

Black Earth Farming Limited

Year end release 2007

Reporting period highlights

- Total amount of revenue for the 2007 financial year was equal to RUR 521,762 thousand or USD* 21,256 thousand in comparison with only RUR 12,300 thousand or USD* 501 thousand for the year 2006. The increase is explained by the start of the extensive crop production in 2007. The sales of crops during the period comprised about 70 percent of the total amount of revenue and amounted to RUR 358,279 thousand or USD* 14,596 thousand. Revenue of crops for the similar period in 2006 was RUR 10,361 thousand or USD* 422 thousand.
- The financial result was significantly affected by revaluation of agricultural produce as of 31 December 2007. The revaluation was done in accordance with the requirements of IAS 41. Total amount of revaluation for crops harvested in 2007 was equal to RUR 139,188 thousand or USD* 5,670 thousand, which was 27 percent of the total amount of revenue for the period in question.
- Cost of sales for the reporting period amounted to RUR 278,505 thousand or USD* 11,346 thousand in contrast to last year's figure of RUR 24,903 thousand or USD* 1,015 thousand. The largest groups of expenses were the following: 1) Material expenses (38 percent of the total amount of cost of sales); 2) Depreciation and amortization charge (25 percent); 3) Salary and social taxes (18 percent); 4) Other direct production costs (19 percent).
- Loss before income tax amounted to RUR 505,539 thousand or USD* 20,596 thousand. As a result no dividends were either declared or paid during the period in question. In 2006 the amount of loss before income tax was equal to RUR 208,011 thousand or USD* 8,475 thousand. The largest income statement items that significantly affected the result for the twelve months of 2007 were general and administrative expenses that amounted to RUR 457,346 thousand or USD* 18,632 thousand. One of the largest expense items that was included into general and administrative expense was warrants granted to high management personnel on the amount of RUR 115,481 thousand or USD* 4,705 thousand.
- Earning Per Share for 2007 amounted to USD -0.38, compared to -0.31 in 2006.
- The period's cash inflow from financing activities amounted to RUR 8,870,177 thousand or USD* 361,366 thousand in comparison with RUR 3,035,528 thousand or USD* 123,666 thousand. The Company issued 33,600,000 ordinary shares for the total amount of RUR 7,166,245 thousand or USD* 291,949 thousand in December 2007. Net cash outflow from investing activities was RUR 2,571,743 thousand or USD* 104,772 thousand. Cash outflow from operating activities was equal to RUR 746,503 thousand or USD* 30,413 thousand.
- As of 31 December 2007 the Company controlled about 280,000 hectares of land in the Black-Earth Region of Russia.
- On December 28, 2007 the Company's shares were successfully listed in the form of Swedish Depository Receipts on the First North market place in Stockholm.



Management Report

A very successful IPO

On 28 December 2007, following an offer to subscribe for shares that were several times oversubscribed, Black Earth Farming successfully listed its shares on the First North exchange in Stockholm in the form of Swedish Depository Receipts.

Land acquisition

As of December 31, 2007, the company had approximately 280,000 hectares under management and several additional opportunities in the pipeline or in the process of execution. BEF is currently not seeking an extensive increase of land surface, but working in a consolidation mode acquiring land within existing clusters. BEF expects at least another 60'000 hectare to be within this consolidation strategy added to the existing land bank.

A real operational company

What makes BEF relatively unique on the Russian market is its firm commitment to buy land not for speculative purposes, but to put it in production. A large majority of the land acquired by BEF was, if not fallow, at least in poor condition. Among other prevailing problems, a vast majority of Russian land is suffering from not being level and from soil compaction problems seriously damaging the crop yield potential of this land. These two problems are solved little by little, year after year, as land is being put back into production using agricultural best practice, thus commanding a ramp-up both in crop and financial yields. This is going to become the determinant factor in determining land prices and the main vector in creating value for our shareholders.



Another factor causing a serious problem in agriculture at national level is the fact that the Soviet economy was only top line oriented paying no attention whatsoever to ROIC and profitability, often destroying value for the sake of producing volumes. Some of the Company's agronomists are amazingly strong scientists, but BEF as already gone quite a long way in turning around the awareness of marginal profitability to be maximized instead of crop yields "at any costs".

