	1 913 118
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(926)</u>
Cash and cash equivalents at end of period	<u><u>2 267 644</u></u>

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 interim financial information set out in the present document.

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

<i>In Thousand of RUR</i>	Share capital	Share premium	Retained earnings	Total
Balance at 31 December 2005	3 323	192 896	(15 730)	180 489
Contribution by shareholders	17 644	3 017 884	-	3 035 528
Net loss for the year and total recognized income and expenses	-	-	(205 452)	(205 452)
Balance at 31 December 2006	<u>20 967</u>	<u>3 210 780</u>	<u>(221 182)</u>	<u>3 010 565</u>
Contribution by shareholders	-	-	-	-
Net loss for the year and total recognized income and expenses	-	-	(111 924)	(111 924)
Balance at 31 March 2007	<u>20 967</u>	<u>3 210 780</u>	<u>(333 106)</u>	<u>2 898 641</u>

The condensed consolidated interim 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 in the present document.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

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 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.

The Group is involved in the acquisition and subsequent management of agricultural assets in Russia. The Company's activities include farming, production of crops and dairy produce and distribution of products in the Russian Federation.

The Group commenced operations in 2005. The majority of the subsidiaries were established in 2006. Subsidiaries established in 2007 have limited activities as at 31 March 2007.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The condensed consolidated interim financial information for the three-month period ended 31 March 2007 reflects management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial information as of and for the three-month period ended 31 March 2007 has been prepared on a condensed basis, and therefore should be read in conjunction with the consolidated financial statements as of 31 December 2006 and for the period from 01 January to 31 December 2006, as this financial information provides an update of previously reported financial information.

All accounting policies described in the consolidated financial statements as of 31 December 2006 and for the period from 01 January to 31 December 2006 have been consistently applied in preparing this condensed consolidated interim financial information.

(b) Basis of measurement

The condensed consolidated interim financial information as of and for the three-month period ended 31 March 2007 is prepared on the historical cost basis, except that financial investments classified as available-for-sale are stated at fair value.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble ("RUR"), which is the Company's functional currency and the currency in which these condensed consolidated interim financial information are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Use of estimates and judgments

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare this condensed consolidated interim financial information in conformity with IFRSs. Actual results could differ from those estimates.

3 Changes in the Group structure

During the period from 01 January to 31 March 2007, the Company established a number of new subsidiaries in the region of Voronezh.

4 Revenues

<i>In Thousand of RUR</i>	<u>Three months ended 31 March 2007</u>
Revenue from sales of crop	5 413
Revenue from sales of milk and meat	4 299
Other revenues	<u>15</u>
	<u><u>9 727</u></u>

5 General and administrative expenses

<i>In Thousand of RUR</i>	<u>Three months ended 31 March 2007</u>
Personnel expenses, salaries and salary taxes	28 698
Office and administration expenses and professional services	39 255
Depreciation and amortization	<u>2 075</u>
	<u><u>70 028</u></u>

6 Warrants granted to personnel

In August 2005, the Company established an instrument creating warrants to subscribe for 2 059 000 ordinary shares. 1 200 000 have been granted to senior management in 2005. The subscription price per warrant varies from USD 1.15 to USD 2.

The warrants vest as follows:

11 August 2006	300,000
11 August 2007	300,000
11 August 2008	300,000
11 August 2009	300,000

The warrants expire on 31 December 2010.

7 Financial income and expenses

<i>In Thousand of RUR</i>	<u>Three months ended 31 March 2007</u>
<i>Financial income</i>	
Interest income on USD denominated overnight deposits (appx. at 4% per annum)	13 999
Interest income on RUR denominated overnight deposits (appx. at 3% per annum)	<u>458</u>
	<u>14 457</u>
 <i>Financial expenses</i>	
Foreign exchange loss	<u>(926)</u>
	<u><u>(13 531)</u></u>

8 Income tax and income tax credit

The applicable corporate profits tax rate for the Company is 0% (2006: 0%).

