Black Earth Farming Limited

Condensed Consolidated Interim Financial Report
for the period ended 30 September 2007

Important events for the first nine months of 2007

- Total revenue for the first nine months of 2007 increased significantly in comparison with the same period in 2006, and amounted to RUR 391,242 thousand or USD* 15,682 thousand. More than half of the revenue (56 percent of the total amount) comprised gains on revaluation of the Company's biological assets and agricultural produce, that is revaluation of the crops that will be harvested in 2008, to the amount of RUR 10,115 thousand or USD* 405 thousand and revaluation of the harvested but not sold agricultural produce, to the amount of RUR 208,730 thousand or USD* 8,367 thousand. The revaluation was done in accordance with the requirements of IAS 41.

- The amount of revenue from sales of produced crops amounted to RUR 153,728 thousand or USD* 6,161 thousand for the period, in comparison with RUR 2,708 thousand or USD* 109 thousand for the same period in 2006. The main explanation for the considerable difference is the large increase in amount of harvested hectares and consequently size of harvest this year compared to last year. Sales of milk and meat amounted to RUR 17,902 thousand or USD* 718 thousand in comparison with RUR 1,500 thousand or USD* 60 thousand during the first nine months of 2006. During the three quarters of 2007 sales of other goods and services amounted to RUR 767 thousand or USD* 31 thousand while in the similar period of 2006 the amount of other goods and services comprised RUR 1,558 thousand or USD* 62 thousand.

- Cost of sales for the reporting period amounted to RUR 164,023 thousand or USD* 6,574 thousand in contrast to last year's figure of RUR 4,372 thousand or USD* 175 thousand. The largest groups of expenses were the following: 1) Material expenses (57 percent of the total amount of cost of sales); 2) Depreciation and amortization charge (12 percent); 3) Salary and social taxes (10 percent); 4) Other direct production costs (21 percent).

- Result before tax for the period constituted a loss before tax of RUR 85,660 thousand or USD* 3,433 thousand. As a result no dividends were either declared or paid during the period in question. The largest income statement items that significantly affected the result for the period were general and administrative expenses that amounted to RUR 197,979 thousand or USD* 7,935 thousand, keeping in mind that the current organization has been built up to be able to realize and manage the group's significant expansion plans. The general and administrative expenses were made up of the following components: 1) Salaries and social taxes which constituted up to 52 percent of the amount; 2) Office and administrative expense – 43 percent; 3) Depreciation and amortization charge – 5 percent. Net loss for the period was RUR 145,472 thousand or USD* 5,830 thousand. Current tax expense for the nine months of 2007 amounted to RUR 7,289 thousand or USD* 292 thousand in contrast to only RUR 600 thousand or USD* 24 thousand for the similar period of prior year. Deferred tax expense for the first nine months of 2007 was RUR 52,523 thousand or USD* 2,105 thousand in comparison with RUR 821 thousand or USD* 33 thousand for the nine months of 2006. Certain expenses concerned with land acquisition are not deductible for tax purposes in the current period, which resulted in the increase of the deferred tax expenses for the period in question. Tax effect on revaluation of biological assets and agricultural produce also affected the amount of deferred tax expense.

- The period's cash inflow from financing activities amounted to RUR 2,734,811 thousand or USD* 109,615 thousand (the Company issued an additional 9.3 million ordinary shares – which represented 38 percent of the amount and a long-term bond – 62 percent). Net cash outflow from investing activities was RUR 1,697,614 thousand or USD* 68,043 thousand. Cash outflow from operating activities was equal to RUR 889,132 thousand or USD* 35,639 thousand.

- As of 30 September 2007 the Company controlled over 266,000 hectares of land in the Black-Earth Region of Russia. The Company plans to increase the number of hectares and have obtained control over 300,000 hectares by the end of 2007 or the first quarter 2008.

Important events for the third quarter of 2007

- Total revenue for the third quarter of 2007 was RUR 152,807 thousand or USD* 6,124 thousand compared to RUR 4,208 thousand or USD* 169 thousand for the same period in 2006. The main explanation for the considerable difference is the large increase in amount of harvested hectares and consequently size of harvest this year compared to last year. The sharp increase in the third quarter 2007 in comparison with the half year result can be explained by the seasonality of the production cycle whereby the revenue is usually generated during the second half of the year or even at the beginning of the upcoming year. The Company has sold about 20 percent of its inventory as of 30 September 2007.