Out of the existing land bank, BEF is planning to crop 150,000 hectares with its five main cultures (barley, wheat, rape seed, corn and sunflower), to produce animal food and also to cultivate another 130'000 hectare in preparation to the 2009 cropping season.

Buying land for the sole purpose of an asset play speculation is risky as buying land immediately becomes a liability if the land is not properly managed. BEF has a real track record in operating land; it has already put in place a management structure able to avoid major pitfalls and ramp up yields over the coming years. The significant competitive advantage of BEF is that it has gone through the entire cycle from planning a crop down to collecting cash from its realization. There is still a lot of work to do in the coming year ramping up yields and efficiency up to a level where the business will be running at a stable cruising speed.



The Group

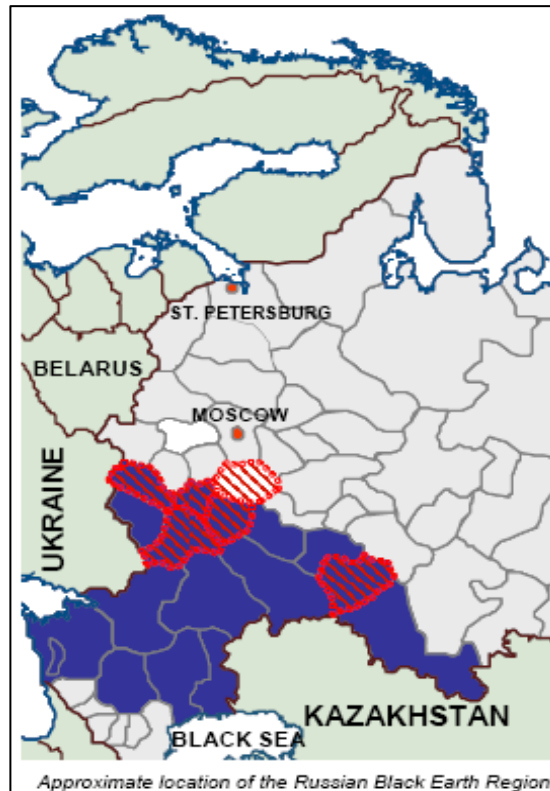
The Black Earth Farming Group consists of the Jersey parent Company: Black Earth Farming Limited, the wholly owned Cypriot subsidiary: Planalto Enterprises Limited, and a number of wholly owned Russian subsidiaries under the joint name of Agro-Invest. As of 31 December 2007 the Group had 1180 full time employees.

Background

Black Earth Farming Ltd is a leading farming and land owning company operating in Russia. It acquires 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 sector 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 31 December 2007 the Company controlled over 280,000 hectares of what perhaps is the world's most fertile soil and this year's harvest comprised approximately 53,000 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.

 Oblasts where the Company has farming operations



Financial Performance

Results and trends

Revenue

(USD 000)	FY2006	FY2007
Total revenue	501	21,256

- Out of the Revenue from sales of crops in 2007 about 537USD thousand was related to the harvest of 2005/2006^[1] and 14,059 USD thousand to the harvest of 2006/2007¹. Revenue from sales of crops stood for 69% of total revenue, while Dairy products represented about 4% and Gain on revaluation of biological assets represented about 27%

Back Earth Farming generates revenue from two different main segments, namely crops, which is the largest segment by far, and milk. The crop segment primarily generates revenue during the autumn as opposed to meat and milk which has more equally distributed revenue streams throughout the year.

In 2007 the Company has available for sale 46,049 tons of winter wheat out of which 22,865 tons have been sold by 31 December, 36,723 tons of barley out of which 16'918 tons have been sold by 31 December, 12,291 tons of rape seed, out of which 12,213 tons have been sold by 31 December, 1,311 tons of corn, all sold by 31 December, 3,650 tons of sunflower, all sold by 31 December and 2,659 tons of ray (which had not been initially planned, but which have been acquired as work in progress together with the acquisition of land) of which only 5 tons have been sold by 31 December. Also by 31 December 2007, the Company has sold 369 tons of waste barley, 360 tons of waste wheat and 10 tons of waste corn.

