Alpcot Agro

Annual Report 2012

Contents

This annual report is a translation of the Swedish version. In case of discrepancies, the Swedish version shall apply.

Front cover image:
Seeding winter wheat in Lipets with the new Amity Single Disc Drill

Printed in Sweden. Landsten Reklam 2013.
Design Henrik Strömberg.

The year in brief

FINANCIAL HIGHLIGHTS

- Revenue for the period rose 194 per cent to SEK 745 million (SEK 253 million) driven by the increase in commodity prices and the expansion of the Ukrainian operations.
- The result before depreciation including exceptional items (EBITDA) was SEK 50.3 million (SEK -6.3 million) and net loss was SEK -102 million (net loss SEK -119 million).
- On 31 December 2012, Group debt, incorporating lease financing and interest bearing bank borrowings, totalled SEK 151 million (SEK 177 million). Group cash at the same date was SEK 44 million (SEK 64 million), and unsold inventory amounted to SEK 148 million (SEK 125 million).
- The earnings per share amounted to SEK -0.76 (SEK -1.40).

OPERATIONAL HIGHLIGHTS

- Cropped area expanded by 38 per cent to 126,000 hectares (ha) (91,400 ha) of cash crops and the gross harvested volume increased by 47.6 per cent to 409,500 tonnes (279,800).
- Winter crops planted across 28,400 ha in Russia (32,300 ha) and 32,600 ha in Ukraine (35,400 ha incl. Landcom).
- The acquisition of Landkom International Plc (Landkom) in January 2012 gave the Company control over an additional 77,000 ha of land in Ukraine giving a year-end total in Ukraine of 93,400 (19,400 ha). At the period end, the Russian land bank stood at 161,000 ha (186,200 ha) giving a Group total of 254,400 ha (205,600 ha).
- After the acquisition, the Group became involved in a legal dispute with a former supplier of Landkom. The dispute was resolved in October 2012 but hampered the Ukrainian operations and post-merger integration as well as holding back profitability.

IMPORTANT EVENTS AFTER THE PERIOD END

- In March 2013, the Company concluded an agreement with the investment manager Alpcot Capital Management to reduce the management fee for the remainder of the management agreement term to SEK 15 million. This translates to a lower cost of about SEK 24.5 million for the company compared to the previous management agreement
- In April 2013, the board of directors proposed to the Annual General Meeting to change the name of the company to Agrokultura AB

UPCOMING REPORTING DATES 2013

- Annual General Meeting – 16 May 2013
- Half Year Report 2013 – 30 August 2013

Alpcot Agro in brief

BUSINESS CONCEPT AND OPERATIONAL STRATEGY

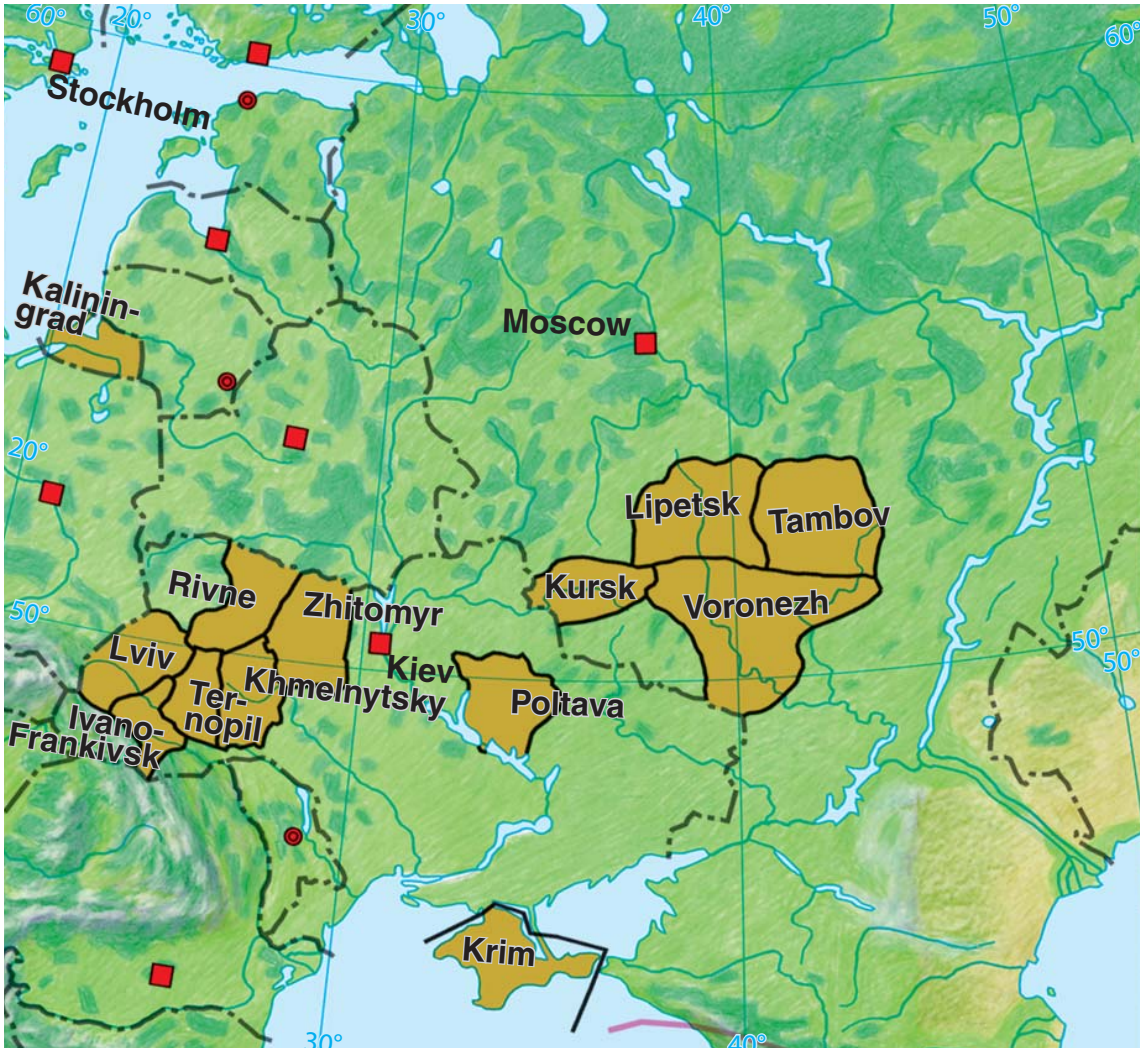
The Company's business concept is to generate an attractive return on invested capital by optimally utilizing the Company's agricultural land bank through crop production, livestock and other similar operations in Russia and Ukraine. The Company's operational strategy is to operate an efficient, modern agricultural business according to international best practice.

ORGANISATION

Alpcot Agro's crop production is concentrated on two operational clusters, one in the Central Black Soil Region in Russia headquartered in Voronezh and one in Western Ukraine headquartered in Lviv. Each of these main clusters is subdivided into several production entities. The company also maintains operations in the Kaliningrad oblast by the Baltic Sea as well as in a few other minor locations in Russia and Ukraine.

The Company also operates four large dairy farms in Russia, one in each of Kaliningrad and Lipetsk oblasts and two in Voronezh oblast. The business also includes a meat production unit in Kursk oblast.

ALPCOTS AGRO'S AREAS OF OPERATION



Managing Director's comments

Dear Shareholders,

The past year has seen good progress with revenues almost tripled from the year before. This is due to the combination of good prices for our products, the expansion of our Ukrainian business and improved performance of the operations in Russia.

The acquisition of Landkom allowed us to gain scale with high quality land, storage and machinery assets. Our Ukrainian operations expanded fourfold and the past year has been focused on integrating the new assets and the organisation into the Group. Landkom was a company with many problems and this has taken time and effort to sort out. We still have some work to do but with the recent appointment of the new managing director for Ukraine the restructuring plan is being executed.

Looking ahead, we have set out a number of objectives in order to make the Company profitable. The most important ones are:

- Concentration of the land bank. We are working to focus the operations to two concentrated areas: the Russian Central Black Earth region and Western Ukraine. We will reduce the land which is less operationally efficient.
- Modernisation of the machinery fleet. We are in the process of implementing no-till across the operations in Russia and we are at the same time replacing varied equipment with new larger scale, standardised more efficient machinery.
- Improved yields through internationally proven methods. We are optimising the crop rotation for greater profitability. In the present season this involves a shift from winter planting of grains to spring planting of oilseeds.
- Close monitoring of the entire value chain, in order to maintain efficient cost control and the best use of the Company's resources. Our medium term target is to have our own storage facilities for all our harvested crops.
- Consolidation of the legal structure to deliver cost efficiencies

Altogether, it is my firm vision that these and related change projects we are undertaking will lead to

- Improved operational performance and more efficient use of the Company resources
- Major logistical improvements
- A reduced cost base
- Improved yields and quality of our produce
- The ultimate objective of making the company profitable.

With last year's expansion in Ukraine, we now have well balanced operations with comparable revenues in Russia and Ukraine giving us an attractive country and geographical diversification going forward. Together with the good pricing environment and the ongoing change projects we are well positioned for a successful year in 2013.

Ulf Scholander

Managing Director

Operational review

CROP PRODUCTION

The Group seeks a mix of cropping between spring and winter crops which balances weather risk and working capital and machinery constraints. Rapeseed is the Group's most profitable winter crop and sunflower and corn are favoured spring crops.

The Group's Russian business is in the process of implementing no-till technology in its CBS (Central Black Soil) farms. New, larger machinery has been purchased for the spring 2013 season. Less field works will reduce diesel, labour and machinery maintenance costs whilst also preserving ground moisture as far as possible. The Group expects to see the effects of this from both a cost and yield perspective in 2013.

General improvements in crop production will come from land bank efficiencies across all operations. The Group is focussing its planting on consolidated plots which are logistically more efficient and easier to control and maintain. The Group also sees the potential for improvement in Ukraine due to the fact that a part of last year's harvest was planted by Landkom. In 2012, Alpcot Agro planted fields delivered rapeseed yields on average 26 per cent higher than those which had been planted by Landkom.

HARVEST 2012

The 2012 harvest was conducted in good weather conditions. The final results are shown below:

	Harvested area, ha	Gross harvest, tonnes	Gross Yield tonne/ha	Estimated Net Yield/ha
Total for Group	126,000	409,500	3.2	–

Ukraine

Crop	Harvested area, ha	Gross harvest, tonnes	Gross Yield tonne/ha	Estimated Net Yield/ha
Winter rape	19,100	45,600	2.4	2.2
Winter wheat	13,400	51,600	3.9	3.7
Winter barley	2,200	7,600	3.5	3.3
Corn	10,800	90,500	8.4	7.2
Sunflower	4,200	8,300	2.0	1.9
Soya	1,200	2,000	1.7	1.6
Buckwheat	3,100	3,500	1.1	1.0
Other	600	1,600	2.6	–
Total Ukraine	54,600	210,700	3.8	–

Russia Central Black Soil Region

Crop	Harvested area, ha	Gross harvest, tonnes	Gross Yield tonne/ha	Estimated Net Yield/ha
Winter wheat	28,200	73,100	2.7	2.5
Sunflower	12,800	27,200	2.1	2.0
Sugar beet	800	34,000	41.5	36.8
Spring barley	6,500	12,300	1.9	1.8
Corn	3,300	17,600	5.3	4.6
Soybean	5,600	6,000	1.1	1.0
Spring rape	2,300	3,700	1.5	1.4
Buckwheat	1,800	1,200	0.7	0.6
Other	1,400	1,600	1.4	–
Total Russia CBS	62,700	176,700	2.8	–

Kaliningrad

Crop	Harvested area, ha	Gross harvest, tonnes	Gross Yield tonne/ha	Estimated Net Yield/ha
Winter Wheat	1,700	7,300	4.2	3.7
Winter Rape	1,400	2,800	2.0	1.8
Spring Barley	2,000	6,200	3.2	3.0
Spring Rape	1,700	2,000	1.2	1.1
Spring Wheat	700	1,700	2.4	2.2
Other	1,200	2,100	3.2	–
Total Kaliningrad	8,700	22,100	2.4	–

2013 HARVEST

Winter Planting

The Group planted a total of 61,000 ha of winter crop for harvest in 2013 as shown below, a slight decrease from the previous year when the Group planted 66,000 ha. This reduction will be largely offset by the expected increase in spring planting.

Area Planted (ha)	Winter Rape	Winter Wheat	Winter Barley	Total
Ukraine	13,800	14,000	4,800	32,600
Russia CBS	–	24,400	–	24,400
Kaliningrad	2,000	2,000	–	4,000
Total	**15,800**	**40,400**	**4,800**	**61,000**

Winter planting in Ukraine was reduced by 6 per cent over the combined Landkom Alpcot Agro winter planting in 2011. The reduction was related to a focus on quality on the land planted. The rapeseed planting was reduced by 28 per cent in order to attempt to increase average yields and ensure overall profitability within the core land area in the west of Ukraine. Ukrainian regulations regarding the frequency of rapeseed planting must be followed which will ensure a sustainable rotation. Rapeseed is expected to contribute no more than 25 per cent of Ukrainian planted area in future years. Winter barley plantings were increased to aid crop rotation.

Russia CBS winter wheat planting was reduced by 13 per cent to 24,400 ha. This reduction is a reflection on the decision to move some of the winter wheat resources and capital towards spring planting of oilseeds. Despite this reduction, the Group expects to increase the amount of land harvested in 2013 by 14 per cent in Russia CBS.

The Group had limited winter kill in 2012-2013, with losses of about 800 hectares of winter rape in Kaliningrad due to a cold spell in March. These crops were insured and the land will be replanted with spring rape. In general spring has been late this year with snow remaining in some areas to the middle of April.

PLANNED SPRING PLANTING 2013

Weather permitting, the Group plans to increase its spring planting by 12 per cent to approximately 69,000 ha. Ukraine will plant approximately 18,500 ha made up of approximately 11,000 ha of corn with the remainder sunflower. According to the current plan, which may still be changed, Russia CBS will plant approximatively 45,000 ha of spring crop including approximately 16,000 ha of sunflower, 8,500 ha of spring barley, 7,500 ha of spring rapeseed and 5,000 ha of soya. The total Group area of crops for sale (excluding fodder crops) will reach approximately 130,000 ha. With the land bank rationalisations, the proportion of planted land to total land continues to increase. The Group is making a shift in spring planting from grains to oilseeds in order to improve profit margins.

SALES

The pricing environment for the Group's produce remains favourable. The Group's sales strategy does not involve price speculation. Once budgeted prices are attainable, a portion of crop is sold to lock in the downside risk. Average prices achieved to date (in USD) on selected key crops for the 2012 harvest are set out below.

Average Prices (ex VAT) USD per tonne	Ukraine	Russia
Rape	554	502
Corn	225	258
Wheat	195	231
Sunflower	460	469

The Group has already begun to forward sell the 2013 harvest. In Ukraine, the Group has forward sold 25-30 per cent of its expected rapeseed production at 3,588 SEK per tonne (USD 552) on a Delivered at Frontier basis. Forward selling is not currently commonplace in Russia.

STORAGE

Storage is an important area of the Group's infrastructure, providing flexibility around crop harvest and sales as well as reducing operating costs and maintaining security over the harvested commodity. The Group has around 290,000 tonnes of storage located across Russia and Ukraine and expects to invest further during 2013.

The table below shows the type and location of the Group's storage which will be available for use for the 2013 harvest.

Storage	Tonnes
Russia	
Grain silo	10,800
Flat Bed	145,900
Other temporary	39,000
Total Russia	**195,700**
Ukraine	
Grain Silo	52,300
Other temporary	44,500
Total Ukraine	**96,800**
Total Group	**292,500**

Ukraine is expecting to cover approximately 70 per cent of its storage requirements using owned storage facilities. Russia will cover 75 per cent of its storage requirements with own storage facilities. Future storage priorities include improving the quality of Russian storage facilities as well as adding a third silo in western Ukraine.

The Group has contracted external silo capacity to take harvest in locations where the Group does not have logistically efficient owned storage facilities. Long term, the Group plans to reduce the third party storage usage to minimal levels.

LIVESTOCK

Livestock is an integrated part of the Group's Russian business. The livestock branch saw major productivity improvements in 2012, and sales of livestock related produce were up 61 per cent year-on-year to SEK 69.6 million excluding VAT (SEK 42.5 million). The main challenge for the livestock business has been managing the high feed prices and the Group continues to focus on feed input costs.