- Result before tax for the period constituted a loss before tax of RUR 72,199 thousand or USD* 2,894 thousand.

- Net loss for the third quarter of 2007 amounted to RUR 75,861 thousand or USD* 3,040 thousand. The result for the period was significantly affected by general and administrative expenses associated with the Head Office in Moscow. The management of the Company plans to reach the break even point during the next financial year or in 2009.

The Group

The Black Earth Farming Group consists of the Jersey parent Company: Black Earth Farming Limited, the wholly owned Cypriot subsidiary: Planalto Enterprises Limited, and a number of wholly owned Russian subsidiaries under the joint name of Agro-Invest. As of 30 September 2007 the Group had 1,225 full time employees.

Background

Black Earth Farming Ltd is a leading farming and land owning company operating in Russia. It acquires, owns and cultivates agricultural land assets primarily in the fertile Black Earth Region in Southwest Russia. Black Earth Farming was among the first foreign financed companies to make substantial investments in Russian agricultural land assets, and because of its early establishment, Black Earth Farming has now gained a strong market position in the Kursk, Tambov, Lipetsk, Samara, Voronezh and Ryazan areas. On 30 September 2007 the Company controlled over 266,000 hectares of what perhaps is the world's most fertile soil and this year's harvest comprised approximately 50,000 hectares.

Founded in 2005 by Michel Orlov, the company has been developed by the listed investment companies Vostok Nafta Investment Ltd and Investment AB Kinnevik, which together still are the principal shareholders in the company.

Executive summary of production activity

During the third quarter the company has continued to gain control of more land and on 30 September the Company controlled an impressive 266,400 hectares of first class Black Earth soil. The Company is on its way to becoming one of the largest global players in terms of land holdings. According to Eurostat, in 2005 only about 4 percent of the EU-27 countries' farms had holdings of 100 hectares or more, 100 hectares being the largest cut-off measurement size in the statistics. More than half of all farms in EU-27 have less than 5 hectares, whereas farms with an area of 20 hectares and above account for 20 percent of all farms. According to USDA the average size of a US farm in 2006 was about 180 hectares. Furthermore only about 4 percent of total farms in the US had holdings equal to or above 800 hectares, 800 hectares being the largest cut-off measurement size in the statistics. There are some consolidation trends in the US and European agricultural sector, but it is foremost among the smallest size classes where the average size increases. With Black Earth Farming's size comes large opportunities for economies of scale, and the Company also has enough stand alone farming capacity to make it economically viable to develop the business horizontally and vertically and catch all of the added value from further processing and diversification through its own operations and facilities.

In the third quarter the Company entered into a strategically important contract regarding acquisition of land and farming facilities from a group of local landowners in the Central Black Earth Region. This will give Black Earth Farming control of an additional 25,000 hectares of land. Through the acquisition, which is expected to be finalized in February 2008, Black Earth Farming will gain direct holding of 21,000 hectares, 2,500 hectares will be leased over 35 years and 1,100 hectares will be leased over 25 years. The acquired land is presently cultivated and is considered to be in good condition. The acquisition also includes administrative buildings, workshops, barns, tractors, agricultural implements, trucks, planters and a 60,000 ton capacity elevator.

In regards to further expansion in Russia, the group has carried out significant preparatory works for establishing its own network of elevators in connection to its existing production clusters.

The negative effects on crop yields from the hot and dry spring have been more than compensated for by the price increase which has overshot all previous expectations, however, one cannot rely on good weather or price hikes to reach profitability and Black Earth Farming will continue to focus on the one factor it can control in order to be long term profitable - costs. In terms of crop production the strategy is not to be the company with the highest yields per hectare but to have the highest profitability per hectare and ton of agricultural produce, i.e. to have the optimal level of expenses in relation to attained yield.

Agricultural market prices

The world- and Russian domestic market price for grains and especially wheat has surged compared to last year, making it one of this year's best commodities in terms of price development.