On 31 December 2007 approximately 57% of the crops produced in the 2007 season had been successfully sold for an amount totaling USD 14.6 million. Revenues of almost USD 1 million had been generated from the sale of dairy products. The unsold crops are accounted for in "Inventories" of the balance sheet at fair value according to rule 41 of IFRS at 31 December 2007. Accordingly a difference of USD 5.7 million between the cost of production and the fair value reflected on the balance sheet is booked on the P&L under "Revenues" as "Gain on revaluation of biological assets".

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



The significantly higher revenue from sales of crops in 2007 compared to 2006 stems from a material increase in the amount of harvested hectares as well as a general increase in yields per hectares which translates into a much larger harvest. This is coupled with a favorable development of crop prices.

Sales volume & price	2007
Tonnes sold	58,274
Wheat	22,865
Corn	1,311
Barley	16,918
Sunflowers	3,650
Rape	12,213
Average price received per tonne sold	250
Wheat	225
Corn	241
Barley	205
Sunflowers	516
Rape	297

- Out of the 58,274 tonnes sold¹ in 2007, 3,569 tonnes were related to the harvest of 2005/2006² and 54,705 tonnes to the harvest of 2006/2007¹. As of 31,December 2007 there was an unsold amount of 44,409 tonnes related to the harvest 2006/2007 in Inventory.
- Compared to 2006 all relevant crop prices affecting the companies top line have had a favourable development, where for example the average price received for wheat rose more than 54% compared from last year.

Increasing the Company's revenue is a product of six main factors. Five of which can be controlled or influenced by the Company and the sixth one being general price levels which is a completely external factor. The company works with all the controllable factors to significantly increase revenue over time. These factors are 1.) Selection of crop cultures with high expected profitability given prevailing prices, as well as other production factors, 2.) Increase in the amount of hectares under crops, 3.) Increase in crop yield per hectare through good management of the soil, 4.) Increase in quality of the harvested product which generates a price premium, especially by obtaining good seeds 5.) Timing of sales - to elevators is critical since grain can only be left in the fields for a short time. Furthermore, grain prices fluctuate with weather conditions and they tend to be at their lowest during the harvest season since farmers without access to storage facilities must sell their grain immediately thereby substantially increasing the supply. Storage of grain at elevators enables selling at a point where supply is comparably low and prices higher.

¹ A tonne is accounted for as sold upon delivery to buyer.

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



Main Cost Items

(USD 000)	FY2006	FY2007
Cost of sales	-1,015	-11,346
General and administrative expenses	-5,246	-18,632
Selling expenses	-81	-1,729
Financial expenses	-3,150	-11,188

A major item in costs has been "General & administrative expenses" for approximately US 18.6 million. US 4.7 million is a non cash item representing the fair value of warrants distributed to management. The major items are USD 5.99 million for non-production personnel and USD 3.27 million in audit and consulting expenses as well as USD 4 million accounted for office expenses.

Operating and net result

(USD 000 / %)	FY2006	FY2007
Gross profit	-514	9,910
Gross Margin*	-102%	27%
EBITDA	-3,453	-8,426
EBITDA Margin	-1144%	-40%
EBIT	-6,396	-11,995
EBIT Margin	-1276%	-56%
Net loss	-8,371	-21,505

* Gross profit margin without consideration of revenues from revaluation of biological assets

The Company has a gross profit level of approximately 27%. It results in ignoring the revaluation of biological assets, thus dividing the gross profit without the revaluation by the revenues.

With the exception of rape seed, all crops have shown a positive gross profit in 2007. The gross profit on wheat reached 36%, barley 41%, corn 41% and sunflower 69%. Rape seed has not been a success for BEF in 2007 because of an issue with the quality of seeds, which have negatively impacted the Company's ability to turn this culture profitable.

Although the other cultures have demonstrated positive gross margins, the issue of seed quality represents a serious threat to Russian agriculture overall. The Company is addressing the seed issue as one of its top priorities. It is currently reproducing its own seeds in order to guarantee both the origin and the quality of its seeds for future crops.