Companies domiciled in Russia that do not have a status of agricultural producer are subject to a 24% (2006: 24%) corporate profits tax. Companies domiciled in Russia that do have a status of agricultural producer are exempt from corporate profits tax on profit realized from sale of agricultural produce.

9 Property, plant and equipment

In Thousand of RUR

	Land	Buildings	Machinery, equipment, vehicles	Fixtures and fittings	Construction in progress	Total
<i>Cost</i>						
At 31 December 2006	434 467	34 701	301 110	7 947	13 512	791 737
Additions	175 612	32 327	146 536	3 978	21 956	380 409
Transfers to other assets	-	-	-	(4 256)	-	(4 256)
At 31 March 2007	610 079	67 028	447 646	7 669	35 468	1 167 890
<i>Accumulated depreciation</i>						
At 31 December 2006	-	(23)	(15 922)	(406)	-	(16 351)
At 31 March 2006	-	(647)	(21 769)	(918)	-	(23 334)
<i>Net book value</i>						
At 31 December 2006	434 467	34 678	285 188	7 541	13 512	775 386
At 31 March 2007	610 079	66 381	425 877	6 751	35 468	1 144 556

10 Land

The Group leases agricultural land under a number of long-term lease agreements.

As of 31 March 2007 the Group had about 200 thousand hectares of land under its management. On 31 March 2007, approximately 190 thousand hectares were in the process of registration with the relevant authorities. Until the Group completes the registration process the Group will not be able to fully exercise its rights of ownership.

11 Intangible assets

<i>In thousand of RUR</i>	Land use right	Other	Total
<i>Cost</i>			
At 31 December 2006	9 392	125	9 517
Additions (disposals, writes off)	-	(17)	
At 31 March 2007	<u>9 392</u>	<u>108</u>	<u>9500</u>
 <i>Accumulated amortization</i>			
At 31 December 2006	-	(15)	(15)
At 31 March 2007	-	(13)	(13)
 <i>Net book value</i>			
At 31 December 2006	<u>9 392</u>	<u>110</u>	<u>9 502</u>
At 31 March 2007	<u>9 392</u>	<u>95</u>	<u>9 487</u>

12 Other non-current assets

<i>In Thousand of RUR</i>	<u>31 March 2007</u>	<u>31 December 2006</u>
Dairy livestock	24 406	20 845
Prepayments for property, plant and equipment	414 568	10 642
Investment in growing crops - 2008	11 609	2 790
Other non-current assets	<u>308</u>	<u>113</u>
	<u>450 891</u>	<u>34 390</u>

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13 Inventories

<i>In Thousand of RUR</i>	<u>31 March 2007</u>	<u>31 December 2006</u>
Raw materials and consumables	107 854	24 974
Work in progress, investment in growing crops	136 960	106 385
Finished goods and goods available for sale	5 904	10 635
Other inventories	-	1 070
	<u>250 718</u>	<u>143 064</u>

14 Trade and other receivables

<i>In Thousand of RUR</i>	<u>31 March 2007</u>	<u>31 December 2006</u>
VAT receivables	138 825	84 265
Trade receivables	178 655	17 871
Advances paid for goods and services	85 939	9 669
Other prepayments and receivables	131 724	24 667
	<u>535 143</u>	<u>136 472</u>

15 Cash and cash equivalents

<i>In Thousand of RUR</i>	<u>31 March 2007</u>	<u>31 December 2006</u>
Call deposits, overnight USD denominated at approximately 4% per annum	1 983 790	1 319 957
Call deposits, overnight RUR denominated at approximately 3% per annum	146 800	-
Bank balances, USD denominated accounts	5 879	530 001
Bank balances, RUR denominated accounts	130 886	60 816
Other cash	289	2 344
	<u>2 267 644</u>	<u>1 913 118</u>

16 Equity

(a) Share capital

The authorized share capital of the Company on 31 March 2007 comprised of 100 000 000 shares with a par value of USD 0.01 per share. All ordinary shares rank equally with regard to the Group's residual assets.