Some of the factors behind the sharp rise in prices for wheat 2006-2007:

- World grain stocks are constantly decreasing. The forecast for the end of the 2007/2008 season is 107 million tonnes: the lowest level since 1975. (In 2006/2007 the figure was 122.7 million tonnes).
- World grain consumption is increasing.
- India and China moved from exporting to being the largest importers of grain. The Middle East, Africa and Brazil also increase grain imports.
- Pakistan has banned the export of grain; Ukraine (the principal supplier of barley in the Black Sea region) has not been exporting grain all year and will resume exports in December 2007.
- The constant lowering of harvest forecasts in Australia and Argentina.
- The US uses more corn for the production of bio-fuels, and uses grains for animal feed.
- Domestic consumption rising in Russia (National project has released a large number of credits to meat producers).
- Russian domestic prices' increased correlation with world prices.

CONSOLIDATED INTERIM STATEMENT OF INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007

In thousand of	Notes	RUR 1 Jan - 30 Sep 2007	RUR 1 Jan - 30 Sep 2006	USD* 1 Jan - 30 Sep 2007	USD* 1 Jan - 30 Sep 2006
Revenues		171,630	4,208	6,879	169
Other revenue		767	1,558	31	62
Gain on revaluation of biological assets and agricultural produce	4	218,845	-	8,772	-
Total revenue		391,242	5,766	15,682	231
Cost of sales		(164,023)	(4,372)	(6,574)	(175)
Gross profit		227,219	1,394	9,108	56
General and administrative expenses	5	(197,979)	(67,660)	(7,935)	(2,712)
Selling expenses		(29,779)	-	(1,194)	-
Taxes other than on income tax		(5,481)	(683)	(220)	(27)
Other expenses		(34,120)	(55)	(1,368)	(2)
Operating loss		(40,104)	(67,004)	(1,609)	(2,685)
Net financial items	6	(45,520)	21,889	(1,825)	877
Loss after financial items		(85,660)	(45,115)	(3,433)	(1,808)
Income tax expense	7	(59,812)	(1,421)	(2,397)	(57)
Net loss for the year		**(145,472)**	**(46,536)**	**(5,830)**	**(1,865)**

The condensed consolidated interim statement of income is to be read in conjunction with the selected explanatory notes to and forming part of the condensed consolidated interim financial information set out on pages 9-16.

The consolidated interim condensed financial information as at and for the nine-month period ended 30 September 2007 was approved by the Board of Directors on 14 November 2007 and signed on its behalf by:

Michel Orloff

Member of the Board of Directors

Alexander Polischuk

Chief Financial Officer

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CONSOLIDATED STATEMENT OF INCOME FOR THE THIRD QUARTER OF 2007

In thousand of	Notes	RUR 1 Jul - 30 Sep 2007	RUR 1 Jul - 30 Sep 2006	USD* 1 Jul - 30 Sep 2007	USD* 1 Jul - 30 Sep 2006
Revenues		157,471	4,208	6,311	169
Other revenue		650	1,033	26	41
Gain on revaluation of biological assets and agricultural produce		19,239	-	772	-
Total revenue		177,360	5,241	7,109	210
Cost of sales		(151,649)	(4,372)	(6,078)	(175)
Gross profit		25,711	869	1,031	35
General and administrative expenses		(56,469)	(25,488)	(2,263)	(1,022)
Selling expenses		(29,641)	-	(1,188)	-
Taxes other than on income tax		(3,201)	(628)	(129)	(25)
Other expenses		4,586	4,088	183	164
Operating loss		(59,014)	(21,159)	(2,336)	(848)
Net financial items		(13,185)	33,544	(529)	1,344
Loss after financial items		(72,199)	12,385	(2,895)	496
Income tax expense		(3,662)	(4,983)	(146)	(200)
Net loss for the quarter		**(75,861)**	**7,402**	**(3,041)**	**296**

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CONSOLIDATED INTERIM BALANCE SHEET