At 31 December 2012, the livestock herd of 6,427 animals consisted of 3,250 dairy cows, 2,719 heifers and 458 bulls and calves. The herd was 7,588 animals at 31 December 2011, consisting of 2,990 dairy cows, 3,365 heifers and 1,233 bulls and calves. Although the herd has been reduced, its quality has improved considerably.

In the final quarter of 2012, the average milk production on the dairy farms was up 31 per cent year-on-year to 42.1 tonnes per day (Q4 2011: 31.9 tonnes), as a consequence of the improvements in quality and health of the herd. The average production per cow grew by 15 per cent from 464 litres per month during Q4 2011 to 536 litres per month during Q4 2012.

The prices of the Group's milk products were also 15 per cent higher at the end of 2012 due to the higher fat and protein content in the milk, commanding a higher price.

The Group does not plan to undertake any major investments in the livestock business in 2013 but will focus on organic growth and improving production.

LAND

The restructuring of the land bank is central to improving the Group's performance. During 2012, the Group has been actively selling land in locations which are less attractive to its core operations. The land bank as of year-end 2012 extends to 254,400 ha, of which 161,000 ha in Russia and 93,400 ha in Ukraine.

Land under control

Land bank by cluster (hectares)	2010-12-31	2011-12-31	2012-12-31
Russia			
North Voronezh (Ertil&Dina)	41,300	47,300	47,000
Kursk	48,800	51,400	45,900
Lipetsk	17,900	17,900	18,000
Kaliningrad	15,000	15,000	15,000
South Voronezh (Vorobievka)	12,000	10,900	9,900
Russia other	53,700	43,700	25,200
Total, Russia	**188,700**	**186,200**	**161,000**
Ukraine			
Western Ukraine	14,200	17,800	67,100
Ukraine other	1,600	1,600	26,300
Total, Ukraine	**15,800**	**19,400**	**93,400**
Total, Group	**204,500**	**205,600**	**254,400**

Land bank by category (hectares)	2010-12-31	2011-12-31	2012-12-31
Russia			
Registered land	75,700	85,000	87,500
Land in the process of registration	29,600	15,800	10,000
Leased land	83,400	85,400	63,500
Total Russia	**188,700**	**186,200**	**161,000**
Ukraine			
Leased land	15,800	19,400	93,400
Total Ukraine	**15,800**	**19,400**	**93,400**
Total, Group	**204,500**	**205,600**	**254,400**

The Group anticipates making further disposals which will bring the land bank down towards 200,000 ha. The Ukrainian operations will be focused in the west of Ukraine in Lviv, Ivano-Frankivsk and Ternopil oblasts. Russia will be focused on the Central Black Soil region across three production clusters in Voronezh, Kursk and Lipetsk oblasts. The proceeds from the sales of land will be reinvested in the business. Land in rotation is targeted to form at least 75 per cent of the total land bank by the end of 2013.

Seeding winter wheat in Vorobievka (top). Unloading on the go in Ertil, Voronezh (bottom).

Organisation

CORPORATE GOVERNANCE

The corporate governance structure of Alpcot Agro is as follows:

General Meeting of Shareholders

The General Meeting of Shareholders is Alpcot Agro's highest decision-making body.

Board of directors

The board of directors is elected by the general meeting of shareholders and presently consists of six non-executive directors. The board of directors has the ultimate responsibility for the management of the company. The board of directors has within itself organized two committees, the audit committee and the remuneration committee, in order to prepare relevant matters for the board.

Executive management

The board of directors has delegated the day-to-day management of the business to the Managing Director and the executive management team.

Investment manager

Alpcot Agro has a management agreement with Alpcot Capital Management for the latter to act as investment manager in return for a fixed yearly remuneration. Alpcot Capital management provides investment advice to Alpcot Agro and is also involved in different important projects in the operations. The agreement was reviewed in March 2013 and will terminate by 31 December 2013.

Governance principles

In its work, the company is managed in accordance with the Swedish Companies Act (Sw: Aktiebolagslagen). The company is not formally obliged to comply with the Swedish Corporate Governance Code (Sw: Svensk kod för bolagsstyrning) but has stated the ambition to be in line with the code to the greatest possible extent.

OPERATIONAL ORGANISATION

Alpcot Agro's crop production is concentrated to two operational clusters, one in the Central Black Soil Region in Russia headquartered in Voronezh and one in Western Ukraine headquartered in Lviv. Each of these main clusters is subdivided into several production entities. The company also maintains operations in the Kaliningrad oblast by the Baltic Sea as well as in a few other locations in Russia and Ukraine.

The Company operates four large dairy farms in Russia, one in each of Kaliningrad and Lipetsk oblasts and two in Voronezh oblast. The business also includes a meat production unit in Kursk oblast.

Employees

The total number of permanent employees in the Group at year end was 1,768 (1,429). As part of the acquisition of Landkom, 966 employees were added to the Group which are not included in the 2011 year end numbers. A major programme of redundancies was undertaken in Ukraine to reduce the post-merger headcount. The Group's Russian business has also made material headcount reductions in the course of the year.

Corporate Social Responsibility

CSR WORK

Alpcot Agro aims to be a responsible corporate citizen in the regions where it operates. This is achieved through the adherence to state and local regulations, having strong company policies on ethics, as well as maintaining good relationships with local authorities, with customers, suppliers and employees and with local communities in which the Company operates.

The Company's objective is to contribute to the principle of environmental sustainability. For this purpose, the Company is in the process of establishing a policy for environmental work. The objective of the policy is to be implemented and integrated in the operations. This is achieved by the development and follow-ups of environmental related objectives in the areas of chemicals, water and land, biodiversity and soil erosion. The reporting of this work is under development with the purpose to establish qualitative as well as quantitative targets in relation to environmental issues. Already today, environmental assessments are always taken into account before the purchase of agricultural property.

ENVIRONMENT

Due to the extensive scale of Alpcot Agro's cropping and livestock business, the Company has a significant environmental impact in the localities of its operations. The Company has identified the following areas as particularly important to monitor for the management of environmental and the related business impact:

- The use of chemicals (fertilizer, pesticides, herbicides and fungicides)
- Animal health
- Soil erosion
- Water use
- Carbon footprint

The Company's strategy is to introduce modern resource efficient farming practices into its operations in Russia and Ukraine in a social and environmentally responsible way. In many cases these new agricultural methods mean significant improvements in terms of environmental impact compared to current farming in the region. Among the practices used are:

- Seeding in the stubble and banning of straw burning which conserves humidity and nutrients, as well as prevents the release of thousands of tons of carbon dioxide into the atmosphere.
- Precision farming – by use of the latest application technologies of fertilizer and plant protection, the risks for contamination and overuse are reduced.
- The Company is in the process of introducing No-till farming, which is a way of cropping from year to year without distributing the soil through tillage. Through no-till, organic matter is concentrated in the soil surface which prevents evaporation (water losses) and minimizes soil erosion. The fact that the soil is not cultivated and the increase of organic matter in the soil reduces the emission of carbon dioxide from the soil to the atmosphere. No-till farming also demands less usage of fossil fuels.

Thanks to the fertile soil in the regions where the Company operates, the amount of fertilizer, herbicides and pesticides used are significantly lower than on most Western farms on a per hectare basis. Application of all fertilizers, herbicides and pesticides take place only after very careful crop and field monitoring to assess the exact needs. The Company does not use groundwater for watering the fields.

The Company is actively taking measures to minimize the usage of fossil fuels, the risk of erosion and chemical pollution. On all these parameters the interest of the Company overlaps with the most environmentally friendly way of operations.

CHARITY AND SOCIAL WORK

Alpcot Agro is also active with investments in social projects that allow the Company to maintain good relationships with the communities that the Company is part of.

Share development

The Group's shares are listed on Nasdaq OMX First North with the ticker name ALPA. The final closing price as of 31 December 2012 was SEK 4.80, and the market capitalisation at year end amounted to approximately SEK 667 million. At 31 December 2012, the Group had approximately 785 shareholders. The main shareholders were:

Shareholder	Number of shares	Capital and votes %
1. SIX SIS AG, W8IMY (nominee)	24,553,296	17.7
2. Nordea Investment Funds	13,201,284	9.5
3. Skandinaviska Enskilda Banken S.A., (nominee)	10,298,850	7.4
4. Tredje AP-fonden	9,874,993	7.1
5. Pareto Securities Oy (nominee)	6,676,089	4.8

Board of Directors' report

INCOME STATEMENT

Revenues

Revenues for the year were SEK 745 million (SEK 253 million), a rise of 194 per cent. The top line growth was driven by the continued positive pricing environment and the acquisition of Landkom. Including government grants revenues were SEK 753 million (SEK 273 million).

91 per cent of revenues were derived from the cropping business with the remainder from Livestock which is located predominantly in Russia. Of the cropping revenues, 45 per cent were derived from Russia and 55 per cent from Ukraine.

In addition, at the period end, the Group had harvested crop held for sale worth approximately SEK 148 million which is recognised as inventory on the balance sheet. Most crops have now been sold, at or in excess of carrying value, and the revenues from these sales will be recognised in the 2013 financial statements.

Costs

Raw material and consumables costs have risen to SEK 365 million (SEK 207 million), a rise of 76 per cent reflecting the increase in scale and the increase in focus on more input intensive crops away from wheat. The largest increases in this segment were plant protection chemicals and fertiliser which rose 105 per cent and 119 per cent respectively which offer the potential for higher yields. Costs in Ukraine for the spring purchasing of inputs were higher than optimal given the legal dispute which was ongoing at the time which frustrated the Group's access to funds at the time they were required. This meant the Group purchased inputs not only late but also at a higher price in the market.

Personnel costs have risen by 58 per cent to SEK 145 million reflecting the increases in personnel following the Landkom acquisition and the increase in scale of the Ukrainian business. Although headcount reductions have been made, a renewed focus on headcount and salary costs will be made in 2013. Approximately SEK 4 million of personnel costs are redundancy costs related to the Landkom acquisition.

Other external expenses relate to the indirect costs of production as well as administrative overhead and regulatory expenditures. The objective is to reduce this category of costs materially in 2013. Other external expenses relate rose by 158 per cent to SEK 255 million (SEK 99 million). A number of items can be considered one off such as the Group's unusually large legal and professional charges of SEK 36 million (SEK 9 million) much of which was related to the Landkom acquisition and the legal disputes which followed. Land rent contributes the largest portion of indirect costs at SEK 56 million (SEK 17 million). The increase is due to the increase of the Group's land which is rented following the expansion into Ukraine. As the land bank is reduced through land sales, the land costs may be reduced by up to 25 per cent.

The Group's management fee to Alpcot Capital Management (ACM) amounted to SEK 36.5 million. These management fees were in line with the revised agreement signed with ACM in February 2011. The services provided under the management agreement can be divided into four service categories; general management, treasury, land registration and capital raising. These fees will be reduced further following the further revisions to the agreement in March 2013. For further information, see note 36.

Results

The earnings before interest, tax, depreciation and amortisation (EBITDA), including exceptional items, was SEK 50 million (loss SEK 6 million). Depreciation and amortisation was SEK 110 million (SEK 78 million).

Exceptional items are made up of the negative goodwill and gains and losses on disposal of certain land plots and entities within Russia and Ukraine together with some acquisition costs relating to Landkom. See note 3.

The negative goodwill relates to the acquisition of Landkom where the fair value of the assets acquired is deemed to be SEK 112 million more than the purchase price. Landkom was in a distressed position due to high levels of trade creditors and limited opportunities to raise finance which led to the opportunity for the Group to purchase it for less than fair value.

In order to arrive at this fair value of Landkom assets, the Group, as directed by IFRS, retained external valuation experts to carry out an independent valuation in order to allocate the value of the assets acquired. The experts have performed a valuation analysis on the assets acquired to give a fair market

value looking at the price the assets could achieve if sold in the open market on a non fire-sale basis.

For land assets, the experts has valued land lease rights, which historically were carried at no value on the Landkom balance sheet, at the NPV of the discount of rent payments compared to researched market value rents. Land leases which can be found in "Intangible assets" on the Consolidated statement of financial position, will be amortised in line with the term outstanding on the respective lease agreement. Machinery assets will be depreciated according to their allocated value in line with Group policies.

The result before tax was SEK -76 million (SEK -97 million).

Balance sheet

The main movements on the asset side of the balance sheet are related to the acquisition of Landkom. Plant, property and machinery assets have risen to SEK 804 million and intangible assets have risen to SEK 100 million to reflect the valuation of the Landkom related Ukrainian land leases.

Land in process of registration has fallen to SEK 60 million reflecting the ongoing process of transferring land to Group control through a registration process. There have been limited funds allocated for the land registration process in 2012 which has slowed the progress. The Group expects to revitalise land registration in 2013.

Non-current biological assets relate to the Group's livestock business. Assets have not moved materially as there has been limited investment is this part of the business in 2012. Current biological assets of SEK 138 million relate to the estimated fair value of the winter planted crops in the ground at the end of the period.

Liquid resources and indebtedness

Cash control has remained tight across the Group. The highest levels of control are in place to ensure cash is invested in the areas which will deliver the highest return. At the period end the Group had cash reserves of SEK 44 million. In addition, there were inventory stocks of grain for sale valued at approximately SEK 148 million.

At 31 December 2012, the Group had gross debt and finance leases of SEK 151 million (SEK 177 million).

Winter wheat in Vorobievka, Southeast Voronezh

KEY RATIOS

The Group	12 m 2012	12 m 2011	12 m 2010	12 m 2009	12 m 2008
Operating margin, %	-8.3%	-27.3%	-54.9%	-103.1%	-82.5%
Equity/assets ratio, %	80.9%	81.4%	74.5%	80.5%	91.0%
Shareholders equity, MSEK	1,257	1,100	951	941	1,207
Average number of shares	134,124,104	84,656,369	48,005,758	34,591,956	29,974,536
Number of shares at the end of the year	139,008,658	99,197,472	49,591,892	34,591,956	34,591,956
Earnings per share, SEK	-0,76	-1.40	-4.04	-5.03	-3.77
Equity per share, SEK	9.04	11.09	19.17	27.21	34.90

Personnel

The total number of permanent employees in the Group at year end was 1,768 (1,429). As part of the acquisition of Landkom, 966 employees were added to the Group which are not included in the 2011 year end numbers.

Cash payments

During 2012, the Group management was notified of certain practices in the Group's Ukrainian entities regarding the use of cash in operations that had taken place outside of the normal routines. These transactions, which were largely as a result of the legal dispute in Ukraine and which were executed by local management in the best interests of the Group, amounting to approximately SEK 9 million were not in compliance with local legislation and led to local accounts having certain items misclassified. Records were however kept and adjustments have been made in the Group financial statements in order to correctly present these transactions in the income statement. The audit committee and the Board were immediately made aware of the specific circumstances and action was taken. Sufficient investigations have been carried out to provide the Board confidence that the transactions are the full extent of the contravention, internal control procedures have been clarified, responsible persons held accountable and a Group internal audit function has been established.

PARENT COMPANY

Revenues and results

The parent company provides management services and production expertise to the subsidiaries, as well as loan and equity financing for investments and operations. Revenues in the parent company consisted of sales of services to other group companies amounting to SEK 18.8 million (SEK 46.9 million). The operating result amounted to a loss of SEK -39.5 million (loss SEK -7.8 million). The result for the period amounted to a loss of SEK 1,010 million (profit of SEK 18.8 million) due to impairments of loans to subsidiaries amounting to SEK 976 million, following an impairment test which reviewed the value of the loans in the context of the Group's book value of assets.

Important balance items and cash

During the year, the parent company has impaired its lending to the subsidiaries leaving a year-end balance of SEK 903 million (1,738 million). The parent company made a provision on the outstanding loans to Group entities of SEK 976 million, equal to 47 per cent of the outstanding claims on group companies. The total asset balance at year end amounted to SEK 1,259 million (1,965 million), and the solidity of the parent company was at year end 96.2 per cent (98.9 per cent).

As of 31 December 2012, cash and cash equivalents in the parent company amounted to SEK 0.7 million (SEK 52.1 million).

Employees

The average number of employees in the parent company during the period was 8 (8) persons.

FINANCING

The Group intends to use bank and debt related facilities together with the disposal of non-core land and machinery to finance capital expenditure and infrastructure improvements.