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



Assets, liabilities and Cash Flow

On the balance sheet USD 105.2 million in property, land and equipment is made of USD 43.2 million in land, USD 6.3 million in farming real estate, USD 51.2 million in machinery and farming equipment and USD 4.5 million in other fix assets. These numbers are net of accumulated depreciation amounting USD 1.4 million for farming real estate, USD 4.8 million for machinery and USD 0.8 million for other fix assets.

Other non-current assets amounting USD 10.7 are mainly made of pre-payments for farming equipment due to be delivered in 2008 and some pre-payments made in connection to the acquisition of property in Lipetsk to be completed in FY 2008.

USD 34.2 million in inventories are made of 43% of the 2007 crop still unsold as of 31 December 2007 and accounted for at fair value on 31 December 2007 as required by rule 41 of IFRS, USD 11 million in raw materials and USD 13.4 million of work in progress, representing the winter crops seeded in late summer and autumn for the crop season 2008. It is important to note that a large portion of raw materials are fertilizers acquired in autumn 2007 for the 2008 season. Between the moment, where the Company purchased these fertilizers and today, the per ton price of these fertilizers as almost doubled. This early purchase has enabled the Company to save significant money, especially taking into account that fertilizer expenses account for 20%-25% of CoGS. The Company expects saving to positively impact margins in 2008.

“Trade and other receivables represent prepayments for farming equipment due in 2008 and recoverable VAT for approximately 240 million rubles.

“Current and financial assets” amounting USD 18.4 million represent promissory notes from the SavingsBank of Russia and a non-interest-bearing short-term loan in connection to the acquisition process of the property in Lipetsk mentioned above.

BEF has a 4 years bond on its balance sheet amounting 55 million euros. The bond is listed on the Stockholm bond exchange. It is a zero-coupon bond for the initial 2 years and bears a 13% interest payable annually starting on 15 March 2009.

2007 was still a year of negative cash flows from operating activities of USD 30.4 million. In addition USD 104.8 million has been utilized by investing activities.

** The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.*



Operational Performance

Land

The company's current holdings of agricultural land assets consist of both cropping rights on land, so called Pais, which is comparable with long term leases, and direct ownership. Successively over time all the cropping rights are intended to be converted into ownership. The company's current geographical areas of interest are all within the Black Earth region of Russia. The Company, as stated above, has now moved into a second, more refined land acquisition stage where it prioritizes land which is geographically close and with sufficient communications to one of the existing production clusters. Consolidating the Company's farm locations will increase administrative and logistic efficiencies and further support the economies of scale opportunities. Additionally, Black Earth Farming prioritizes land with access to elevators, railroad and loading capabilities.

To acquire and cultivate land require considerable capital and management resources but constitute the foundation in realizing the vision of creating shareholder value. Black Earth farming has an ambitious plan for increase in production in terms of the amount of hectares being cropped.

Land (hectares)	FY2006	FY2007	Δ%FY
Land under control	122,000	280,000	130%
Land owned	0	29,100	N/A
Long term leases	7,000	12,800	83%
Hectares cropped	5,900	53,451	806%

The development of the Company's land holdings has progressed successfully in 2007 whereby the amount of land under control as of 31 December 2007 had increased by 158,000 hectares compared to the end of 2006. From about 122,000 hectares to about 280,000 hectares. As of 31 December 2007 the Company had received full ownership certificates for about 29,100 hectares.

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



Agricultural operations

The Company continuously performs market analyses with a view to decide what crops to produce given prevailing prices as well as outlook for the same. However, the Company cannot only grow the crops with the highest margins; it must also consider operational limitations such as crop rotation needs, optimal usage of machinery, local weather and climatic conditions and seasonal harvest and drilling periods.

Black Earth Farming currently focuses on five crops, namely (1) winter wheat, (2) Barley rape, (3) Rape seed, (4) Sunflower, and (5) Corn maize.

The Company composes a crop rotation scheme with the purpose to boost productivity and achieve long-term operational efficiency. Each field should be cultivated with different crops in a fixed rotation plan, which is terminated with a fallow period every fourth year to allow the soil to recover. Through this rotation scheme the fields are cropped without exhausting the soil and the use of chemical fertilizers and pesticides are minimized.