In thousand of	Notes	RUR 30 Sep 2007	RUR 1 Jan 2007	USD* 30 Sep 2007	USD* 1 Jan 2007
ASSETS					
Non-current assets					
Property, plant and equipment	8	2,320,269	775,386	92,998	31,078
Intangible assets		11,200	9,502	449	381
Financial assets		5,888	2,660	236	107
Other non-current assets	10	181,209	34,390	7,263	1,378
Deferred tax assets		9,016	4,542	361	182
		2,527,582	826,480	101,308	33,126
Current assets					
Inventories	11	764,940	143,064	30,660	5,734
Trade and other receivables	12	446,732	136,472	17,906	5,470
Current financial assets		1,947	21,177	78	849
Cash and cash equivalents	13	2,101,838	1,913,118	84,244	76,680
		3,315,457	2,213,831	132,888	88,733
Total assets		**5,843,039**	**3,040,311**	**234,195**	**121,859**
EQUITY AND LIABILITIES					
Equity	14				
Share capital		23,345	20,967	936	840
Share premium		4,242,869	3,210,780	170,057	128,692
Retained earnings		(366,654)	(221,182)	(14,695)	(8,865)
Total equity		3,899,560	3,010,565	156,298	120,667
LIABILITIES					
Non-current liabilities					
Non-current loans and borrowings	15	1,758,106	-	70,467	-
Deferred tax liabilities		53,111	127	2,129	5
		1,811,217	127	72,596	5
Current liabilities					
Trade and other payables		132,262	29,619	5,301	1,187
Total liabilities		1,943,479	29,746	77,897	1,192
Total equity and liabilities		**5,843,039**	**3,040,311**	**234,195**	**121,859**

The condensed consolidated interim balance sheet is to be read in conjunction with the selected explanatory notes to and forming part of the condensed consolidated interim financial information set out on pages 9-16.

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007

In thousand of	RUR 1 Jan - 30 Sep 2007	RUR 1 Jan - 30 Sep 2006	USD* 1 Jan - 30 Sep 2007	USD* 1 Jan - 30 Sep 2006
OPERATING ACTIVITIES				
Net loss for the period	(145,472)	(46,536)	(5,831)	(1,865)
Adjustments for:				
Depreciation and amortisation	107,839	7,845	4,322	314
Gain on foreign exchange differences	(40,655)	(12,046)	(1,630)	(483)
Interest income	(45,823)	(178,621)	(1,837)	(7,159)
Interest expense	3,550	153,610	142	6,157
Income tax expense	59,812	1,421	2,397	57
Loss on disposal of property, plant and equipment	445	-	18	-
Change in value of biological assets	(218,845)	-	(8,772)	-
Operating loss before changes in working capital	(279,149)	(74,327)	(11,191)	(2,979)
Increase in other inventories	(402,366)	(124,321)	(16,127)	(4,983)
Increase in trade and other receivables	(310,260)	(103,086)	(12,436)	(4,132)
Increase in trade payables and other liabilities	102,643	26,115	4,114	1,047
Cash flows used by operating activities	**(889,132)**	**(275,619)**	**(35,639)**	**(11,047)**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,695,420)	(744,889)	(67,955)	(29,856)
Purchase of intangible assets	(2,194)	-	(88)	-
Cash flows used by investing activities	**(1,697,614)**	**(744,889)**	**(68,043)**	**(29,856)**
FINANCING ACTIVITIES				
Interest income	45,823	178,621	1,837	7,159
Proceeds from the issue of share capital	1,034,467	1,189,444	41,463	47,674
Proceeds from the issue of bonds	1,654,521	-	66,315	-
Cash flows from financing activities	**2,734,811**	**1,368,065**	**109,615**	**54,833**
Net increase in cash and cash equivalents	**148,065**	**347,557**	**5,933**	**13,930**
Cash and cash equivalents at beginning of period	1,913,118	177,731	76,680	7,124
Effect of exchange rate fluctuations on cash and cash equivalents	40,655	12,046	1,630	483
Cash and cash equivalents at end of period	**2,101,838**	**537,334**	**84,243**	**21,537**

The condensed consolidated interim statement of cash flows is to be read in conjunction with the selected explanatory notes to and forming part of the condensed consolidated interim financial information set out on pages 9-16.