In January 2012, the Group carried out a placing of new shares for cash which raised gross proceeds SEK 138.4 million before issue costs to cover the working capital commitments which came with the acquisition of Landkom. In addition, also in January 2012, 20.04 million shares were issued as con-

sideration for the entire share capital of Landkom International Plc and as consideration for the buyout of certain qualifying share options which had been issued under the Landkom employee share option programme. The fair value of the shares at the date of issue was SEK 7.5.

Since the period end, the Group secured and has commenced drawdown of a USD 12 million (approximately SEK 78 million) credit facility in Ukraine. This facility will ensure the Group has sufficient funds in Ukraine to plant and maintain its 2013 spring cropping through to the commencement of harvest. Russian debt levels have remained constant within the normal seasonal swings.

Following a number of years of limited investment in machinery, the Group has commenced a process of disposal of old equipment and replacement with standardised, new and large scale equipment which will form the basis for the future operations. Where possible this equipment is being financed with lease financing over a three to five year period.

When appropriate, the Group uses financial instruments such as forward off-take contracts or financial derivatives to hedge commodity prices. One such instrument remained outstanding at year end which covered a domestic wheat forward contract in Ukraine – final deliveries were to be made in the months to the end of March 2013. The purpose of the Group's hedging strategy is to hedge and reduce business risk rather than to speculate. Over the period, the Russian rouble and Ukrainian hrivnia have remained stable.

LISTING

The Board has decided that it will proceed to seek a listing on a larger stock exchange only when the Group is ready. The Board's view is that focus should be to restructure and improve the performance of the business before any value can be delivered to shareholders through an upgraded listing.

Important events after the end of the period

On 10 January 2013, Ulf Scholander was appointed as interim Managing Director of the Group.

On 18 February 2013, Simon Hallqvist was elected Chairman of the Board of Directors, replacing Fredrik Langenskiöld who resigned from the Board for personal reasons.

On 26 March 2013, Igor Buchatskyi was appointed as Managing Director for the Group's Ukraine operations.

WORK OF THE BOARD

The Company's Board of Directors has during the year consisted of seven members, including the Chairman, elected at the Annual General Meeting. During the year, the Board convened 11 board meetings.

ANNUAL GENERAL MEETING

The Company's Board of Directors has convened an Annual General Meeting on 16 May 2013 at 10.00. The Company's articles of association contain a record clause and the Company's share register is kept by Euroclear Sweden AB. No share certificates are issued.

DIVIDEND POLICY

Alpcot Agro may distribute future profits to the shareholders. The Company's ambition is that the dividend over time shall amount to at least 30 percent of the result after tax. When proposing the allocation of the Company's results, the Board will consider the investment needs to guarantee the Company's development and financial situation in general. Alpcot Agro has not, since the Company was incorporated in 2006, paid any dividends.

PROPOSED DISTRIBUTION OF THE PARENT COMPANY'S RETAINED EARNINGS

	SEK
Share premium reserve	1,461,126,147
Reserve for fair value	-779,443
Retained earnings	66,959,522
Loss for the year	-1 010,499,100
Retained earnings and reserves of the parent company	516,807,126

The Board of Directors proposes that the share premium reserve, reserve for fair value, retained earnings, and the loss for the year, amounting to SEK 516,807,126 be carried forward.

Group statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	Note	Year ended 31 December 2012	Year ended 31 December 2011
Continuing operations			
Revenue	6	745,082	253,130
Government grants	7	7,847	19,568
Total revenue		**752,929**	**272,698**
Changes in inventory and biological assets	18	(29,558)	123,749
Raw materials and consumables	8	(364,642)	(207,411)
Personnel expenses	26	(144,806)	(91,610)
Other external expenses	9	(254,703)	(99,161)
Exceptional items	10	91,036	(4,587)
Total operating expenses		**(702,673)**	**(279,020)**
Profit / (loss) before depreciation and amortization		**50,256**	**(6,322)**
Depreciation and amortization	14 & 15	(110,208)	(77,520)
Operating loss		**(59,952)**	**(83,842)**
Income/ (loss) from investments			
Interest income and similar items	11	818	4,362
Interest expense and similar items	12	(18,472)	(14,510)
Other financial items	13	1,168	(2,980)
Loss before tax		**(76,438)**	**(96,970)**
Income tax	25	583	(605)
Loss for the year from continuing operations		**(75,855)**	**(97,575)**
Loss for the year from discontinued operations	21	(26,313)	(20,930)
Loss for the year		**(102,168)**	**(118,505)**
Translation differences	27	(20,224)	(30,295)
Total comprehensive loss for the year		**(122,392)**	**(148,800)**
Loss for the year			
Whereof attributable to equity holders of the company		**(101,116)**	**(117,646)**
Whereof attributable to non-controlling interests		**(1,052)**	**(859)**
Total comprehensive loss for the year			
Whereof attributable to equity holders of the company		**(121,478)**	**(147,847)**
Whereof attributable to non-controlling interests		**(914)**	**(953)**
Basic and diluted earnings per share		(0.76)	(1.40)
Basic and diluted earnings per share from continuing operations		(0.57)	(1.15)
Basic and diluted earnings per share from discontinued operations		(0.20)	(0.25)
Average number of shares		134,124,104	84,656,369
Number of shares at the end of the period		139,008,658	99,197,472

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	14	804,080	626,531
Land in process of registration	14	59,832	82,169
Intangible assets	15	100,175	26,693
Biological assets	18	60,771	66,919
Investments in securities and other financial assets	16	556	303
Deferred tax assets	25	19,910	20,042
Total non-current assets		**1,045,324**	**822,657**
Current assets			
Inventories	17	238,770	178,209
Biological assets	18	138,251	110,387
Trade and other receivables	20	71,684	109,335
Short-term financial investments	16	7,665	13,584
Cash and cash equivalents	19	43,628	64,379
		499,998	**475,894**
Assets associated with discontinued operations	22	9,477	52,733
Total current assets		**509,475**	**528,627**
TOTAL ASSETS		1,554,799	1,351,284
EQUITY AND LIABILITIES			
Equity			
Share capital	28	695,043	495,987
Other paid-in capital		1,463,126	1,383,392
Foreign currency translation reserve		(222,968)	(202,606)
Accumulated deficit		(679,316)	(578,200)
Equity attributable to owners of the parent Company		**1,255,885**	**1,098,573**
Non-controlling interests		1,270	1,435
Total equity		**1,257,155**	**1,100,008**
Non-current liabilities			
Other non-current liabilities	24	141,795	102,177
Deferred tax liabilities	25	2,168	2,519
Total non-current liabilities		**143,963**	**104,696**
Current liabilities			
Short-term loans	24	45,578	74,900
Current tax payable		1,916	2,456
Trade and other payables	23	105,760	66,923
		153,254	**144,279**
Liabilities associated with discontinued operations	22	427	2,301
Total current liabilities		**153,681**	**146,580**
TOTAL LIABILITIES & EQUITY		1,554,799	1,351,284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Share capital	Other paid-in capital	Foreign currency translation reserve	Accumulated deficit	Attributable to owners of the parent company	Non-controlling interests	Total
Balance at 31 December 2010	**247,959**	**1,329,110**	**(168,015)**	**(460,554)**	**948,500**	**2,388**	**950,888**
Net result for the year	–	–	–	(117,646)	(117,646)	(859)	(118,505)
Other comprehensive loss	–	–	(30,201)	–	(30,201)	(94)	(30,295)
Total comprehensive loss	**–**	**–**	**(30,201)**	**(117,646)**	**(147,847)**	**(953)**	**(148,800)**
New share issue	248,028	74,464	–	–	322,492	–	322,492
Transaction costs	–	(20,182)	–	–	(20,182)	–	(20,182)
Disposals	–	–	(4,390)	–	(4,390)	–	(4,390)
Balance at 31 December 2011	**495,987**	**1,383,392**	**(202,606)**	**(578,200)**	**1,098,573**	**1,435**	**1,100,008**
Net result for the year	–	–	–	(101,116)	(101,116)	(1,052)	(102,168)
Other comprehensive loss	–	–	(20,362)	–	(20,362)	138	(20,224)
Total comprehensive loss	**–**	**–**	**(20,362)**	**(101,116)**	**(121,478)**	**(914)**	**(122,392)**
New share issue	199,056	89,684	–	–	288,740	–	288,740
Transaction costs	–	(9,950)	–	–	(9,950)	–	(9,950)
Acquisition from minorities	–	–	–	–	–	749	749
Balance at 31 December 2012	**695,043**	**1,463,126**	**(222,968)**	**(679,316)**	**1,255,885**	**1,270**	**1,257,155**

CONSOLIDATED CASH FLOW STATEMENT

SEK thousands	Note	Year ended 31 December 2012	Year ended 31 December 2011
Operating activities			
Cash received from customers		750,363	268,705
Cash received from government grants		16,303	19,568
Cash paid to suppliers and personnel		(809,358)	(475,131)
Cash flow used in operations		**(42,692)**	**(186,858)**
Interest paid		(20,862)	(20,250)
Interest received		2,124	2,843
Income tax paid		(1,227)	(189)
Net cash used in operating activities		**(62,657)**	**(204,454)**
Investing activities			
Acquisition of subsidiaries, net of cash acquired		(4,301)	–
Acquisition of tangible fixed assets		(61,446)	(95,042)
Acquisition of biological assets		(1,087)	(20,524)
Disposal of subsidiaries	5	13,075	12,613
Sale of fixed assets and intangible assets		31,523	5,348
Loans granted		(12,833)	(1,250)
Repayment of loans granted		6,862	3,551
Net cash used in investing activities		**(28,207)**	**(95,304)**
Financing activities			
Share issue		138,400	306,387
Share issue costs		(9,950)	(20,182)
Loans received		57,436	183,664
Repayment of loans		(120,765)	(170,401)
Net cash generated from financing activities		**65,121**	**299,468**
Net cash flow for the year		**(25,743)**	**(290)**
Cash at the beginning of the year		**64,379**	**66,123**
Exchange difference on cash		**4,992**	**(269)**
Cash at the end of the year		**43,628**	**65,564**
Less cash included in assets held for sale		**–**	**(1,185)**
Cash in continued operations		**43,628**	**64,379**

Notes to the Group statements

1. GENERAL INFORMATION

Alpcot Agro AB ("the Company") (556710-3915) is a Swedish limited liability company (registration number 556710-3915), incorporated in 2006. Alpcot Agro invests in farmland and agricultural operations in Russia and Ukraine.

The Company's shares are traded on NASDAQ OMX First North in Stockholm with the ticker name ALPA. The Company's domicile is Stockholm with the address Birger Jarlsgatan 32B, SE-114 29 Stockholm, Sweden.

The Company is in the process of changing its name to Agrokultura AB, which is also the established name used in the operations in Russia and Ukraine.

2. ACCOUNTING PRINCIPLES

(a) Principles applied in preparing the financial statements

The consolidated financial statements are prepared on the historical cost basis, except for biological assets which are recognised at fair value in accordance with IAS 41 "Agriculture", and certain financial instruments which are recognised at fair value in accordance with IAS 39 "Financial instruments, recognition and measurement". All amounts are in thousands of Swedish kronor, SEK thousands, unless otherwise indicated.

(b) Statement on compliance with the rules in force

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee, as adopted by EU. The consolidated financial statements have also been prepared in compliance with the Swedish Annual Accounts Act and RFR 1 'Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board. The parent company Alpcot Agro AB's separate financial statements have been prepared according to the Swedish Annual Accounts Act and recommendation RFR 2 'Accounting for legal entities' issued by the Swedish Financial Reporting Board.

(c) Standards, amendments and interpretations that came into effect on 1 January 2012

The following revised and amended IFRS standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) have been applied from 2012.

- Amendments to IAS 12 "Income taxes"
- Amendments to IFRS 1 "First time adoption of international financial reporting standards"
- Amendments to IFRS 7 "Financial Instruments: disclosure"

These new or amended IFRS standards and IFRIC interpretations, which became effective on 1 January 2012, have had no significant effect on the consolidated financial statements.

(d) New and revised IFRSs in Issue but not yet effective

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted:

- *IAS 1 (Amended) "Presentation of financial instruments" effective for periods commencing on or after 1 July 2012. The amendments require that items of other comprehensive income that might be reclassified to profit or loss at a future date be presented separately from those items that will never be reclassified to profit or loss.*
- *IFRS 13 "Fair value measurement" effective for annual periods commencing on or after 1 January 2013. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.*
- *IFRS 10 (Amended) "Consolidated financial statements" effective for annual periods commencing on or after 1 January 2013. IFRS 10 provides a single basis for consolidation with a new definition of control based on having the power to direct the relevant activities of the investee.*
- *IFRS 11 (Amended) "Joint arrangements" effective for annual periods commencing on or after 1 January 2013. IFRS 11 impacts the accounting for joint arrangements, defined as investments or arrangements which are subject to joint control through contractual agreed sharing of control between two or more parties. A joint arrangement is classified as either a joint operation or a joint venture, and the option to proportionately consolidate joint ventures has been removed.*

- *IFRS 12 (Amended) "Disclosure of interests in other entities" effective for annual periods commencing on or after 1 January 2013. IFRS 12 combines the disclosure requirements previously covered by existing standards and includes additional disclosure requirements.*
- *IFRS 9 (Amended) "Financial Instruments" effective for annual periods commencing on or after 1 January 2015. IFRS 9 deals with the classification and measurement of financial assets and liabilities.*

(e) Basis of consolidation

The financial statements for the parent company and the subsidiaries that are included in the consolidated financial statements pertain to the same period and are prepared according to the accounting principles that apply for the Group. All intra-group transactions, balances and any unrealised profits or losses arising from intra-group transactions are eliminated in full on consolidation. The consolidated financial statements incorporate financial statements of the parent company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Acquisition-related costs are generally recognized in profit or loss as incurred.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Subsidiaries

The subsidiaries are consolidated according to the purchase method. The purchase method means, among other things, that the cost of an acquisition is allocated to the acquired assets, liabilities and contingent liabilities based on their fair values at the date of acquisition. If the cost of the acquisition exceeds the acquired assets, liabilities and contingent liabilities, the difference is recognised as goodwill. If the cost of the acquisition is less than the net assets of the acquired subsidiary, the difference is recognised directly in profit and loss.

Non-controlling interests are presented within the equity of the Group in the Statement of financial position. The proportionate shares of profit or loss attributable to non-controlling interests and to equity holders of the parent company are presented below the statement of comprehensive income. Transactions between non-controlling interests and Group shareholders are transactions within equity and are thus shown in the statement of changes in equity. Non-controlling interest is recognized at the date of acquisition either as the proportionate share of the net assets or at fair value which is decided separately for each acquisition.

Joint Ventures and equity investments

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in Joint Ventures (JV) and associates are accounted for using the equity method. Goodwill arising on the acquisition of an associate or joint venture is included within the carrying amount of the associate or joint venture. If it is apparent that goodwill does not reflect future economic benefit, it is immediately written off. Any net excess of the Group's interest in the net fair value of acquiree's net identifiable assets over cost is recognised in profit and loss.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition is discontinued unless the Group has a commitment towards the JV or associate.

Where a Group enterprise transacts with an associate or JV of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate or JV, except where unrealised losses provide evidence of impairment.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, Managing Director and top management. The management considers the business primarily from the perspective of different business areas. Segments are presented to the management on a regional basis, and the dairy farming business is presented and reviewed as a separate business area. Please see Note 4 – Segment reporting for details.