The farmland controlled by the Company has commonly been lying idle for a number of years or has been mismanaged. As a consequence it has had a low yield per hectare. Through improved management, soil conditioning and agronomic best practices - the yield per hectare can be expected to increase over a period of two to four years.

Fluctuations in weather conditions such as droughts, heavy rainfall and unfavourable winters can affect yields and the costs significantly.

** The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.*

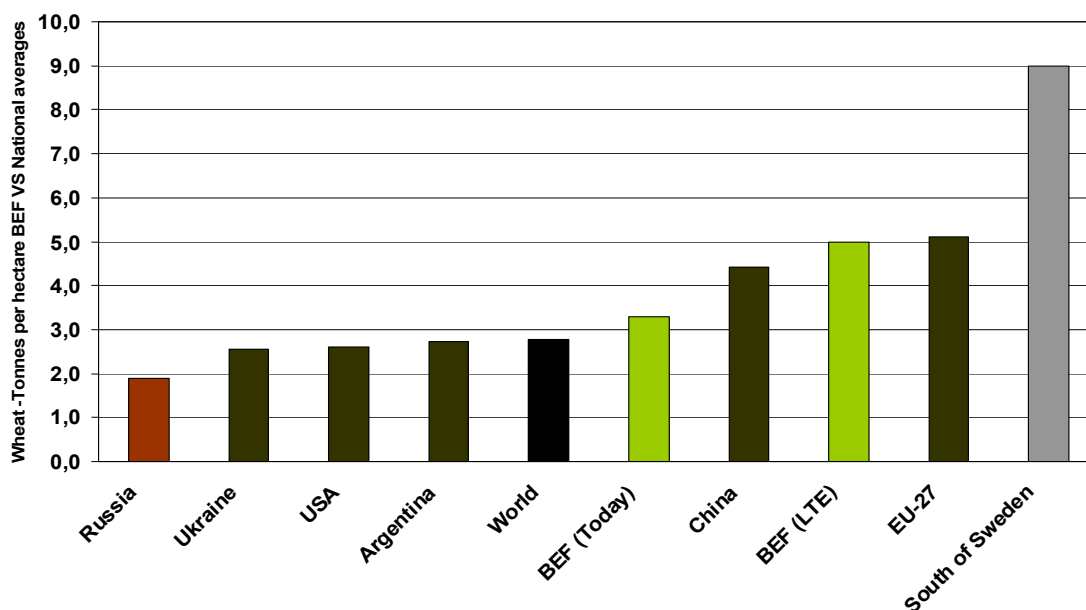


Crop Yields

(average ton/hectare)	FY2006	FY2007	Δ%FY
Wheat	1,96	3,30	68,4%
Corn	-	5,50	N/A
Barley	2,28	1,99	-12,7%
Sunflowers	2,07	2,35	13,5%
Winter Rape	-	1,26	N/A
Spring rape	0,58	0,92	58,6%

- The first ever harvest of the company occurred in 2006 while 2007 represented the first sizeable harvest in the Company's history. Although the spring of 2007 was unusually dry and warm there was a general improvement of yields across the board, except for Barley. In this case late delivery of machines resulted in a late seeding date, late fertilization and a very late chemical weed control. However the achieved quality is was higher compared to last year which generates a higher price.

Black Earth Farming already produces well above the Russian national average in terms of for example wheat. During the term of the ramp up period Black Earth Farming will increase its yields until reaching a high and satisfactory level in terms of output, which for wheat could be compared with the EU-27 average as indicated below.



Source: United States Department of Agriculture, PSD Online and BEF estimate



* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.