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007

In thousand of RUR	Share capital	Share premium	Retained earnings	Total
Balance as of 1 January 2006	3,323	192,896	(15,730)	180,489
Issue of shares	7,844	1,125,797	-	1,133,641
Net loss and total recognised income and expenses for the period	-	-	(46,536)	(46,536)
Balance as of 30 September 2006	11,167	1,318,693	(62,266)	1,267,594
Balance as of 1 January 2007	20,967	3,210,780	(221,182)	3,010,565
Issue of shares	2,378	1,032,089	-	1,034,467
Net loss and total recognised income and expenses for the period	-	-	(145,472)	(145,472)
Balance as of 30 September 2007	23,345	4,242,869	(366,654)	3,899,560

*In thousand of USD**	Share capital	Share premium	Retained earnings	Total
Balance as of 1 January 2006	133	7,732	(630)	7,235
Issue of shares	314	45,124	-	45,438
Net loss and total recognised income and expenses for the period	-	-	(1,865)	(1,865)
Balance as of 30 September 2006	447	52,856	(2,495)	50,808
Balance as of 1 January 2007	840	128,692	(8,865)	120,667
Issue of shares	96	41,365	-	41,461
Net loss and total recognised income and expenses for the period	-	-	(5,830)	(5,830)
Balance as of 30 September 2007	936	170,057	(14,695)	156,298

The condensed consolidated statement of changes in equity is to be read in conjunction with the selected explanatory notes to and forming part of the condensed consolidated interim financial information set out on pages 9-16.

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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 its subsidiaries were established in 2006 and had limited activities until 2007. Several newly formed subsidiaries had no agricultural operations as of 30 September 2007.

The Group is involved in arable farming in Russia. Crops are usually harvested during July and August. Although the Group's investment in growing crops are valued at fair value less point-of-sale costs, the Group's business is subject to seasonal fluctuations.

(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 nine-month period ended 30 September 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 consolidated interim condensed financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

The consolidated interim financial information as of and for the nine-month period ended 30 September 2007 has been prepared on a condensed basis, and therefore should be read in conjunction with the consolidated financial statements as of and for the year ended 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 and for the year ended 31 December 2006 have been consistently applied in preparing this condensed consolidated interim financial information.

(b) Accounting Specifics in Agriculture

Due to the specifics of field production, the accounting for such activity consists of three main elements: costs, revenue and fair value gain. Costs in field production are recorded as they are incurred by the group i.e. on ongoing basis. The respective revenue generated from these costs, however, is firstly booked into fair value gain i.e. to reflect that the produce is growing in the fields. For booking such crop in progress, the management needs to make a judgement to determine (a) how much of crop is in the fields at the reporting date and (b) what is the market value of such crop at the moment of the harvest. Secondly, when the produce is harvested it is booked into inventories at the fair market value at the moment of the harvest and then when subsequently sold, recorded in realised revenues at the final achieved sales value.

Such approach for accounting revenue, however, which is done in accordance with the requirements of IFRS, implies that the net result of the group for each specific reporting period is influenced by the changes in the market prices for the crops during the recording periods and differences between realised harvests and management judgements. For the group, this implies that due to the specifics of the production cycle, major part of the fair value gain for fields production has been recorded during the first half of the financial year and during the second half of the financial year the fair value gain is only realised from additional crop growth in sunflower and corn. Once the crop is sold in the next reporting periods, the revenue is recognised and the fair value gain respectively reduced.In milk production the produce is defined in clear quantity at the moment of production and sold shortly after, implying that revenues and costs are mostly aligned in the income statements.

(c) Basis of measurement

The consolidated interim condensed financial information as of and for the nine-month period ended 30 September 2007 is prepared on the historical cost basis, except that biological assets are measured at fair value less point-of sales costs.

(d) 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 the consolidated interim condensed financial information is presented. All financial information presented in RUR has been rounded to the nearest thousand.

(e) Convenience translation

In addition to presenting the condensed consolidated financial information in RUR, supplementary information in USD has been presented for the convenience of the users of the consolidated interim condensed financial information. All amounts in the consolidated interim condensed financial information, including comparatives, are translated from RUR to USD at the closing exchange rate at 30 September 2007 of RUR 24.9493 to USD 1.00. All financial information presented in USD has been rounded to the nearest thousand.

(f) Use of judgments, estimates and assumptions

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 consolidated interim condensed financial information in conformity with International Financial Reporting Standards. Actual results may differ from those estimates.