(g) Translation of foreign currencies

The Group's consolidated financial statements are presented in Swedish kronor, SEK, which is the functional currency of the parent company and the reporting currency of the Group. The functional currency for each entity in the Group is determined based on the economic environment in which it operates, which largely corresponds to the local currency in the respective country – RUB for Russia and UAH for Ukraine. Assets and liabilities in foreign operations are translated into SEK at the exchange rate prevailing at the balance date. Income statements in foreign operations are translated using the average exchange rate for the year. Translation differences that arise on the translation of foreign operations are recognized in Other comprehensive income together with foreign currency borrowings accounted for as a hedge of a net investment in a foreign operation. These are accumulated in equity until the disposal of a net investment, at which time they are recognised in profit and loss.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the official rates of exchange at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the official rates at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the official rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The following exchange rates have been used in connection with the preparation of the consolidated financial statements:

Equivalent SEK for:	Closing rate at 31 December 2012	Average rate 2012	Closing rate at 31 December 2011	Average rate 2011
1 United States Dollar	6.5156	6.7754	n.a.	n.a.
1 Euro	8.6166	8.7053	8.9400	9.0300
1 British Pound	10.4914	10.7340	n.a.	n.a.
1 Ukrainian Hryvnia	0.8125	0.8469	0.8680	0.8150
100 Russian Ruble	21.4719	21.8130	21.5000	22.1000

(h) Tangible fixed assets

Property, plant and equipment

Property, plant and equipment are recognised at historical cost less accumulated depreciation and any impairment losses. Assets arising on the acquisition of a new subsidiary are stated at fair value at the date of acquisition. Property, plant and equipment are recognized as such when all related risks & economic benefits are transferred to the Group and when they are ready for their intended use. When an asset is not ready for its intended use but risks and economic benefits are transferred to the Group, this item is recognized within property, plant and equipment as a part of construction in progress. Interest costs on borrowings to finance the construction of these assets are capitalised as part of the cost during the construction period.

Depreciation is recognised so as to write off the cost (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. See also construction in progress. The review is based on the current condition of the assets and estimated period during which they will continue to bring economic benefit to the Group.

The depreciation of property, plant and equipment is based on the following estimated useful lives:

Buildings	20 – 50 years
Technical equipment	5 – 20 years
Agricultural machinery	5 – 20 years
Power stations and generators	10 – 25 years
Motor vehicles	4 – 10 years
Furniture and office equipment	3 – 5 years
Capitalised land improvements	25 years
Other	5 years

The carrying amount of property, plant and equipment is removed from the statement of financial position upon retirement or sale of the asset, or when no future economic benefits can be expected from the use of the asset. The gain or loss that arises when a tangible fixed asset is removed from the statement of financial position is recognised in the statement of comprehensive income.

Land

Land is initially recognised at cost. Land has an unlimited useful life and is therefore not depreciated. If the cost of land includes the costs of site dismantlement, removal and restoration, that cost portion of the land asset is depreciated over the period which it is considered that the Group will gain benefits by incurring those costs.

Construction in progress

Construction-in-progress comprises costs directly related to construction of property plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. If construction-in-progress is related to qualified assets, cost also includes finance costs capitalised during the exploration, development and construction periods where such costs are financed by borrowings. Depreciation and depletion of these assets commences when commercial use of the related assets has been established.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives for the different groups of intangible fixed assets are:

Land rights	1 – 49 years
Software	5 years

Depending on when the contracts for land usage rights are acquired or taken control of the remaining useful life varies. The average remaining useful life for the Group's land usage rights is 7 years.

Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the Group on an acquisition. Goodwill is computed as the excess of the cost of an acquisition over the fair value of the Group's share of the fair value of net assets of the acquired subsidiary at the acquisition date and is allocated to those groups of cash generating units expected to benefit from the acquisition for the purpose of impairment testing. In compliance with IFRS 3, the cost of an acquisition is equal to the sum of the consideration transferred, the value of the non-controlling interest in the acquisition and the fair value of the previously held interest in the acquired subsidiary. Goodwill arising on the acquisition of foreign entities is treated as an asset of the foreign entity denominated in the local currency and translated at the closing rate.

Goodwill is not amortised but tested for impairment on an annual basis, or more frequently if there is an indication of impairment. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

Goodwill arising upon the acquisition of an equity accounted investment is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value over the cost of the acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

(i) Impairment of property, plant and equipment and intangible assets

The Group tests its property, plant and equipment and intangible assets for possible impairment if, as a result of an event or changed circumstance, there is an indication that the assets' carrying amount cannot be justified by comparing the carrying amount

of the asset to their respective recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognized in the profit or loss.

Goodwill is tested for impairment annually, or more frequently when there is indication that the asset may be impaired. Impairment of goodwill is never reversed.

(j) Biological assets and agriculture

Agricultural activity is defined by the management as the biological transformation of biological assets for sale into agricultural produce or into additional biological assets. Agricultural produce is defined as the harvested product of the Group's biological assets and a biological asset is defined as a living animal or plant. The Group has determined the groups of its biological assets to be livestock and growing crops.

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale cost, except for the case where the fair value cannot be measured reliably on initial recognition. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest and is subsequently recorded as inventories.

If an active market exists for a biological asset or agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist the most recent market transaction price or the forecast from the independent advisor is used in determining fair value. Cost is used as an approximation of fair value when little biological transformation has taken place since initial cost incurrence, e.g. within short time after seeding the crop.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a subsequent change in fair value less estimated point-of-sale costs of a biological asset is included in profit or loss for the period in which it arises as under the heading of "Changes in inventory and biological assets". The biological assets are recorded as current and non-current biological assets based on the operational cycle of the respective biological assets. In general, biological assets growing crops are recognised as current assets, because the operational cycle is less than 12 months. Dairy herd is recorded as non-current biological assets because the operational cycle lasts more than 12 months.

Livestock and dairy herd

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on the quoted prices on active markets for producing and non-producing livestock. Where an exact market does not exist for a particular class of animals the nearest comparable market price is used and appropriate adjustments are made.

Crops – cereals and grassland

Crops are measured at their fair value less estimated point-of-sale costs. At initial recognition (after seeding) the crops are measured at cost as the market-determined values are not available for such biological assets. The crops are measured at fair value once the biological transformation started and the fair value becomes reliably measurable.

The fair value of the crops in the fields is calculated using a discounted cash flow method. Potential net yields (based on historical Group yields), independently sourced market prices for the time of delivery, together with expected costs to the point of harvest, are discounted to give a fair value at the period end. In the year ended 31 December 2012 the Group improved its calculation of fair value of crops by reducing its reliance on approximate dis-

counting factors and by using more accurate future cost calculations. In addition the Group recognised in full the fair value of biological assets whereas in previous periods only a proportion of estimated gains were recognised.

The Group recognises fallow land costs related to the next period seeding at the amount of expenses incurred to date on the balance sheet as a part of biological assets.

(k) Accounting for government grants

An unconditional government grant related to a biological asset is recognized as income when, and only when, the government grant is paid. If a government grant related to a biological asset is conditional, including where a government grant requires an enterprise not to engage in specified agricultural activity, the grant is recognized as income when, and only when, the conditions attached to the government grant are met.

Government grants, related to assets other than biological assets, are recognised as deferred income and released to the statement of comprehensive income over the expected useful life of the related asset.

Interest expense is presented net of subsidies in the statement of comprehensive income. Subsidies on the loss of harvest decrease the amount of the related losses included to other operating expenses in the statement of comprehensive income.

(l) Inventories

Agricultural produce following harvest is classified as inventories. The initial cost of the agricultural produce is equal to the fair value of biological assets at the time of harvest.

Inventories are measured at the lower of cost and net realisable value. If net realizable value is less than the cost of inventory, the carrying amount is reduced to the net realizable value and the difference is recognized in the statement of comprehensive income as loss from impairment of inventories. Net realisable value is the fair value of inventories (when an active market exists) which can be obtained from open sources, less the estimated costs to sell.

If no active market for inventories exists, a professional appraisal of the most significant items of the inventories is made to determine the net realizable value.

The cost of inventories (which are not agricultural produce) is based on the weighted average principle and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(m) Financial assets and liabilities

Financial instruments recognised in the Group's statement of financial position include investments, loans and promissory notes receivable, trade and other receivables, cash and cash equivalents, borrowings and promissory notes payable, trade and other payables. Financial instruments are initially measured at fair value, when the Group has become a party to the contractual arrangement of the instrument.

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available for sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

A financial instrument or a portion of a financial instrument is derecognised, when the Group loses its contractual rights or extinguishes the obligation associated with such an instrument. On de-recognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in the statement of comprehensive income.

On de-recognition of a financial liability the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in the statement of comprehensive income.

Investments

The Group classifies its investments in marketable debt, equity securities, and investments in unlisted equity securities, into three categories, being, trading, held-to-maturity and available-for-sale. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and are therefore fair valued through the income statement and presented as current assets. Investments with fixed maturity, which management has the intent and ability to hold to maturity, are classified as held-to-maturity, to be disclosed in non-current assets. Investments in listed and unlisted shares as well as payment-in-kind (PIK) notes are classified as available-for-sale. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale investments are initially recognised at fair value and subsequent gains and losses are booked to equity in other comprehensive income and, when they are sold, the accumulated fair value adjustments are then included in the income statement. The values of all investments for which the market value has been below the carrying value for more than a year are reviewed at least annually for impairment. If management believes that the reduction of value is permanent, then that part of the fair value reserve represented by the impairment is transferred to the income statement.

Loans given and receivables

Loans, accounts receivable, and other receivables are initially recognised at their fair value and subsequently at their amortised cost less any bad debt allowances made. Provisions for probable bad debt losses/uncertain receivables are made after an individual evaluation of each customer based on ability to pay, anticipated future risk and the value of any guarantees received.

Objective evidence for making provision could include:

- Significant financial difficulty of the counterparty;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the counterparty will enter bankruptcy or financial reconstruction.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits as well as short term highly liquid investments with maturities of 90 days or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Short term investments consist of investments with a maturity of more than 90 days.

Borrowings

Loans and borrowings are initially recognised at fair value, which is the equivalent of proceeds received less any transaction costs, and subsequently at amortised cost. Premiums or discounts at the time a loan is issued are recognised over the period of the loan using the effective interest method in net financial items in the statement of comprehensive income.

Accounts payable

Accounts payable and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Employee benefits

In Russia and Ukraine the Group pays contributions to the State Pension Fund of the respective countries. The Group has determined that these constitute defined contribution plans since the only obligation of the Group is to pay in the periods in which they arise. Contributions are recognised as an expense in the statement of comprehensive income in the respective period.

For a limited number of employees in Sweden, the Group also has defined contribution plans, under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional contributions if this legal entity does not have sufficient assets to pay the employees full compensation linked to the employee's past and present service.

(o) Taxes

The current tax expense is calculated applying the tax rules that are enacted or practically enacted as of the closing date in the countries where the parent company, its subsidiaries and associated companies operate and generate taxable income. Management assesses on a regular basis the claims made in income tax returns with respect to the situations where applicable tax rules are subject to interpretation and, if it is deemed necessary, makes provisions for probable payments to the tax authorities.

Deferred tax is accounted for in accordance with the balance sheet method on all temporary differences between the tax and book values of all assets and liabilities. Deferred tax is not recognised, however, if it arises as a result of a transaction that is the initial recognition of an asset or liability that is not a business combination and that, at the time of the transaction, affects neither the book nor the tax base. Deferred income tax is calculated using the tax rates (and rules) that have been decided or announced as of the closing date and that are expected to be in effect when the deferred tax asset or liability is settled. Deferred tax is recognised in the profit or loss, except when the tax effect is attributable to items recognised in other comprehensive income or directly in equity. In these cases the deferred tax effect is recognised together with the underlying item in other comprehensive income or directly in equity. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be used.

Deferred tax is calculated on temporary differences that arise in interests in subsidiaries and associated companies, except when the timing of the reversal of the temporary difference cannot be controlled by the Group and it is likely that the temporary difference will not be reversed within the foreseeable future.

(p) Revenue recognition

Sales comprise agriculture produce, other products, raw materials and services less indirect sales tax and discounts, and are adjusted for exchange differences on sales in foreign currency. Sales are recognised after the Group has transferred the risks and rewards of ownership to the buyer and the Group retains neither a continuing right to dispose of the goods, nor effective control of those goods; usually, this means that sales are recorded upon delivery of goods to customers in accordance with agreed terms of delivery.

(q) Provisions

Provisions for restoration of the environment, restructuring costs and legal claims are recognised when the Group has a legal or informal obligation as a result of a previous event, it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Restructuring provisions are costs for terminations of leasing contracts and redundancy payments. Provisions are not made for future operating losses.

If there are several similar obligations, the probability of outflow of economic resources at the settlement of these obligations is assessed for the obligations as a group. A provision is recognised even if the probability for an outflow of economic resources for a particular item in the group of obligations is remote.

The provisions are carried at the present value of the amount that is expected to be required to settle the obligation. A discount rate before tax reflecting the current market assessment of the time value of money and the risks associated with the provision is used. An increase in a provision due to the passage of time is accounted for as interest expense.

(r) Interest expenses

Interest on borrowings related to major qualifying capital projects under construction is capitalised during the construction period in which they are incurred. Interest on borrowings related to operating activities is expensed in the statement of comprehensive income as and when incurred.

(s) Leases

Leases where a significant portion of the risks and rewards associated with ownership are retained by the lessor are classified as operating leases. Payments made during the lease period (less any incentives from the lessor) are expensed in the statement of comprehensive income on a straight line basis over the term of the lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of

the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(t) Earnings per share

Basic earnings per share before dilution, applicable to owners of the parent, is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted earnings per share is computed by applying the "treasury stock" method, under which earnings per share data is computed as if the warrants and options were exercised at the beginning of the period, or if later, on issue and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options. No outstanding options or warrants exist as at 31 December 2012.

The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and options exceeds the average market price of the common stock during the period. The warrants and options have a dilutive effect only when the average market price of the common stock during the period exceeds the exercise price of the warrants and options.

(u) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. ESTIMATES AND JUDGEMENTS

The preparation of Consolidated Financial Statements conforming to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the period. The estimates are based on historical experience and various other assumptions that are believed to be reasonable, though actual results and timing could differ from the estimates. Management believes that the accounting policies below represent those matters requiring the exercise of judgement where a different opinion could result in the substantial changes to reported results.

a. Useful life of property, plant and equipment

For material property, plant and equipment in an acquisition, external advisors make a fair valuation of the acquired fixed assets and assists in determining their remaining useful lives. Management believes that the accounted values and useful lives, as well as the underlying assumptions, are reasonable, though different assumptions and assigned lives could have a significant impact on the reported amounts.

b. Impairment

The Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independ-

ent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and also in estimating the timing and value of underlying cash flows within the value in use calculation. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

At the reporting date management carried out an assessment for indications of impairment of assets. This included an assessment of the business economic environment, performance of the business and market capitalisation of the business. Management concluded that there are no indications of impairment.

c. Fair value of land usage rights

The Group's agricultural land usage activity is subject to various laws and regulations governing the protection of the environment. The Group estimates fair value of land usage rights at the moment of acquisition of subsidiaries, which has operational land lease agreements, based on the management's understanding of the current legal requirements in the various jurisdictions, terms of the land lease agreements and internally generated estimates.

d. Biological assets

Under IAS 41, the Group's biological assets are measured at fair value less point-of-sale costs at each reporting date. Due to the specifics of the agricultural production, fair value of some crops and animals cannot be determined reliably in their present status. In addition to that, the biological assets in the countries where the Group operates are not frequently traded on active market. Therefore the fair value is determined using alternative methods. The Group uses a discounted cash flow method to measure the fair value of crop biological assets and an adjusted market value method to calculate the fair value of livestock biological assets. Where appropriate management refer to latest transactions, exchange traded future prices or price averages and price forecasts prepared by independent advisors.

e. Net realisable value and fair value less costs to sell of inventories

The Group has its agricultural produce in inventory as of the year end. The agricultural produce has been valued at the point of harvest at its fair value less costs to sell. The fair value of the grain is determined based on the market reports of independent market analysts and market statistics published by Ministries of Agriculture of Russia and Ukraine. Then inventory are impaired to net realisable value at the reporting date if the prices have fallen since point of harvest. The net realisable value is estimated based on the available data from the sources mentioned above and management's estimate on future probable sales prices.

f. Tax risk

A high degree of estimation is involved in determining the provisions needed for income tax. There are many transactions and calculations where the final tax is not known with certainty at the time of the transactions and calculations are made. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of current and deferred tax provisions in the period in which such determination is made.

g. Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

4. SEGMENT INFORMATION

For management purposes the Group is organised into business units according to the geographical location and nature of products produced. The Group has four reportable operating segments as follows:

- Central Black Soil Arable Farming (CBS Arable) – farms arable land mainly for the production of oilseeds and grains in the Russian Central Black Earth Region
- Kaliningrad Arable Farming (Kaliningrad Arable) – farms arable land mainly for the production of oilseeds and grains in Kaliningrad Oblast, Russia.
- Ukraine Arable Farming (Ukraine Arable) – farms arable land mainly for the production of oilseeds and grains in Ukraine. Over 90 per cent of the farming is carried out Lviv, Ternopil and Ivano Frankivsk Oblasts
- Livestock Farming – raises mainly dairy cattle for milk production. The majority of the Groups livestock operations are located in the Central Black Earth regions of Russia with smaller operations in Kaliningrad and Ukraine.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The following table presents the revenue and result and certain asset and liability information regarding the Group's business segments.