Gross Harvest

(tonnes)	2007
Wheat	49 262
Corn	7 475
Barley	42 477
Sunflowers	3 815
Rape	12 859
Total	115 888

Besides the above quantities a total of 2706 tonnes of waist grains were harvested

Tonnes for sale (Clean Harvest)

(tonnes)	2007
Wheat	46,049
Corn	1,311
Barley	36,723
Sunflowers	3,650
Rape	12,291
Total	100,024

Besides the above quantities a total of 2659 tonnes of waist grains were for sale

During the Agricultural year 2005/2006, the Company had a limited first-time crop from 5,900 hectares which gave a total harvest of 9,000 tons, whereof barley constituted the largest part and amounted to about 4,000 tons. Winter wheat and spring rape were also harvested in the Agricultural year 2005/2006 and the harvest of these grains amounted to about 2,500 and 1,400 tons, respectively. Unfortunately, the weather during August was not favourable for agricultural operations due to the constant and uninterrupted rainfalls which made harvesting difficult and some of the crop was damaged. The bad weather resulted in lower yields than expected but in line with Russian average.

The harvesting season usually starts in July in the southern parts of the Black Earth Region with the harvesting of winter wheat, winter rape and barely and ends in the northern parts when sunflowers are harvested during September.

Provided below is an example of a farming schedule containing selected crops and the respective cultivation phases. It is important to notice that the duration of the various phases and commencement points of time may vary across regions and also differ from year to year due to weather conditions. The sequential harvesting periods minimizes the need for investments in combines given efficient use of the same and other involved machinery.

Crop	April	May	June	July	August	September	October
Winter wheat	Planting		Enter dormancy	Resume tillering	Flowering	Waxy ripe	Harvest
Winter rape	Planting	Enter dormancy	Resume tillering	Flowering	Waxy ripe	Harvest	
Spring barley			Enter dormancy	Resume tillering	Flowering	Waxy ripe	Harvest
Spring rape		Planting		Enter dormancy	Resume tillering	Flowering	Waxy ripe
Sunflowers		Planting		Enter dormancy	Resume tillering	Flowering	Waxy ripe
Corn		Planting		Enter dormancy	Resume tillering	Flowering	Waxy ripe



* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



Outlook

A good start for the 2008 cropping season

As all equipment was returning to the workshops for a winter rest and repairs, 60,000 hectares of winter crops have been successfully cropped for the 2008 season. According to our agronomists' reports, the seeding has been carried out precisely and a clear improvement is noticeable compared to the way the winter crops had been seeded a year ago for the 2007 season. This is, among other things, a sign that the enormous effort in training our staff is paying off.

The previously communicated goals and objectives as stated in the listing prospectus remain valid as of this point.

Upcoming Reporting Dates

The Annual Report for 2007 is scheduled to be released during April 2008.

Black Earth Farming's three-month report for the period January 1, 2008–March 31, 2008 will be published on 15 May 2008.

Black Earth Farming's AGM will be held on May 30 in Stockholm

The year end report contained herein has not been reviewed by the Company's auditors.

The consolidated condensed financial information as at and for the twelve-month period ended 31 December 2007 was approved by the Board of Directors on 27 February 2007 and signed on its behalf by:

Michel Orloff

Member of the Board of Directors

Alexander Polischuk

Chief Financial Officer

** The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.*



Consolidated statement of income for the twelve-month period ended 31 December 2007

In thousand of

	RUR	RUR	USD	USD
	12 m. 2007	12 m. 2006	12 m. 2007	12 m. 2006
Revenues	381,308	12,109	15,534	493
Other revenue	1,266	191	52	8
Gain on revaluation of biological assets and agricultural produce	139,188	-	5,670	-
Total revenue	521,762	12,300	21,256	501
Cost of sales	(278,505)	(24,903)	(11,346)	(1,015)
Gross profit / (loss)	243,257	(12,603)	9,910	(514)
General and administrative expenses	(457,346)	(128,759)	(18,632)	(5,246)
Selling expenses	(42,438)	(1,995)	(1,729)	(81)
Taxes other than on income	(7,691)	(1,628)	(313)	(66)
Other expenses	(30,211)	(12,015)	(1,231)	(489)
Operating loss	(294,429)	(157,000)	(11,995)	(6,396)
Financial income	63,490	26,301	2,587	1,071
Financial expenses	(274,600)	(77,312)	(11,188)	(3,150)
Loss before income tax	(505,539)	(208,011)	(20,596)	(8,475)
Income tax credit	(22,316)	2,559	(909)	104
Net loss for the year	(527,855)	(205,452)	(21,505)	(8,371)