3. Changes in the Group structure

During the period from 1 January to 30 September 2007 the Company established a number of new subsidiaries including:

OOO Olym AGRO-Invest (region of Kursk);

OOO Rashivez AGRO-Invest (region of Kursk);
OOO Volga AGRO-Invest (region of Samara);
OOO Starojurjevo AGRO-Invest (Region of Tambov);
OOO Novohopersk AGRO-Invest (Region of Voronezh).

4. Gain on revaluation of biological assets

The gain on revaluation of biological assets and agricultural produce represents the difference between the cost and the fair value less point-of-sale costs of finished goods and investments in growing crops on 30 September 2007.

5. General and administrative expenses

In thousand of	RUR 1 Jan - 30 Sep 2007	RUR 1 Jan - 30 Sep 2006	USD* 1 Jan - 30 Sep 2007	USD* 1 Jan - 30 Sep 2006
Office and administration expenses	35,600	23,465	1,426	940
Personnel expenses	102,514	32,635	4,109	1,308
Professional services	49,594	8,326	1,988	334
Depreciation and amortization	10,271	3,234	412	130
	197,979	**67,660**	**7,935**	**2,712**

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In August 2005 the Company established an instrument creating warrants to subscribe for 2,059,000 ordinary shares. 1,150,000 of these warrants were granted to senior management in 2005. The subscription price per warrant varies from USD 1.15 to USD 2.

6. Net financial items

In thousand of	RUR 1 Jan - 30 Sep 2007	RUR 1 Jan - 30 Sep 2006	USD* 1 Jan - 30 Sep 2007	USD* 1 Jan - 30 Sep 2006
Financial Income				
Interest income on deposits	*45,823*	*14,595*	*1,838*	*585*
Loss on foreign exchange differences	*135,952*	*7,294*	*5,448*	*292*
Financial Expenses				
Interest expense	*(3,550)*	*-*	*(142)*	*-*
Bond issue and discount costs	*(128,448)*	*-*	*(5,150)*	*-*
Net financial items	**(45,520)**	**21,889**	**(1,825)**	**877**

7. Income tax calculation

In thousand of	RUR 1 Jan - 30 Sep 2007	RUR 1 Jan - 30 Sep 2006	USD* 1 Jan - 30 Sep 2007	USD* 1 Jan - 30 Sep 2006
Current tax expense	7,289	600	292	24
Deferred tax expense / (benefit)	52,523	821	2,105	33
Income tax credit	59,812	1,421	2,397	57

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8. Property plant and equipment

In thousand of	RUR **Land**	RUR **Buildings**	RUR **Machinery, equipment**	RUR **Vehicles**	RUR **Fixtures and fittings**	RUR **Construction in progress**	RUR **Total**
Cost							
As of 1 January 2007	434,467	34,702	261,607	39,503	7,946	13,512	791,737
Additions	450,562	165,143	939,477	7,713	32,532	67,302	1,662,729
Disposals	-	-	(10,494)	-	-	-	(10,494)
Transfers between groups of fixed assets	-	-	-	-	-	-	-
As of 30 September 2007	885,029	199,845	1,190,590	47,216	40,478	80,814	2,443,972
Accumulated depreciation							
As of 1 January 2007	-	(23)	(12,337)	(3,585)	(406)	-	(16,351)
Depreciation charge	-	(33,556)	(63,861)	(6,039)	(4,787)	-	(108,243)
Adjustment to depreciation of disposed fixed assets	-	-	891	-	-	-	891
Adjustment to depreciation transferred between groups of fixed assets	-	-	-	-	-	-	-
As of 30 September 2007	-	(33,579)	(75,307)	(9,624)	(5,193)	-	(123,703)
Net book value							
As of 1 January 2007	434,467	34,679	249,270	35,918	7,540	13,512	775,386
As of 30 September 2007	**885,029**	**166,266**	**1,115,283**	**37,592**	**35,285**	**80,814**	**2,320,269**