31 December 2012, SEK thousands	Russia CBS arable	Kalin-ingrad arable	Ukraine arable	Livestock	Segments total	Manage-ment	Elimina-tions	Total Group
External revenue – crop products	255,487	38,611	366,020	–	660,118	–	(3,859)	656,259
External revenue – milk and meat	–	224	–	67,572	67,796	–	–	67,796
External revenue – other	2,800	4,266	10,723	3,238	21,027	–	–	21,027
Total external revenue	**258,287**	**43,101**	**376,743**	**70,810**	**748,941**	**–**	**(3,859)**	**745,082**
Net intersegment transactions	(45,338)	(6,777)	(25,224)	(11,674)	(89,013)	89,013	–	–
Government grants	1,923	3,312	–	2,612	7,847	–	–	7,847
Total revenue and gain	**214,872**	**39,636**	**351,519**	**61,748**	**667,775**	**89,013**	**(3,859)**	**752,929**
Changes in inventory and biological assets	(8,734)	(878)	(21,353)	(6,970)	(37,934)	–	8,376	(29,558)
Material and other costs	(197,230)	(41,924)	(399,214)	(74,992)	(713,360)	(66,326)	15,535	(764,151)
Exceptional items	–	–	(8,204)	(8,612)	(16,815)	107,851	–	91,036
Loss before depreciation and amortization	**8,908**	**(3,166)**	**(77,251)**	**(28,825)**	**(100,334)**	**130,538**	**20,052**	**50,256**
Assets	643,782	170,454	547,088	117,876	1,479,200	75,599	–	1,554,799
Liabilities	(56,356)	(34,492)	(84,300)	(62,601)	(237,749)	(59,895)	–	(297,644)
Total assets	**587,426**	**135,962**	**462,788**	**55,275**	**1,241,451**	**15,704**	**–**	**1,257,155**

31 December 2011, SEK thousands	Russia mainland arable	Kalin-ingrad arable	Ukraine arable	Livestock	Segments total	Manage-ment	Elimina-tions	Total Group
External revenue – crop products	131,196	42,552	39,720	–	213,468	–	(10,543)	202,925
External revenue – milk and meat	–	–	–	41,998	41,998	–	–	41,998
External revenue – other	7,803	1,864	274	513	10,454	22	(2,269)	8,207
Total external revenue	**138,999**	**44,416**	**39,994**	**42,511**	**265,920**	**22**	**(12,812)**	**253,130**
Intersegment revenue	1,752	–	–	1,739	3,491	20,125	(23,616)	–
Government grants	5257	3844	–	10467	19,568			19,568
Total revenue and gain	**146,008**	**48,260**	**39,994**	**54,717**	**288,979**	**20,147**	**(36,428)**	**272,698**
Changes in inventory and bio-logical assets	73,115	2,795	48,306	1,342	125,558	–	(1,809)	123,749
Material and other costs	(197,346)	(48,429)	(88,301)	(56,435)	(390,511)	(53,710)	46,039	(398,182)
Exceptional items	(4,587)	–	–	–	(4,587)	–	–	(4,587)
Loss before depreciation and amortization	**17,190**	**2,626**	**(1)**	**(376)**	**19,439**	**(33,563)**	**7,802**	**(6,322)**
Assets	778,135	196,472	168,501	143,588	1,286,696	64,587	–	1,351,283
Liabilities	(98,632)	(63,887)	(13,337)	(54,932)	(230,788)	(20,488)	–	(251,276)
Total assets	**679,503**	**132,585**	**155,164**	**88,656**	**1,055,908**	**44,099**	**–**	**1,100,007**

Discontinued operations are shown separately in the income statement as a one line item "Loss for the year from discontinued operations". The "adjustments and eliminations" column includes cancelling out the discontinued operations.

Geographical Information

	Revenue from external customers		Non-current assets	
SEK thousands	2012	2011	2012	2011
Ukraine	376,743	39,994	336,879	67,863
Russia	372,198	225,948	708,445	754,794
Total	**748,941**	**265,942**	**1,045,324**	**822,657**

The revenue information above is based on the location of the customer.

Information about major customers

There were no customers representing 10 per cent or more of total revenue in the years ended 31 December 2012 and 2011.

5. DISPOSAL OF SUBSIDIARIES

In 2012 the Group disposed of several Russian (LLC Sinegorie-Invest and LLC Borelskiy Melzavod) and Ukrainian (Romaniv Agro LLC) subsidiaries. The net loss on disposal of these entities in 2012 was SEK 16,813 thousand.

In 2011 the Group disposed of several Russian (Agrokultura Kamenka) and Ukrainian (Agrokultura Volyn, Agrokultura Volyny, Agrokultura Polyssja) subsidiaries. The net loss on disposal of these entities in 2011 was SEK 4,586 thousand.

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Assets and liabilities disposed of:		
Property, plant and equipment	–	10,881
Intangible assets	10,441	–
Other non-current assets	–	2,984
Inventories	–	261
Trade and other receivables	–	985
Cash and cash equivalents	–	15
Assets held for sale	25,067	–
Other non-current liabilities	–	(16,097)
Trade and other payables	(2,174)	(9,841)
Liabilities held for sale	(36,951)	–
Total liabilities disposed of	**(3,617)**	**(10,812)**
Costs and revenues on disposal		
Assignment of Group receivables to acquirer	(33,137)	(24,303)
Cash received for assignment of receivables to acquirer	13,346	13,360
Disposal proceeds	124	–
Loss on sale of equipment associated with disposed entity	(763)	(4,455)
Total cost of disposals	**(20,430)**	**(15,398)**
Loss on disposal	**(16,813)**	**(4,586)**
Net cash flow effect on disposal of subsidiary		
Consideration received in cash and cash equivalents	13,470	13,360
Less: cash and cash equivalents balances disposed	(395)	(15)
Total cash effect	**13,075**	**13,345**

6. REVENUE

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Crop products	660,118	213,468
Livestock products	67,796	41,998
Other revenue	21,027	10,476
Less discontinued operations	(3,859)	(12,812)
Total	**745,082**	**253,130**

7. GOVERNMENT GRANTS

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Relating to crop production	5,235	9,101
Relating to livestock	2,612	10,467
Total	**7,847**	**19,568**
Interest funded government grants	9,096	10,558

Governmental grants and subsidies amounting to SEK 7,847 thousand (2011: SEK 19,568 thousand) were received during the year for the purchase of heifers, seeds, fertilizers and other materials for crop production. These grants are related to biological assets and recognized as income according to IAS 41. There are no unfulfilled conditions or contingencies attached to these grants.

In addition, subsidies for SEK 9.1 million (2011: SEK 10.6 million) have been received to compensate the bank interest charges. These amounts have been netted in the income statement with the related expense items in other operating expenses and finance costs respectively.

All grants have been received in Russia.

8. RAW MATERIALS

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Seeds	56,968	39,135
Fertilisers	99,810	48,803
Plant protection	70,746	32,270
Fuel	82,805	46,625
Fodder and animal protection	21,984	26,300
Spare parts	33,579	23,819
Less discontinued operations	(1,250)	(9,541)
Total	**364,642**	**207,411**

9. OTHER EXTERNAL EXPENSES

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Land rent	56,391	17,339
Contractors	22,167	15,282
Transportation costs	31,510	12,376
Security	5,308	10,521
Management fees	26,391	8,729
Legal and professional	36,068	8,549
Taxes	30,933	7,356
Repairs and maintenance	12,135	7,069
Audit fees	4,603	4,827
Office rent	4,227	4,519
Rent of machinery and equipment	2,537	3,361
Spoilages and winter losses	838	368
Changes in reserves	4,705	(1,513)
Other	30,064	12,174
Less: discontinued operations	(13,174)	(11,796)
Total	**254,703**	**99,161**

10. EXCEPTIONAL ITEMS

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Negative goodwill on acquisition of Landkom International PLC	111,501	–
Costs relating to the acquisition of Landkom International PLC	(3,650)	–
Loss on disposal of Sinegorie-Invest LLC	(4,866)	–
Loss on disposal of Borelskiy Melzavod LLC	(3,746)	–
Loss on disposal of Romaniv Agro LLC	(8,204)	–
Loss on disposal of AK Volyn, AK Volyni, AK Polyssja	–	(1,266)
Loss on disposal of Agrokultura Kamenka	–	(3,321)
Total	**91,036**	**(4,587)**

11. INTEREST INCOME AND SIMILAR ITEMS

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Interest income	828	4,362
Less discontinued operations	(10)	–
Total	**818**	**4,362**

12. INTEREST EXPENSE AND SIMILAR ITEMS

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Interest expense	27,688	25,068
Less discontinued operations	(120)	–
Interest funded by government grants	(9,096)	(10,558)
Total	**18,472**	**14,510**

13. OTHER FINANCIAL ITEMS

SEK Thousands	Year ended 31 December 2012	Year ended 31 December 2011
Gain / (loss) on disposal of financial instruments	1,924	(1,093)
Foreign exchange gains and losses	(1,060)	(1,887)
Less discontinued operations	304	–
Total	**1,168**	**(2,980)**

14. PROPERTY, PLANT AND EQUIPMENT

SEK thousands, Cost or valuation	Buildings and structures	Land	Agricultural equipment	Vehicles and other assets	Construction in progress and un-installed equipment	Land advances	Total
At 31 December 2010	**114,540**	**197,066**	**366,875**	**48,890**	**44,097**	**136,153**	**907,621**
Additions	28,061	19,460	36,084	4,665	10,967	19,677	118,914
Transfers	2,039	21,176	4,676	43	(8,106)	(34,449)	(14,621)
Disposals	(2,446)	(430)	(13,230)	(1,928)	(347)	(8,057)	(26,438)
Disposal of subsidiaries	–	(13,471)	–	(6)	–	(1,266)	(14,743)
Reclassification	(13,457)	(6,380)	(14,021)	(2,782)	–	(12,098)	(48,738)
Effect of translation	(2,845)	(6,871)	(10,886)	(1,395)	(1,671)	(3,906)	(27,574)
At 31 December 2011	**125,892**	**210,550**	**369,498**	**47,487**	**44,940**	**96,054**	**894,421**
Acquisition of subsidiaries	45,772	321	47,433	112,482	13,268	–	219,276
Additions	9,727	5,663	27,248	5,220	11,272	4,697	63,827
Transfers	33,798	24,129	(285)	(1,644)	(33,516)	(22,482)	–
Disposals	(5,072)	(2,645)	(25,225)	(5,181)	(2,375)	(363)	(40,861)
Reclassification from intan-gible assets	–	3,188	–	13	–	–	3,201
Effect of translation	(4,587)	(1,120)	(5,684)	(5,435)	(414)	(53)	(17,293)
At 31 December 2012	**205,530**	**240,086**	**412,985**	**152,942**	**33,175**	**77,853**	**1,122,571**

SEK thousands, Depreciation	Buildings and structures	Land	Agricultural equipment	Vehicles and other assets	Construction in progress and un-installed equipment	Land advances	Total
At 31 December 2010	**(8,439)**	**–**	**(104,271)**	**(16,712)**	**–**	**–**	**(129,422)**
Depreciation for period	(6,398)	–	(55,714)	(9,810)	–	–	(71,922)
Impairment	–	–	–	–	–	(14,360)	(14,360)
Transfers	(1,096)	–	2,146	(1,050)	–	–	–
Disposals	923	–	9,787	1,009	–	–	11,719
Disposal of subsidiary	–	–	–	4	–	–	4
Reclassification	3,056	–	7,716	2,015	–	–	12,787
Effect of translation	353	–	4,040	606	–	474	5,473
At 31 December 2011	**(11,601)**	**–**	**(136,296)**	**(23,938)**	**–**	**(13,886)**	**(185,721)**
Depreciation for period	(9,721)	–	(57,159)	(20,447)	–	–	(87,327)
Impairment	–	–	–	–	–	(4,250)	(4,250)
Transfers	770	–	(2,762)	1,992	–	–	–
Disposals	1,264	–	12,538	2,344	–	–	16,146
Reclassification to assets held for sale	–	–	–	(468)	–	–	(468)
Effect of translation	349	–	1,683	814	–	115	2,961
At 31 December 2012	**(18,939)**	**–**	**(181,996)**	**(39,703)**	**–**	**(18,021)**	**(258,659)**
Accumulated Depreciation							
At 31 December 2012	(18,939)	–	(181,996)	(39,703)	–	–	(240,638)
At 31 December 2011	(11,601)	–	(136,296)	(23,938)	–	–	(171,835)
Accumulated Impairment							
At 31 December 2012	–	–	–	–	–	(18,021)	(18,021)
At 31 December 2011	–	–	–	–	–	(13,886)	(13,886)
Net book value							
At 31 December 2012	186,591	240,086	230,989	113,239	33,175	59,832	863,912
At 31 December 2011	114,291	210,550	233,202	23,549	44,940	82,168	708,700

Leased property plant and equipment

Agricultural machinery includes equipment purchased on finance lease with a net book value of SEK 46,018 thousand (2011: SEK 12,145 thousand). The leases are classified as finance lease because the ownership of the leased assets passes to the Group at the end of lease term.

Pledged assets

As of 31 December 2012 assets with a book value of SEK 208,419 thousand (2011: SEK 145,751 thousand) were pledged as security for bank loans. All the expenses related to property maintenance are borne by the Group. The Group is required to insure the pledged property. The type, amount and term of insurance shall meet pledge holders requirements. The pledge holders have an obligation to return the securities to the Group. There are no other significant terms and conditions associated with the pledges.

15. INTANGIBLE ASSETS

SEK thousands	Land usage rights	Other	Total
Cost or valuation			
At 31 December 2010	**13,346**	**377**	**13,723**
Additions	6,507	714	7,221
Reclassification	14,634	(13)	14,621
Currency translation effect	(653)	(18)	(671)
At 31 December 2011	**33,834**	**1,060**	**34,894**
Acquisition of subsidiaries	106,523	1,582	108,105
Purchases	4,507	380	4,887
Disposals	(6,066)	(1,908)	(7,974)
Disposal of subsidiary	(11,494)	–	(11,494)
Reclassification to property, plant, and equipment	(4,228)	(3)	(4,231)
Currency translation effect	(3,952)	(48)	(4,000)
At 31 December 2012	**119,124**	**1,063**	**120,187**
Accumulated amortisation and depreciation			
At 31 December 2010	**(5,705)**	**(130)**	**(5,835)**
Amortisation	(2,489)	(101)	(2,590)
Disposals	–	88	88
Currency translation effect	138	(2)	136
At 31 December 2011	**(8,056)**	**(145)**	**(8,201)**
Amortisation charge	(13,019)	(344)	(13,363)
Impairment	(1,165)	–	(1,165)
Disposals	173	5	178
Disposal of subsidiary	1,053	–	1,053
Transfer to property, plant, and equipment	1,040	2	1,042
Currency translation effect	422	22	444
At 31 December 2012	**(19,552)**	**(460)**	**(20,012)**
Accumulated Amortisation			
At 31 December 2012	(18,387)	(460)	(18,847)
At 31 December 2011	(8,056)	(145)	(8,201)
Accumulated Impairment			
At 31 December 2012	(1,165)	–	(1,165)
At 31 December 2011	–	–	–
Net book value			
At 31 December 2012	99,572	603	100,175
At 31 December 2011	25,778	915	26,693

Intangible fixed assets have determined useful lives over which they are amortised. Land rights are amortised over the term of the lease, which averages 10 years. If ownership of the land is transferred to the Group they are reclassified as land and amortisation ends. The average amortisation period for other intangible assets, mainly software, is 5 years.