Consolidated statement of income for the fourth quarter 2007

In thousand of

	RUR	RUR	USD	USD
Statement of income	4Q 2007	4Q 2006	4Q 2007	4Q 2006
Revenues	209,678	7,901	8,542	322
Other revenue	499	(1,367)	20	(56)
Gain on revaluation of biological assets and agricultural produce	(79,657)	-	(3,245)	-
Total revenue	130,520	6,534	5,317	266
Cost of sales	(114,482)	(20,531)	(4,664)	(836)
Gross profit / (loss)	16,038	(13,997)	653	(570)
General and administrative expenses	(259,367)	(61,099)	(10,566)	(2,489)
Selling expenses	(12,659)	(1,995)	(516)	(81)
Taxes other than on income	(2,210)	(945)	(90)	(38)
Other expenses	3,909	(11,960)	159	(487)
Operating loss	(254,289)	(89,996)	(10,360)	(3,665)
Net financial items	(165,590)	(72,900)	(6,746)	(2,970)
Loss before income tax	(419,879)	(162,896)	(17,106)	(6,635)
Income tax	37,496	3,980	1,528	162
Net loss for the year	(382,383)	(158,916)	(15,578)	(6,473)

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



CONSOLIDATED BALANCE SHEET AS AF 31 DECEMBER 2007

<i>In thousand of</i>	RUR	RUR	USD	USD
Balance sheet	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
ASSETS				
<i>Non-current assets</i>				
Property, plant and equipment	2,581,752	775,386	105,179	31,589
Intangible assets	6,886	9,502	281	387
Financial assets	10,684	2,660	435	108
Other non-current assets	261,496	34,390	10,653	1,401
Deferred tax assets	20,967	4,542	854	185
	2,881,785	826,480	117,402	33,670
<i>Current assets</i>				
Inventories	838,627	143,064	34,165	5,828
Trade and other receivables	467,279	136,472	19,037	5,560
Current financial assets	451,523	21,177	18,395	863
Cash and cash equivalents	7,386,042	1,913,118	300,904	77,939
Other current assets	5,498	-	224	-
	9,148,969	2,213,831	372,725	90,190
Total assets	12,030,754	3,040,311	490,127	123,860
EQUITY AND LIABILITIES				
<i>Equity</i>				
Share capital	31,680	20,967	1,291	854
Share premium	10,366,308	3,210,780	422,318	130,806
Reserve for share option	115,481	-	4,705	-
Accumulated loss	(749,037)	(221,182)	(30,515)	(9,011)
Total equity	9,764,432	3,010,565	397,799	122,649
LIABILITIES				
<i>Non-current liabilities</i>				
Non-current loans and borrowings	1,899,525	-	77,386	-
Other non-current liabilities	856	-	35	-
Deferred tax liability	33,298	127	1,357	5
	1,933,679	127	78,778	5
<i>Current liabilities</i>				
Trade and other payables	332,643	29,619	13,550	1,206
Total liabilities	2,266,322	29,746	92,328	1,211
Total equity and liabilities	12,030,754	3,040,311	490,127	123,860