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In thousand of	USD* Land	USD* Buildings	USD* Machinery, equipment	USD* Vehicles	USD* Fixtures and fittings	USD* Construction in progress	USD* Total
Cost							
As of 1 January 2007	17,414	1,391	10,486	1,583	318	542	31,734
Additions	18,059	6,619	37,654	309	1,304	2,698	66,643
Disposals	-	-	(421)	-	-	-	(421)
Transfers between groups of fixed assets	-	-	-	-	-	-	-
As of 30 September 2007	35,473	8,010	47,719	1,892	1,622	3,240	97,956
Accumulated depreciation							
As of 1 January 2007	-	(1)	(494)	(144)	(16)	-	(655)
Depreciation charge	-	(1,345)	(2,560)	(242)	(192)	-	(4,339)
Adjustment to depreciation of disposed fixed assets	-	-	36	-	-	-	36
Adjustment to depreciation transferred between groups of fixed assets	-	-	-	-	-	-	-
As of 30 September 2007	-	(1,346)	(3,018)	(386)	(208)	-	(4,958)
Net book value							
As of 1 January 2007	17,414	1,390	9,992	1,439	302	542	31,079
As of 30 September 2007	**35,473**	**6,664**	**44,701**	**1,506**	**1,414**	**3,240**	**92,998**

** The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information – refer to note 2 (e).*

9. Land

As of 30 September 2007 the Group had about 266 thousand hectares of land under its management (129 thousand on 1 January 2007), of which:

Thousand hectares of land	30 Sep 2007	1 Jan 2007
Land in the process of ownership registration with the relevant authorities, hectares	236	115
Land in registered ownership, hectares	20	7
Land under long-term lease agreements, hectares	10	7

10. Other non-current assets

In thousand of	RUR 30 Sep 2007	RUR 1 Jan 2007	USD* 30 Sep 2006	USD* 1 Jan 2006
Prepayments for property, plant and equipment	148,104	10,642	5,936	427
Investment in growing crops – 2009 harvests	7,920	2,790	317	111
Dairy livestock	23,372	20,845	937	835
Other non-current assets	1,813	113	73	5
	181,209	34,390	7,263	1,378

11. Inventories

In thousand of	RUR 30 Sep 2007	RUR 1 Jan 2007	USD* 30 Sep 2006	USD* 1 Jan 2006
Finished goods	419,105	3,726	16,799	149
Raw materials and consumables	93,754	24,974	3,758	1,001
Work in progress, investment in growing crops	238,025	106,385	9,540	4,264
Other inventories	14,056	7,979	563	320
	764,940	143,064	30,660	5,734

12. Trade and other receivables

In thousand of	RUR 30 Sep 2007	RUR 1 Jan 2007	USD* 30 Sep 2007	USD* 1 Jan 2007
VAT receivables	289,278	84,265	11,594	3,377
Advances paid for goods and services	32,275	9,669	1,294	388
Trade receivables	68,676	17,871	2,753	716
Other prepayments and receivables	56,503	24,667	2,265	989
	446,732	136,472	17,906	5,470

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13. Cash and cash equivalents

In thousand of	RUR 30 Sep 2007	RUR 1 Jan 2007	USD* 30 Sep 2007	USD* 1 Jan 2007
Call deposits, overnight EURO denominated at 3-4% per annum	658,141	-	26,379	-
Call deposits, overnight USD denominated at approximately 4% per annum	264,960	1,319,957	10,620	52,905
Call deposits, overnight RUR denominated at 1-3% per annum	14,300	-	573	-
Call deposits, overnight SEK denominated at approximately 4% per annum	1,071,964	-	42,966	-
Bank balances, RUR denominated accounts	75,228	60,816	3,015	2,438
Bank balances, USD denominated accounts	10,427	530,001	418	21,243
Bank balances, EURO denominated accounts	1,248	-	50	-
Other currency accounts	5,570	2,344	223	94
	2,101,838	1,913,118	84,244	76,680

14. Equity

The authorized share capital of the Company as of 1 January and 30 June 2007 comprised of 100,000,000 shares (1 January and 30 June 2006: 50,000,000 shares) with a par value of USD 0.01 per share. All ordinary shares rank equally with regard to the Group's residual assets. On the 12 September 2007 the Company issued additional 9.3 million ordinary shares

The issued share capital of the Company as of 1 January was 76 666 667 shares (1 January 2006: 11,666,667 shares, 30 June 2006: 41,666,667 shares). Total number of shares issued was 85,966,667 as of 30 September 2007.