16. INVESTMENTS IN SECURITIES

Long term investments

SEK thousands	31 December 2012	31 December 2011
Long term loans given	2	775
Advances given to third parties	554	303
Less impairment of long term investments	–	(775)
Total long term investments	**556**	**303**

Short term investments

SEK thousands	31 December 2012	31 December 2011
Loans given	10,383	10,370
Promissory notes receivable	280	5,318
Other short term investments	1,199	2,314
Less impairment of short term investments	(4,197)	(4,418)
Total short term investments	**7,665**	**13,584**

17. INVENTORIES

SEK thousands	31 December 2012	31 December 2011
Raw materials at cost	92,162	55,607
Less provision for obsolescence	(1,517)	(2,255)
Net raw materials	**90,645**	**53,352**
Agricultural produce	148,125	125,025
Less provision to net realisable value	–	(168)
Net agricultural produce	**148,125**	**124,857**
Total inventories	**238,770**	**178,209**
Agricultural produce, metric tonnes	93,255	108,133
Average book value of agricultural produce SEK / metric tonne	1,588	1,155

18. BIOLOGICAL ASSETS

The Group recognises two types of biological assets, consumable biological assets which are growing crops, and bearer biological assets which are the livestock animals.

Consumable biological assets at year-end are primarily winter wheat and winter rapeseed, which is presented as current assets in the statement of financial position, as they are normally transferred to agricultural produce within one year.

Bearer biological assets are animal livestock, primarily cattle. These normally generate income for 4–8 year periods.

Biological assets are further divided between mature and immature assets to reflect the timing of the future cash flows. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).

In line with IAS 41 Agriculture, biological assets are measured on initial recognition and at each reporting date at fair value less estimated point-of-sale costs. Any changes in fair value are recognised in the statement of comprehensive income in the year in which they arise.

The fair value of the crops in the fields is calculated using a discounted cash flow method. Potential net yields (based on historical Group yields), independently sourced market prices for the time of delivery, together with expected costs to the point of harvest, are discounted to give a fair value at the period end. To the extent that the fair value is in excess or below the costs incurred, there will be a positive or negative impact in the income statement line "Changes in inventory and biological assets".

The fair value of livestock is based on market prices of livestock of similar age, breed, gender and genetics.

SEK thousands	Consumable biological assets, Crops		Bearer biological assets, Livestock	
	Mature	Immature	Mature	Immature
Book value at 31 December 2010	**–**	**99,513**	**33,977**	**13,411**
Additions	–	346,159	1,233	19,001
Gain or loss from changes in fair value	–	3,034	(3,868)	18,920
Transfers	303,285	(303,285)	3,808	(3,808)
Change due to harvest	(303,285)	–	–	–
Disposals	–	(31,321)	–	(13,572)
Disposal of subsidiary	–	(1,983)	–	–
Currency translation effect	–	(1,730)	(1,211)	(972)
Book value at 31 December 2011	**–**	**110,387**	**33,939**	**32,980**
Additions	–	593,517	17,624	31,998
Acquisition of subsidiary	–	74,281	3,179	–
Gain or loss from changes in fair value	–	(50,432)	(32,341)	5,405
Transfers	543,291	(543,291)	20,647	(20,647)
Change due to harvest	(543,291)	–	–	–
Disposal	–	(42,315)	(6,481)	(25,290)
Currency translation effect	–	(3,896)	225	(467)
Book value at 31 December 2012	**–**	**138,251**	**36,792**	**23,979**

Movement in inventory and biological assets include:

SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Gain or loss from changes in fair value of biological assets	(77,368)	17,182
Movements in inventory and additions to biological assets	47,810	106,567
Total	**(29,558)**	**123,749**

Productive cattle with fair value of SEK 30,183 thousand (2011: SEK 27,699 thousand) are pledged as security for a part of the long-term bank loans of the Group.

The assumptions used in the calculation of cropping biological assets are as follows:

SEK thousands where applicable	Winter rapeseed	Winter wheat	Winter barley
Average Russia CBS finished product market value ex works	–	1,495	–
Average Ukraine finished product market value ex works	3,367	1,273	1,399
Average Kaliningrad finished product market value ex works	3,436	1,711	–
Average Russia CBS yield (metric tonnes per hectare)	–	2.5	–
Average Ukraine yield (metric tonnes per hectare)	2.6	3.4	3.3
Average Kaliningrad yield (metric tonnes per hectare)	2.3	3.9	–
Hectares cultivated – Russia CBS	–	24,445	–
Hectares cultivated – Ukraine	13,837	14,454	4,234
Hectares cultivated – Kaliningrad	1,900	1,960	–
Fair value per hectare – Russia CBS	–	1,234	–
Fair value per hectare – Ukraine	3,385	663	1,894
Fair value per hectare – Kaliningrad	3,226	2,048	–
Discount factor (all locations)	9%	9%	9%

19. CASH AND CASH EQUIVALENTS

SEK thousands	31 December 2012	31 December 2011
Cash in hand	–	87
Current bank accounts	32,892	59,985
Bank deposits	10,736	4,307
Total	**43,628**	**64,379**

20. TRADE AND OTHER RECEIVABLES

SEK thousands	31 December 2012	31 December 2011
Trade receivables	32,828	28,174
Advances paid	22,938	37,066
Total	**55,766**	**65,240**
Less provision for impairment of trade receivables	(14,648)	(17,390)
Net trade receivables	**41,118**	**47,850**
Other receivables		
Other receivables	17,280	19,905
Less provision for impairment of other receivables	(4,243)	(3,260)
Net other receivables	**13,037**	**16,645**
Taxes receivable		
VAT	15,583	43,210
Corporate income tax	732	627
Other taxes	1,214	1,003
Total tax receivable	**17,529**	**44,840**
Total trade and other receivables	**71,684**	**109,335**

The following table shows the due ageing profile of receivables

	31 December 2012			31 December 2011		
SEK thousands	Trade and other receivables	Advances given	Allowance reserve	Trade and other receivables	Advances given	Allowance reserve
Not past due	28,311	19,592	(1,877)	22,751	22,693	–
less than 3 months	6,177	258	–	2,559	3,910	–
3 to 6 months	1,040	175	(1,007)	2,503	343	–
6 to 12 months	3,710	1,355	(4,369)	7,314	3,652	(4,564)
Over one year	10,870	1,558	(11,638)	12,952	6,468	(16,086)
Total	**50,108**	**22,938**	**(18,891)**	**48,079**	**37,066**	**(20,650)**

21. DISCONTINUED OPERATIONS

In 2011 the Group decided to terminate the operations in regions that are not part of the Group's long-term organisational structure and divest the companies or assets. All discontinued operations belong to the crop production business.

The combined results of the discontinued operations in the consolidated statement of comprehensive income are set out below.

SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Revenue	3,859	12,812
Other gains and (losses)	(4,767)	4,405
Total revenue and gains and losses	**(908)**	**17,217**
Depreciation	(6,690)	(5,628)
Other expenses	(19,558)	(34,713)
Loss before tax	**(27,156)**	**(23,124)**
Income tax expense	843	2,194
Loss for the year from discontinued operations attributable to the owners of the Company	**(26,313)**	**(20,930)**

Cash flows from discontinued operations	Year ended 31 December 2012	Year ended 31 December 2011
Cash flows from operating activities	(4,002)	3,554
Cash flows from investing activities	2,989	4,658
Cash flows from financing activities	–	(4,905)
Net cash flow	**(1,013)**	**3,307**

22. ASSETS HELD FOR SALE

The following table shows assets classified as held for sale.

SEK thousands	31 December 2012	31 December 2011
Property, plant and equipment	899	17,024
Land	6,993	13,918
Land in process of registration	358	4,083
Deferred tax assets	–	56
Inventories	1,173	6,077
Biological assets	–	5,805
Financial assets	54	5,770
Assets classified as held for sale	**9,477**	**52,733**
Accounts payable	(57)	(1,489)
Deferred tax liabilities	(370)	(812)
Liabilities associated with assets classified as held for sale	**(427)**	**(2,301)**
Net assets classified as held for sale	**9,050**	**50,432**

Assets held for sale include two legal entities which contain agricultural land parcels as their main asset. The management is actively marketing the legal entities for sale which is expected to complete within 12 months of the reporting date. The assets are included in the Russia CBS arable reporting segment.

23. TRADE AND OTHER PAYABLES

SEK thousands	31 December 2012	31 December 2011
Trade payables		
Trade accounts payable to third parties	44,334	32,958
Trade accounts payable to related parties	7,425	–
Advances received from third parties	5,000	11,144
Total trade payables	**56,759**	**44,102**
Other payables		
Other liabilities to third parties	19,715	5,787
Total other payables	**19,715**	**5,787**
Taxes payable		
Value added tax	2,705	3,003
Employee withholding tax	2,874	2,462
Other taxes	596	1,733
Total taxes payable	**6,175**	**7,198**
Accrued expenses		
Accrued interest	1,595	817
Accrued personnel costs	5,020	3,182
Accrued management fees	26	276
Accrued audit fees	2,290	1,195
Other accruals	14,180	4,366
Total accrued expenses	**23,111**	**9,836**
Total trade and other payables	**105,760**	**66,923**

24. LOANS

SEK thousands	31 December 2012	31 December 2011
Short term loans		
Short term loans	15,336	48,295
Short term portion of long term loans and borrowings	19,250	23,821
Short term portion of finance lease liability	10,992	2,784
Total	**45,578**	**74,900**
Long term loans and payables		
Long term bank loans	83,014	100,715
Long term portion of finance lease liabilities	22,556	1,462
Other	36,225	–
Total	**141,795**	**102,177**
Long term loans repayment schedule		
Within one year	19,250	23,821
Due in second year	19,471	24,973
Due in third year	14,072	36,985
Due in fourth year	37,575	9,698
Due thereafter	11,896	29,059
Total	**102,264**	**124,536**
Finance lease liability schedule		
Within one year	10,992	2,784
Due in the second year	12,477	1,462
Due in the third year	5,800	–
Due in the fourth year	4,279	–
Due thereafter	–	–
Total	**33,548**	**4,246**
Other payables liability schedule		
Due in second year	36,225	–
Due thereafter	–	–
Total	**36,225**	**–**
Interest rates		
Short term loans	10 – 16%	10 – 14%
Long term lease liabilities	5 – 33%	7.6 – 7.8%

There is no unused credit limit at the year end.

All the loan and lease arrangements have been concluded under regular terms in the respective country. Lease agreements are related to the purchase of machinery and equipment. All these leases are classified as finance lease because the ownership of leased assets passes to the Group at the end of lease term. For further details on operating lease payments please refer to Note 32.

25. INCOME TAX

SEK thousands	31 December 2012	31 December 2011
Current tax	795	(149)
Deferred tax	(212)	(456)
Total income/(expense) for continuing operations	**583**	**(605)**
Current tax expense	–	–
Deferred tax benefit	(843)	(2,194)
Total income/(expense) for discontinued operations	**(843)**	**(2,194)**
Current tax expense	795	(149)
Deferred tax benefit	631	1,738
Total income/(expense)	**1,426**	**1,589**

A reconciliation of theoretical income tax to the amount of actual income tax expense, recorded in statement of comprehensive income, is presented below. 20 per cent income tax rate was used for calculation.

SEK thousands	31 December 2012	31 December 2011
Loss before income tax for continuing operations	(76,438)	(96,970)
Theoretical income tax at 20%	(15,288)	(19,394)
Impact of specific tax rates	18,143	2,757
Non-taxable income	(24,569)	(3,713)
Expenses not deductible for tax purposes	22,297	19,745
Income tax at effective rate of 1%	**583**	**(605)**

Major deferred tax assets and liabilities recognised by the Group, and movement in the Group's deferred tax position were the following:

SEK thousands	Property plant and equipment	Loans and borrowings	Tax loss carried forward	Biological assets	Total
Balance at 31 December 2010	(9,511)	4,167	11,350	9,912	15,918
Recognised in the income statement	3,994	(3,551)	8,625	(7,330)	1,738
Effect of translation	(96)	91	(317)	189	(133)
Balance at 31 December 2011	**(5,613)**	**707**	**19,658**	**2,771**	**17,523**
Recognised in the income statement	76	632	(422)	344	631
Disposal of subsidiary	–	(445)	–	–	(445)
Effect of translation	(3)	10	21	5	33
Balance at 31 December 2012	**(5,540)**	**904**	**19,257**	**3,120**	**17,742**

26. PERSONNEL

	2012			2011		
Permanent employees at 31 December	Total	Men	Women	Total	Men	Women
Sweden & UK	5	5	–	8	7	1
Russia	1,009	681	328	1,326	926	405
Ukraine	754	630	124	95	73	22
Total	**1,768**	**1,316**	**452**	**1,429**	**1,006**	**428**

	2012			2011		
Average number of employees	Total	Men	Women	Total	Men	Women
Sweden & UK	6	6	–	8	7	1
Russia	1,093	735	358	1,291	891	400
Ukraine	919	761	158	102	78	24
Total	**2,018**	**1,502**	**516**	**1,401**	**976**	**425**

As part of the acquisition of Landkom, 966 employees were added to the Group which are not included in the 2011 year end numbers. A major programme of redundancies was undertaken in Ukraine to reduce the post-merger headcount. The Group's Russian business has also made material headcount reductions in the course of the year.

Personnel costs, SEK thousands	31 December 2012	31 December 2011
Sweden & UK		
Board and senior executives	3,613	2,973
Pension costs	118	161
Other employees	8,448	4,994
Social security costs	913	391
Total	**13,092**	**8,519**
Russia		
Management	15,787	6,773
Other employees	37,664	52,411
Pension costs	–	9,340
Social security costs	11,952	3,516
Total	**65,403**	**72,040**
Ukraine		
Management	7,458	661
Other employees	44,604	11,131
Pension costs	–	2,839
Social security costs	15,360	377
Total	**67,422**	**15,008**
TOTAL	145,917	95,567
Less discontinued operations	(1,111)	(3,957)
Total salary costs	**144,806**	**91,610**

Remuneration to the Board of Directors

At the Annual General Meeting of the Shareholders on 8 June 2012 it was resolved that the remuneration for 2012 for elected external Board members should total SEK 975 thousand, of which SEK 325 thousand was for the chairman of the Board, SEK 130 thousand for each of the other members (with the exception of Katre Saard who does not receive any remuneration) and SEK 200 thousand for committee work. A further SEK 420 thousand per year of remuneration is payable to the former Chairman, Fredrik Langenskiöld. The Board of Directors are not entitled to receive any pension contributions.

Remuneration for the Managing and deputy Managing Director

The interim Managing Director Scholander is engaged via an interim management agency. His remuneration is equal to a per diem of SEK 15,500. The interim contract lasts for six months starting 10 January 2013 and can be extended by an extra three months if agreed between the parties involved. The Deputy MD Sjöblad receives a monthly remuneration of SEK 80,000 and has during 2012 received a pension contribution of SEK 118 thousand. Deputy MD Sjöblad's employment contract requires 6 month notice of termination from both parties.

27. TRANSLATION DIFFERENCES

Translation differences at year end are recognised directly in the statement of comprehensive income under "Other comprehensive income" and amount to SEK -20,224 thousand (2011; SEK -30,295 thousand). Translation differences arise upon translation of foreign operations' statement of financial position and income statement when assets and liabilities are translated at the exchange rate prevailing at the reporting date and when revenue and expenses are translated at the average exchange rate for the year. Translation differences also arise when translating monetary assets and liabilities denominated in foreign currencies at the exchange rate prevailing at the reporting date. Those differences are recognised within "profit or loss for the year" with the exception of translation differences on loans as an investment in a foreign operation where the differences are included in "Other comprehensive income". Translation differences mainly arise on loans given to Russian and Ukrainian subsidiaries of the Group. The inter-company loans to subsidiaries in Russia are denominated in RUR and loans to subsidiaries in Ukraine are denominated in USD.

Translation difference are accumulated in the Foreign currency translation reserve.

28. SHARE CAPITAL

Activity	Number of shares	Total quota value SEK
Number of outstanding shares at 31 December 2010 with quota value of 5 SEK per share	49,591,892	247,959,460
Conversion of convertible debt instrument in March 2011	6,844	34,220
Preferential rights issue in April 2011	49,598,736	247,993,680
Total outstanding shares at 31 December 2011	**99,197,472**	**495,987,360**
Issue in kind to acquire Landkom International PLC in January 2012	20,039,757	100,198,785
Direct share issue in January 2012	19,771,429	98,857,145
Total outstanding shares at 31 December 2012	**139,008,658**	**695,043,290**

At 31 December 2012 the Company had 139,008,658 outstanding shares with equal voting rights and approximately 750 shareholders. All shares issued are fully paid and none of the shares issued are held by the Company or any of its subsidiaries. No shares are reserved for issue under an option scheme.