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2007

In thousand of

	RUR	RUR	USD	USD
	12 m. 2007	12 m. 2006	12 m. 2007	12 m. 2006
Statement of cash flow				
OPERATING ACTIVITIES				
Net loss for the year	(527,855)	(205,452)	(21,505)	(8,370)
<i>Adjustments for:</i>				
Depreciation and amortisation	207,671	16,338	8,460	666
Loss on foreign exchange differences	79,007	76,391	3,219	3,112
Interest income	(63,490)	(26,301)	(2,587)	(1,071)
Interest expense	144,519	921	5,888	38
Loss on disposal of property, plant and equipment and intangible assets	648	4,408	26	180
Income tax expense / (benefit)	22,316	(2,559)	909	(104)
Warrants granted to personnel	115,481	-	4,705	-
Change in value of biological assets	(139,188)	-	(5,670)	-
Operating loss before changes in working capital	(160,891)	(136,254)	(6,555)	(5,549)
Increase in inventories	(554,842)	(142,513)	(22,604)	(5,806)
Increase in trade and other receivables	(330,807)	(155,455)	(13,477)	(6,333)
Increase in trade payables and other short-term liabilities	303,024	20,683	12,345	843
Decrease in other assets	-	(1,177)	-	(48)
Cash flows used by operating activities before income tax paid	(743,516)	(414,716)	(30,291)	(16,893)
Interest paid	-	(921)	-	(38)
Income tax paid	(2,987)	(5)	(122)	-
Cash flows utilized by operating activities	(746,503)	(415,642)	(30,413)	(16,931)
INVESTING ACTIVITIES				
Interest income	63,490	26,301	2,587	1,071
Acquisition of subsidiaries	-	(15,271)	-	(622)
Acquisition of land plots	(13,522)	-	(551)	-
Acquisition of securities	(427,661)	-	(17,423)	-
Acquisition of property, plant and equipment	(2,191,434)	(815,785)	(89,278)	(33,235)
Acquisition of intangible assets	(2,616)	(580)	(107)	(24)
Acquisition of other non-current assets	-	(2,773)	-	(113)
Cash flows utilized by investing activities	(2,571,743)	(808,108)	(104,772)	(32,923)

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



FINANCING ACTIVITIES

Proceeds from the issue of share capital	7,166,245	3,035,528	291,949	123,666
Proceeds from the issue of bonds	1,703,932	-	69,417	-
Cash flows from financing activities	8,870,177	3,035,528	361,366	123,666
Net increase in cash and cash equivalents	5,551,931	1,811,778	226,181	73,812
Cash and cash equivalents at beginning of period	1,913,118	177,731	77,939	7,241
Effect of exchange rate fluctuations on cash and cash equivalents	(79,007)	(76,391)	(3,216)	(3,114)
Cash and cash equivalents (31-Dec-07)	7,386,042	1,913,118	300,904	77,939

This space intentionally left blank

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2007

In thousand of

	RUR Share capital	RUR Share premium	RUR Retained earning	RUR Total
Balance as of 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 as of 31 December 2006	20,967	3,210,780	(221,182)	3,010,565
Contribution by shareholders	10,713	7,155,528	-	7,166,241
Net loss for the year and total recognized income and expenses	-	-	(527,855)	(527,855)
Reserve for share option	-	-	115,481	115,481
Balance as of 31 December 2007	31,680	10,366,308	(633,556)	9,764,432

In thousand of

	USD Share capital	USD Share premium	USD Retained earning	USD Total
Balance as of 31 December 2005	135	7,858	(641)	7,352
Contribution by shareholders	719	122,948	-	123,667
Net loss for the year and total recognized income and expenses	-	-	(8,370)	(8,370)
Balance as of 31 December 2006	854	130,806	(9,011)	122,649
Contribution by shareholders	437	291,512	-	291,949
Net loss for the year and total recognized income and expenses	-	-	(21,504)	(21,504)
Reserve for share option	-	-	4,705	4,705
Balance as of 31 December 2007	1,291	422,318	(25,810)	397,799

	2007	2006
Number of outstanding shares at the end of the reporting period	119,566,700	76,666,667
Weighted average number of shares outstanding	56,907,786	26,977,176
Earnings Per Share (USD/share)	-0.38	-0.31

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



Basis of preparation

(a) Statement of compliance

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

The consolidated financial information as of and for the twelve-month period ended 31 December 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 2007 have been consistently applied in preparing this condensed consolidated 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 condensed financial information as of and for the twelve-month period ended 31 December 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 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 condensed financial information. All amounts in the consolidated condensed financial information, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2007 of RUR 24.5462 to USD 1.00. All financial information presented in USD has been rounded to the nearest thousand.

* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.



Significant events after the reporting period

By 20 February 2008, the entire crop had been successfully sold. If the grain sold after 31 December 2007 would be artificially put back onto 2007's P&L, it would represent a total revenue flow of US 27 million.

For further information contact:
Gustav Wetterling, Head of Investor Relations:
Tel: + 44 [0] 2071 178 100
www.blackearthfarming.com

** The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information.*