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	Number of shares
Shares issued at incorporation	4 666 667
Shares issued in August 2005	7 000 000
Total shares issued at 31 December 2005	11 666 667
Shares issued in March 2006	30 000 000
Shares issued in November 2006	35 000 000
Total shares issued at 31 December 2006	76 666 667
Shares issued within the three-month period from 01 January 2007 to 31 March 2007	-
Total shares issued at 31 March 2007	76 666 667

(b) Share premium

In 2005, the Company issued 11 666 667 ordinary shares with a par value of USD 0.01 per share. In 2006, the Company issued a further 65 000 000 ordinary shares with a par value of USD 0.01 per share. The shares were subscribed with a premium that amounted for RUR 3 210 780 thousand as at 31 March 2007.

17 Bonds issued

On 15 March 2007, the Group issued 5 500 bonds with the par value of EUR 10 thousand each. The bonds mature in May 2011. The bonds will bear no interest for the first year and fixed interest of 13% per annum from 15 May 2008 to date of maturity. The terms of the bonds will require the Group to maintain a debt to equity ratio of 75% or lower, and not have any debt that would rank preferent in right of payment to the bonds in excess of USD 30 million, subject to the prescribed debt to equity ratio.

<i>In Thousand of RUR</i>	31 March 2007	31 December 2006
Nominal value	1 904 324	-
Discount on issue	(218 997)	-
	1 685 327	-

Expenses related to the bond issue amounted to RUR 48 253 thousand.

18 Trade and other payables

<i>In Thousand of RUR</i>	31 March 2007	31 December 2006
Trade payables	64 203	17 339
Profit and other taxes payable	6 758	4 339
Payable to personnel	5 899	2 102
Other payables	12 438	5 839
	89 298	29 619

19 Financial instruments

(a) Foreign currency risk

The Group incurs foreign currency risk on financial assets and liabilities denominated in a currency other than the functional currencies of the respective Group entities. Currency giving rise to this risk are Euro and USD. Management does not hedge the Group's exposure to foreign currency risk.

(b) Fair values

Management believes that at the balance sheet date the fair values of its financial assets and liabilities approximate their carrying amounts. In assessing fair values, management used the following major assumption: all the Group's receivables and payables have a maturity of less than six months; consequently, their fair values are not materially different from their carrying amounts.

20 Contingencies

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for all tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed consolidated interim financial information, if the authorities were successful in enforcing their interpretations, could be significant.

21 Significant subsidiaries

	Country of incorporation	Ownership and voting interest	
		31.03.2007	31.12.2006
Planalto Enterprises Limited	Cyprus	100%	100%
OOO Managing Company Agro-Invest (Kursk), limited liability company	Russia	100%	100%
OOO Managing Company Agro-Invest (Moscow), limited liability company, limited liability company	Russia	100%	100%
ZAO Dmitriev Agro-Invest, closed joint stock company	Russia	100%	100%
ZAO Gorshechnoje Agro-Invest, joint stock company	Russia	100%	100%
OOO Sosnovka Agro-Invest, limited liability company	Russia	100%	100%
OOO Stanovoje Agro-Invest, limited liability company	Russia	100%	100%
ZAO Kastornoje Agro-Invest, closed joint stock company	Russia	100%	100%
ZAO Agro-Invest Kshen, closed joint stock company	Russia	100%	100%
ZAO Kursk Agro-Invest, closed joint stock company	Russia	100%	100%
OOO Bezenchuk Agro-Invest, limited liability company	Russia	100%	100%
OOO Verhnaja Hava Agro-Invest, limited liability company	Russia	100%	100%
OOO OstrogorzhsK Agro-Invest, limited liability company	Russia	100%	100%
OOO Podgornoje Agro-Invest, limited liability company	Russia	100%	100%
OOO Rus, limited liability company	Russia	100%	100%