During the year, a total of 39,811,186 new shares were issued in two separate issues:

- In January 2012, 20,039,757 shares were issued to acquire Landkom International PLC. The fair value of the shares at the date of issue was 7.50 SEK per share
- In January 2012 the Company completed a direct issue of shares with proceeds of approximately SEK 138 million before transaction costs, which led to the issue of 19,771,429 new shares. The subscription price was SEK 7.00 per new share.

29. BUSINESS COMBINATIONS

Acquisition of Landkom International PLC

On 27 January 2012 the Group acquired 100 per cent of the voting shares of Landkom International PLC ("Landkom"), a company registered in the Isle of Man and quoted on the AIM market of the London Stock Exchange. The company owned several farming businesses in Ukraine and controlled 77,000 ha of land. The acquisition enabled the Group to lower its exposure to weather risk and add additional contiguous land to the Group's land bank in Ukraine.

The fair value of consideration was SEK 150,326 thousand which was satisfied through the issue of 20,039,757 Alpcot Agro AB shares and payments of SEK 28 thousand in cash. The fair value of the Alpcot Agro AB shares is the published price on 27 January 2012 which was 7.50 SEK per share.

The fair values of the identifiable assets and liabilities of Landkom as at the date of acquisition were:

SEK thousands	
Property, plant and equipment	219,274
Intangible assets	108,097
Non-current biological assets	3,179
Investments in securities and other financial assets	242
Total non-current assets	**330,792**
Inventories	38,483
Biological assets	74,281
Trade and other receivables	13,891
Cash and cash equivalents	5,012
Total current assets	**131,667**
Total assets	**462,459**
Other non-current liabilities	(34,877)
Total non-current liabilities	**(34,877)**
Short-term loans	(29,129)
Trade and other payables	(136,716)
Total current liabilities	**(165,845)**
Total liabilities	**(200,722)**
Net assets	261,737
Assets attributable to non-controlling interests	90
Total identifiable net assets at fair value	**261,827**
Total purchase consideration transferred	**150,326**
Gain arising on acquisition	**111,501**
Analysis of purchase consideration:	
Fair value of shares issued (20,039,757 shares at 7.50 SEK)	150,298
Cash	28
Total purchase consideration	**150,326**

A gain of SEK 111,501 thousand was recognised on the acquisition which is included in Exceptional items in the statement of comprehensive income. The Group was able to realise a gain on acquisition due to the distressed position of Landkom. At the point of acquisition Landkom had a cash shortfall which could not be resolved through raising additional debt or equity. This allowed the Group to acquire Landkom for below fair value.

From the date of acquisition to 31 December 2012 Landkom contributed SEK 147,078 thousand to revenue and a loss of SEK (93,586 thousand) to the loss after tax for the Group. If the combination had taken place at the beginning of the year, the consolidated loss of the Group would have been SEK (107,734 thousand) and revenue would have been SEK 766,698 thousand.

30. RELATED PARTY TRANSACTIONS

Investment advisor remuneration

During 2012 the Group remunerated its investment advisors, Alpcot Capital Management ("ACM") under a fixed fee management agreement. Two of the principle partners of ACM have held positions on the Board of the Group during 2012 and in total ACM partners own 3.2 per cent of the issued shares of Alpcot Agro AB. The total management fee amounted to SEK 36,480 thousand of which SEK 17,765 thousand was paid in interest free promissory notes which mature on 31 October 2014. The remainder was due to be paid in cash. The estimated fair value of the promissory notes at 31 December 2012 of SEK 36,173 thousand (which relates to promissory notes issued in 2011 and 2012) is included in other non-current liabilities. As at 31 December 2012 the Group had current payables due to ACM amounting to SEK 7,424 thousand.

The management agreement with ACM provides a discount to reimburse the Group for a part of the salary costs of the Group's Deputy Managing Director, Hannes Sjöblad. The total discount applied during 2012 amounted to SEK 858 thousand.

In March 2013 the management agreement was terminated and replaced with a new agreement. See note 36 for details.

Key management remuneration

Remuneration to key management personnel (including amounts paid under consultancy agreements to service companies) is as shown below. Key management personnel include heads of department and deputy heads of department at a Group level and heads of finance and operations in Russia and Ukraine. This differs from note 26 which includes all management salaries. No post-employment benefits, other long term benefits or share based payments were made during the year to key management personnel.

	Short term employment benefits	Termination benefits	Total
Board of Directors	1,666	–	1,666
Group management	5,814	556	6,370
Russia management	3,232	–	3,232
Ukraine management	4,507	–	4,507
Total	**15,219**	**556**	**15,775**

Brown & co.

Adam Oliver was appointed as a Director of the Group on 8 June 2012. Mr Oliver also works as a partner of the business consultancy firm Brown and Co. who the Group retain to provide professional advice on certain Agricultural matters. During the year Brown and Co. were remunerated SEK 944 thousand. There were no amounts due to or from Brown and Co at 31 December 2012.

31. AUDIT FEES

Fees for audit assignments and other assignments expensed during the year from the Company's auditors are as follows:

Ernst & Young, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Audit Assignment	2,526	–
Audit work not related to ordinary audit assignment	384	–
Tax advice	583	–
Other assignments	23	–
Total	**3,516**	**–**

Deloitte, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Audit Assignment	761	2,168
Audit work not related to ordinary audit assignment	–	271
Tax advice	326	368
Other assignments	–	399
Total	**1,087**	**3,206**

PricewaterhouseCoopers, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Audit Assignment	–	–
Audit work not related to ordinary audit assignment	–	–
Tax advice	–	–
Other assignments	384	–
Total	**384**	**–**

32. OPERATING LEASES

Part of the land where Group's production facilities are located is owned by people, or state and local government. The Group has entered into operating leases to use this land. These leases have a term of between 1–49 years with renewal options included in the contracts.

Some operating lease agreements have payment-in-kind conditions such as part of harvest from the land. Annual payment for such leases has been valued using current market prices for certain grains.

Future annual minimum lease payments due under non-cancellable operating lease agreements at 31 December are as follows:

SEK thousands	31 December 2012	31 December 2011
Not more than 1 year	47,749	4,408
More than 1 year but less than 5 years	180,422	6,940
5 years and more	82,411	3,834
Total	**310,582**	**15,182**

33. CONTINGENT LIABILITIES

Litigation

The Group has a number of small claims and litigation relating to its operating activities. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Contingent liabilities relating to tax

The taxation regimes both in the Russian Federation and in Ukraine is at a relatively early stage of development, and are characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

Tax laws rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of tax legislation are unclear and complicate the Group's tax planning and related business decisions. Changes in the tax system that may be applied retroactively by authorities could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities could take differing positions with regard to interpretative issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

Agriculture-related contingent liabilities

The Group is subject to extensive federal and local agricultural controls and regulations. The Group's management believes that its agricultural practices are in compliance with all current existing agricultural legislation in the Russian Federation and Ukraine. However, agricultural laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernise technology to meet more stringent standards.

Management assesses on a regular basis possible agriculture-related obligations relating to the Group's operations. These assessments are based on the management's understanding of the current legal requirements and the term of the land leases.

34. RISK MANAGEMENT

(a) Business specific risks

Price risk

The Group management believes that its diversified geographic production base, its crop rotation system and its combination of cereal production and dairy farming provide its business with sufficient operational stability.

A long-term deterioration in grain prices could negatively affect the Group's operational results. Prices of agricultural commodities are influenced by a variety of unpredictable factors beyond the control of the Group, such as global weather conditions, harvests and changes in global supply and demand. The following table shows the sensitivity to changes in commodity prices:

Effect on profit and equity	31 December 2012	31 December 2011
10% increase in crop prices	66,012	21,347
10% increase in input costs	(31,033)	(16,683)

Agricultural infrastructure deficiency

An important factor for the Group's success and stability is its ability to safely treat and store the production after harvest. The Group has made significant investments in storage infrastructure and has adequate capacity to cover its storage needs in a normal year.

Poor or unexpected weather conditions

Weather conditions are a significant operating risk affecting the Group. Poor weather conditions and unpredictable climate changes may adversely affect farm output which, in turn, may negatively affect financial results of the Group.

Animal diseases

Livestock such as cows are vulnerable to virus infections and other infectious diseases, including foot and mouth disease. Animal diseases may result in costs or losses which could adversely affect the Group's business, financial condition and results of operations.

In addition to general business risks, the Group's operations are exposed to credit, currency, liquidity and interest rate risks. The Group has implemented a risk management structure and has adopted a series of risk management and control procedures to facilitate the measurement, evaluation and control of these exposures and related risk management activities.

(b) Concentration of credit risk

Credit risk is the risk that a customer or supplier may default or not meet its obligations to the Group on a timely basis, leading to financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's credit exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5 per cent of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At the reporting date there are no significant concentrations of credit risk for loans and receivables. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

(c) Currency risk

Currency risk is the risk that the financial results and cash flows of the Group will be adversely impacted by changes in exchange rates. Exchange fluctuations also affect the Group's net income and balance sheet in the following ways:

- Net income is affected when revenues and costs in foreign currencies are translated to Swedish kronor.
- The balance sheet is affected when assets and liabilities in foreign currencies are translated into Swedish kronor.

The following table details the distribution of the Group's financial assets and liabilities between different currencies.

Financial assets and liabilities by currency, SEK thousands	RUB	EUR	SEK	UAH	USD	GBP
31 December 2012						
Financial assets						
Cash and cash equivalents	26,250	330	1,300	9,051	5,872	825
Trade and other receivables	34,032	–	1,337	17,234	816	168
Investments in securities and other financial assets	7,354	–	–	867	–	–
Total financial assets	**67,636**	**330**	**2,637**	**27,152**	**6,688**	**993**
Financial liabilities						
Loans and borrowings	(117,778)	(604)	(36,173)	(1,492)	(31,326)	–
Trade and other payables	(27,896)	(8,655)	(7,443)	(51,820)	(1,404)	(3,097)
Total financial liabilities	**(145,674)**	**(9,259)**	**(43,616)**	**(53,312)**	**(32,730)**	**(3,097)**
31 December 2011						
Financial assets						
Cash and cash equivalents	10,407	554	52,184	1,234	–	–
Trade and other receivables	84,133	9	3,120	22,073	–	–
Investments in securities and other financial assets	12,795	–	1,092	–	–	–
Total financial assets	**107,335**	**563**	**56,396**	**23,307**	**–**	**–**
Financial liabilities						
Loans and borrowings	(161,622)	–	(15,455)	–	–	–
Trade and other payables	(52,248)	(2,451)	(2,738)	(11,942)	–	–
Total financial liabilities	**(213,870)**	**(2,451)**	**(18,193)**	**(11,942)**	**–**	**–**

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

The following table details the Group's expected maturity for its non-derivative financial assets and liabilities.

SEK thousands	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total
31 December 2012						
Assets						
Non-interest bearing assets		43,628	52,461	8,569	790	105,448
Total assets		**43,628**	**52,461**	**8,569**	**790**	**105,448**
Liabilities						
Non-interest bearing liabilities		(19,192)	(7,408)	(79,160)	–	(105,760)
Finance lease liability	11%	(406)	(812)	(9,774)	(22,556)	(33,548)
Fixed interest rate instruments	13%	–	–	(34,586)	(119,239)	(153,825)
Interest on fixed rate instruments		(3,057)	(6,114)	(27,514)	(31,828)	(68,514)
Total liabilities		**(22,655)**	**(14,334)**	**(151,034)**	**(173,623)**	**(361,647)**
Net financial assets / (liabilities) at 31 December 2012		**20,973**	**38,127**	**(142,465)**	**(172,833)**	**(256,199)**
31 December 2011						
Assets						
Non-interest bearing assets		64,379	51,913	54,089	3,637	174,018
Fixed interest rate instruments	8–14%	–	–	13,584	–	13,584
Interest on fixed rate instruments		113	226	1,019	–	1,358
Total assets		**64,492**	**52,139**	**68,692**	**3,637**	**188,960**
Liabilities						
Non-interest bearing liabilities		(16,210)	(30,315)	(22,854)	–	(69,379)
Finance lease liability		–	–	(2,784)	(1,462)	(4,246)
Fixed interest rate instruments	11–18%	–	–	(72,116)	(100,715)	(172,831)
Interest on fixed rate instruments		(1,654)	(3,030)	(11,065)	(24,087)	(39,836)
Total liabilities		**(17,864)**	**(33,345)**	**(108,819)**	**(126,264)**	**(286,292)**
Net financial assets / (liabilities) at 31 December 2011		**46,628**	**18,794**	**(40,127)**	**(122,627)**	**(97,332)**

Seasonality

Crop production is a seasonal business with a production cycle (from soil preparation to sales of harvested crops) of approximately eighteen months. The initial costs for winter crops are incurred in July to September, while the harvesting taking place in July to August of the following year. Sale of the agricultural produce continues until the spring of the following year. Such long production cycle implies significant fluctuations in cash flow and investments in working capital.

The Group manages the seasonality through diversification of its business. The Livestock business is the most important such initiative, that provides cash flow all year round.

(e) Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. The management does not consider this risk to be material due to the modest level of the Group's external borrowing.

(f) Capital risk

The Group's objective with respect to capital risk is to secure its ability to continue its operations so that it can generate returns for the shareholders and value for other stakeholders, and maintain an optimal capital structure to keep the cost of capital down.

Gearing ratio, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Debt *	(187,373)	(172,831)
Cash and cash equivalents	43,628	64,379
Net debt	(143,745)	(108,452)
Equity **	(1,257,155)	(1,100,008)
Net debt to equity ratio	11.4%	9.9%

* Debt is defined as long and short term borrowings as detailed in note 24
** Equity includes all capital and reserves of the Group

Categories of financial instruments , SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Loans and receivables		
Non-current financial assets		
Investments in securities and other financial assets	556	303
Current financial assets		
Trade and other receivables *	53,587	109,335
Short-term financial investments	7,665	13,584
Cash and cash equivalents	43,628	64,379
Total financial assets	105,436	187,601
Financial liabilities measured at amortised cost		
Current financial liabilities		
Short-term loans	45,578	74,900
Trade and other payables **	100,315	69,379
Non-current financial liabilities		
Other non-current liabilities	141,795	102,177
Total financial liabilities	287,688	246,456

* Trade and other receivable financial instruments exclude taxation / VAT receivables and prepayments amounting to SEK 18,097 thousand which are not classed as financial instruments.
** Trade and other payables financial instruments exclude taxation / VAT payables amounting to SEK 5,445 thousand which are not classed as financial instruments.

The fair value of financial assets and liabilities is deemed not to differ materially from the carrying value.

(g) Legal risk / regulatory risk

Russia

In Russia, the acquisition of farmland is permitted as long as the acquiring company does not have a majority of foreign owners. The Group, as a foreign investor in Russia, manages its land ownership through a legal structure which was developed by the Company's legal advisors and which is also customary in the market. If changes would take place in the political climate or legal system in Russia, there is a risk that the

company's holding structure could be subject to criticism from the Russian authorities with possible negative consequences.

Ukraine

In Ukraine a moratorium on the acquisition of agricultural land has applied since the collapse of the Soviet Union. Current legislation only allows for the lease of land or for barter of similar land plots. Should the moratorium be lifted the lessee will have pre-emptive acquisition rights. This applies both to national and foreign companies alike and the route taken by the Group has to date been to take control of land through lease agreements. In the present political climate it is uncertain whether the moratorium will be lifted in the foreseeable future and even if it would be it cannot be ruled out that there may be restrictions regarding foreign ownership of agricultural land.