15. Bond issue

On 15 March 2007 the Group issued 5 500 bonds with a par value of EUR 10 thousand each maturing in May 2011. The bonds were issued at a discount of RUR 219 572 thousand or USD* 8 505 thousand of the nominal value or RUR 39.92 thousand or USD* 1.55 thousand per bond. In addition, the Group incurred RUR 52 219 thousand or USD* 2 023 thousand as direct costs for the bond issue.

16. Related party transactions

The Group has a controlling relationship with all of its subsidiaries (refer to the note 18 for the list of significant subsidiaries).

Total amount of inter-company sales during the period amounted to RUR 37,241 thousand or USD* 1,493 thousand.

Group accounts payable to related parties as of 30 June 2007 amounted to RUR 12,024 thousand or USD* 482 thousand.

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17. 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.

18. Significant subsidiaries

		Ownership and voting interest	
	Country of incorporation	30 Sep 2007	31 December 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%
OOO Gribanovka Agro-Invest, limited liability company	Russia	100%	100%
OOO Kalach Agro-Invest, limited liability company	Russia	100%	100%
OOO Morshansk Agro-Invest, limited liability company	Russia	100%	100%

19. Significant events after the reporting period

In October 2007 the Company disposed of a subsidiary located in the Kursk region. The main activities of the subsidiary were managing of the land acquisition process.

In October 2007 the Company granted additional warrants to its senior management to subscribe for 1,800,000 ordinary shares. The exercise price per warrant varies from USD 2.30 to USD 8.50. The warrants can be realized starting from the middle of October 2007 within upcoming five year. The approximate fair value of the warrants is USD 5,300 thousand or RUR 132,500 thousand.

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Russia plans to levy tax on grain exports

The Russian government has announced that starting with 12 November 2007 and ending on 30 April 2008 there will be a new export tariff of 10 percent for wheat and 30 percent for barley. The government also announced active interventions on the crops market. The declared starting price of the intervention is approximately 20 percent lower than market price in central Russia and higher then the price of East of the Urals.

The country's biggest food retailers and producers have also reached an agreement to freeze prices at 15 October 2007 levels on selected types of bread, cheese, milk, eggs and vegetable oil starting 30 November 2007 until the end of the year. Big retailers will limit their mark-up on those goods to 10 per cent. The Russian government claims that grain prices are fair for agricultural producers and ensure that producers, at the very least, make no loss. It claims that food prices are hiked by traders and trading companies.

Russia's move is the latest sign of surging agricultural prices becoming an international political issue. China has also agreed to food price controls; Egypt, Jordan, Bangladesh and Morocco are increasing subsidies or cutting import tariffs to lower domestic prices. Rich countries are not immune: Italian consumer groups recently organized a pasta boycott in a protest over prices.

In relation to Black Earth Farming:
Regarding the above described measures and its potential affect on the Company, the following should be considered:
(a) That the Russian government is freezing the margins on some products of some intermediaries in the background of already very high price levels. Consequently it doesn't affect a company like Black Earth Farming.
(b) It has also been suggested that the above stated export duty on wheat would be raised, which is not the case. According to a statement by the new Minister of Trade and Economic Development Elvira Nabiullinaya (24.10.07), there is right now no need to increase export duties on wheat. For the market this is extremely positive news, since it ensures that exporters' demand will be maintained,
(c) Regarding interventions on the crop market, most of the government crops will be sold east of the Urals where the prices are already much lower than in the market since there is a shortage of rail cars for transporting crops from Siberia to central Russia and hence will not affect prices in the Central Black Earth region
(d) These measures are limited in time and while they are definitely attempting to manipulate the market, it is still a priority to put the agricultural sector on its legs, putting too much pressure now would be contrary to the national program, which sets agriculture as a top priority of the Russian government.
(e) As stated above, measures to try and handle this years steep price rises is nothing exclusive for Russia
(f) Black Earth Farming is selling everything on the domestic market so there are no direct affects of the export tax
(g) For Black Earth Farming, the price regulations, market interventions and export tax will most likely have no negative effect at all, with reference to the above comments and the fact that the company has already either sold or are selling its crops at the current high prices.