(h) Fair value of financial assets and liabilities

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

35. GROUP COMPANIES

The below list includes group entities with material operations

Company name	Country of incorporation	Nature of business	Control % as of 31 December 2012
LLC Agrofirma Pervomaiskoye	Russia	Asset holding	100
LLC Agrokultura Ertil	Russia	Crop production	100
LLC Agrokultura Vorobiovskoye	Russia	Crop production	100
CJSC Enisey	Russia	Holding company	100
CJSC Agrokultura	Russia	Holding company	100
LLC UK Agrokultura	Russia	Management company	100
LLC Dina	Russia	Crop production	100
LLC Agrofirma Kolos	Russia	Crop production	100
LLC Agrokultura Kursk	Russia	Crop production	100
CJSC Agroprom	Russia	Crop production	100
CJSC Baltika	Russia	Crop production	100
LLC Yantar	Russia	Livestock, crop production	95.2
LLC Agrofirma Kolybelskoye	Russia	Livestock	100
LLC Agrokultura Zhivotnovodstvo	Russia	Livestock	100
LLC Agrokultura Vorobiovskoye	Russia	Crop production	100
LLC Agrokultura Management	Ukraine	Asset holding	100
LLC Agrokultura Zakhid	Ukraine	Crop production	100
LLC Agrokultura Rogatyn	Ukraine	Crop production	100
LLC Agrokultura Ivano-Frankivsk	Ukraine	Crop production	100
LK Ukraine Group LLC	Ukraine	Asset holding	100
Landkom UA LLC	Ukraine	Crop production	100

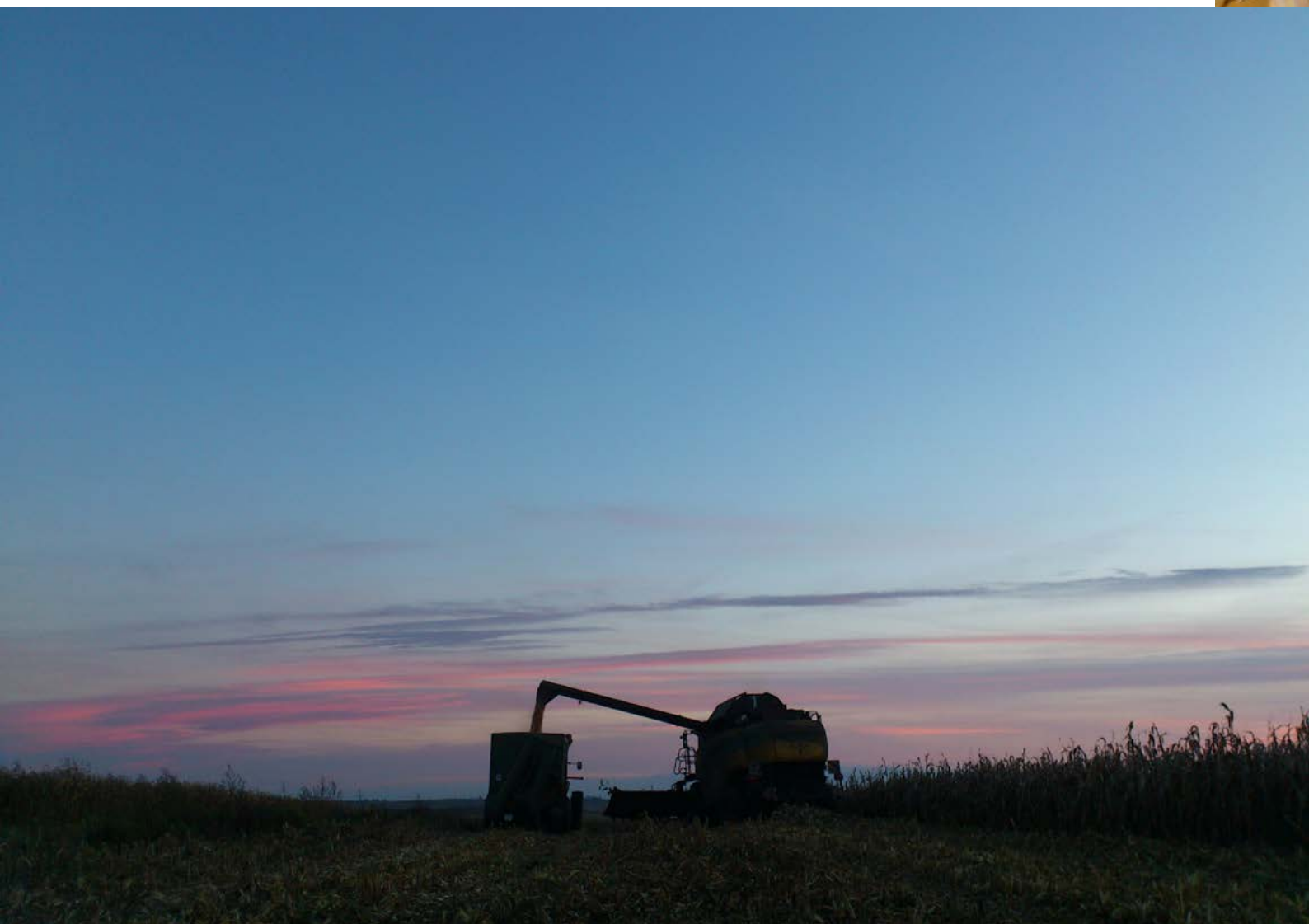
36. EVENTS AFTER THE REPORTING DATE

In March 2013 the Group announced that it has agreed to replace its management agreement with Alpcot Capital management with a new agreement which will last until 31 December 2013. The total fee under the new agreement amounts to SEK 15,000 thousand of which SEK 6,000 thousand will be paid in promissory notes.

All promissory notes outstanding at 31 December 2012, which had a face value of SEK 42,363 thousand and an estimated discounted fair value of value of SEK 36,173 thousand, and new promissory notes to be issued are interest free with a maturity date of 31 October 2014. Up to 75 per cent, at the Company's discretion, of the nominal value of promissory notes outstanding as at 31 October 2014 can be settled by a set off share issue to the holders of the promissory notes, subject to approval of the Company's shareholders. The issue price used in a potential set off is the average market price of the Company's shares in the 20 business days prior to 31 October 2014. The minimum and maximum set off price is 5 SEK per share and 15.74 SEK per share respectively subject to an adjustment for share issues, prior to the set-off.

In April 2013, the Board of Directors proposed to change the name of the company from Alpcot Agro AB to Agrokultura AB. The matter will be resolved at the AGM on 16 May 2013.

Combine Grain Cart at dusk



Parent statements

STATEMENT OF COMPREHENSIVE INCOME OF PARENT COMPANY

SEK thousands	Note	Year ended 31 December 2012	Year ended 31 December 2011
Operating Income			
Net sales	2	18,816	46,909
Operating costs			
Other external costs	3	(23,430)	(11,181)
Management fee		(24,280)	(35,280)
Personnel costs	4	(10,606)	(8,259)
Depreciation and impairment of tangible fixed assets		–	(9)
Total operating costs		**(58,316)**	**(54,729)**
Operating loss		**(39,500)**	**(7,820)**
Loss from financial investments		–	(27)
Other financial expenses	12	(1,010,653)	–
Other interest income and similar items	5	41,881	30,586
Other interest expense and similar items		(2,227)	(3,959)
Total financial items		**(970,999)**	**26,600**
(Loss) / profit after financial items		**(1,010,499)**	**18,780**
Tax		–	–
(Loss) / profit for the year		**(1,010,499)**	**18,780**
Translation difference on loans to subsidiaries		374	10,160
Total comprehensive (loss) / profit for the year		**(1,010,125)**	**28,940**

PARENT COMPANY BALANCE SHEET

SEK thousands	Note	Year ended 31 December 2012	Year ended 31 December 2011
ASSETS			
Non-current assets			
Participations in Group companies	6	164,422	10,700
Non-current receivables from Group companies	7	903,017	1,737,693
Other receivables		–	1,091
Total non-current assets		**1,067,439**	**1,749,485**
Current assets			
Current receivables from Group companies		79,077	41,008
Other receivables	8	306	655
Prepaid expenses and accrued income – third parties		315	139
Prepaid expenses and accrued income – Group Companies	9	110,692	121,552
Cash and cash equivalents		731	52,104
Total current assets		**191,121**	**215,458**
TOTAL ASSETS		**1,258,560**	**1,964,943**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		695,043	495,987
Other paid in capital		1,461,126	1,381,392
Reserve for fair value		(779)	(1,153)
Retained earnings		66,959	48,179
Result for the year		(1,010,499)	18,780
Total shareholders' equity		**1,211,850**	**1,943,184**
Long term liabilities			
Other long term debts	10	36,173	19,275
Total long term liabilities		**36,173**	**19,275**
Current liabilities			
Accounts payable		3,692	665
Other liabilities		1,277	221
Accrued expenses and deferred income	11	5,568	1,597
Total current liabilities		**10,537**	**2,484**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,258,560**	**1,964,943**
Off balance sheet items			
Pledged assets		–	–
Guarantees		–	–

PARENT COMPANY CHANGES IN EQUITY

SEK thousands	Share capital	Share premium reserve	Retained earnings	Reserve for fair value	Current years result	Total equity
Balance on 31 December 2010	247,959	1,327,111	44,460	(11,315)	3,719	1,611,934
New share issue	248,028	74,464	–	–	–	322,492
Share issue costs	–	(20,183)	–	–	–	(20,183)
Appropriation of results	–	–	3,719	–	(3,719)	–
Result for year	–	–	–	–	18,780	18,780
Reserve for fair value	–	–	–	10,162	–	10,162
Balance at 31 December 2011	495,987	1,381,392	48,179	(1,153)	18,780	1,943,184
New share issue	199,056	89,684	–	–	–	288,740
Share issue costs	–	(9,949)	–	–	–	(9,949)
Appropriation of results	–	–	18,780	–	(18,780)	–
Result for year	–	–	–	–	(1,010,499)	(1,010,499)
Reserve for fair value	–	–	–	374	–	374
Balance at 31 December 2012	695,043	1,461,126	66,959	(779)	(1,010,499)	1,211,850

PARENT COMPANY CASH FLOW STATEMENT

SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Operating activities		
Payments to suppliers and employees	(31,817)	(24,344)
Interest received	29,565	1,983
Cash flow from operating activities	(2,252)	(22,361)
Investment activity		
Acquisition of Group companies	(3,424)	–
Loans provided to Group companies in year	(176,406)	(187,267)
Cash flow from investing activities	(179,830)	(187,267)
Financing activity		
Share issue net of costs	128,450	286,205
Repayment of convertible loan	–	(68,741)
Repayment of loans	1,181	2,951
Cash flow from financing activities	129,631	220,415
Change in cash and cash equivalents	(52,451)	10,787
Exchange difference on cash	1,078	–
Cash and cash equivalents at the beginning of the year	52,104	41,317
Cash and cash equivalents at the year end	731	52,104

Notes to the Parent statements

1. PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company uses the same accounting principles as the Group except in cases where the parent company's ability to apply IFRS is limited by provisions in the Annual Accounts Act (Sw: Årsredovisningslagen") and in certain cases for tax reasons. In addition, the recommendation of the Swedish Financial Accounting Standards Council RFR 2:2 Accounting for legal entities has been applied.

Investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An impairment test is performed and write-downs are made when a permanent decline in value is established. Contributions to and from subsidiaries and shareholder's contribution are accounted for according to RFR 2. Contributions from subsidiaries are accounted for as financial income and contributions to subsidiaries from parent company and shareholder's contribution increases the parent company's investment.

2. GROUP INTERNAL SALES AND PURCHASES

One hundred per cent of the sales during the year pertain to sales to Group companies. The Company received management services from one of its subsidiaries, Landkom Services Limited, amounting to SEK 2,693 thousand.

3. AUDIT FEES

Ernst & Young, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Audit Assignment	880	531
Audit work not related to ordinary audit assignment	–	271
Tax advice	583	–
Total	**1,463**	**802**

Deloitte, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Audit assignment	761	531
Audit work not related to ordinary audit assignment	–	271
Tax advice	326	–
Total	**1,087**	**802**

PricewaterhouseCoopers, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Other assignments	384	–
Total	**384**	**–**

Audit assignment fees relates to the legally required audit of the annual report as well as of the administration of the Company by the Board of Directors and Managing Director. Audit work not related to ordinary audit assignment relates to review of the administration of the company or of economic information, that has be carried out in accordance with law, with the charter of the Company, with other legal requirements or with agreements and that is not part of the yearly annual audit work, and that shall result in a report or certification or other act that is intended for others than Alpcot Agro. Tax advice implies consultancy work regarding tax related issues.

4. PERSONNEL

	Year ended 31 December 2012	Year ended 31 December 2011
Average number of employees	8	8
Of which women	1	2

The average number of employees is based on the paid hours worked in relation to normal working hours and contains persons who are also employed in subsidiaries.

Salaries and other remuneration, SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Board, Managing Director, Deputy Managing Director:		
Salaries and other remuneration	2,903	2,713
Pension costs	118	161
Other staff:		
Salaries and other remuneration	6,671	4,994
Total	**9,692**	**7,868**
Social security costs	914	391
Total salaries and other remuneration	**10,606**	**8,259**

Gender distribution in board	Year ended 31 December 2012	Year ended 31 December 2011
Number of board members	6	6
Of which women	1	1

5. OTHER INTEREST INCOME AND SIMILAR ITEMS

SEK thousands	Year ended 31 December 2012	Year ended 31 December 2011
Interest income	402	1,985
Interest income – Group companies	28,339	28,198
Contribution from Group companies	12,550	–
Exchange differences	590	403
Total	**41,881**	**30,586**

For personnel details of the Group see note 26 of the Group financial statements.

6. PARTICIPATION IN GROUP COMPANIES

Company	Jurisdiction	Registration number	Holding %	SEK thousands, 31 December 2012	SEK thousands, 31 December 2011
Alpcot Agro Ukraine Ltd	Cyprus	HE219305	100	628	628
ARLF Agrokultura Ltd	Cyprus	HE194878	100	316	316
BBAH Sweden AB	Sweden	556713-1379	100	12,814	9,417
Rusar Agro S.A.	Luxembourg	B144169	100	339	339
Landkom International PLC	Isle of Man	000737V	100	150,325	–
Total				**164,422**	**10,700**

For details of significant companies of the Group see note 35 of the Group financial statements.

7. RECEIVABLES FROM GROUP COMPANIES

SEK thousands	31 December 2012	31 December 2011
Opening balance	1,737,693	1,534,181
Loans advanced during period	170,715	203,512
Impairment of receivables	(1,004,247)	–
Exchange differences	(1,144)	–
Closing balance	**903,017**	**1,737,693**

Receivables from group companies relate mainly to loans extended to subsidiaries in Luxembourg, Ukraine, Sweden, and Isle of Man. The loans to the subsidiaries in Luxembourg and Sweden are denominated in SEK and those to Ukraine and Isle of Man in USD.

In 2012 the Company carried out a review of its receivables from Group companies and identified a significant impairment. It was considered that the total value of receivables and investments in Group companies should not exceed the net asset value of the Group.

8. OTHER RECEIVABLES

SEK thousands	31 December 2012	31 December 2011
Legal fees	–	312
Other receivables	306	343
Total	**306**	**655**

9. PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	31 December 2012	31 December 2011
Group companies		
Accrued consulting income	18 815	–
Accrued interest income	91 877	88 215
Other prepaid expenses and accrued income	–	33 337
Total	**110 692**	**121 552**
Third parties		
Other prepaid expenses and accrued income	315	139
Total	**315**	**139**

10. OTHER LONG TERM DEBTS

SEK thousands	31 December 2012	31 December 2011
Accrued management fee	42,363	24,599
Present value adjustment	(6,190)	(5,324)
Total	**36,173**	**19,275**

Other long term debts relate to amounts due to the Company's Investment advisor. See note 30 in the Group Financial Statements for further details.

11. ACCRUED EXPENSES AND DEFERRED INCOME

SEK thousands	31 December 2012	31 December 2011
Accrued audit fees	1,152	500
Other accrued expenses and deferred income	4,416	1,097
Total	**5,568**	**1,597**

12. OTHER FINANCIAL EXPENSES

SEK thousands	31 December 2012	31 December 2011
Impairment of receivable from Group companies	(1,005,103)	–
Write off of receivables from Group companies	(5,550)	–
Total	**(1,010,653)**	**–**

13. CATEGORIES OF FINANCIAL INSTRUMENTS

SEK thousands	31 December 2012	31 December 2011
Loans and receivables		
Non-current financial assets		
Non-current receivables from Group companies	903,017	1,738,784
Other receivable's	–	–
Current financial assets		
Current receivables from Group companies	79,077	41,008
Other receivables	306	655
Prepaid expenses and accrued income – third parties *	–	139
Prepaid expenses and accrued income – Group Companies	110,692	121,552
Cash and cash equivalents	731	52,104
Total financial assets	**1,093,823**	**1,954,242**
Financial liabilities measured at amortised cost		
Current financial liabilities		
Other long term debts	(36,173)	(19,275)
Non-current financial liabilities		
Accounts payable	(3,693)	(665)
Total financial liabilities	**(39,866)**	**(19,940)**

* Prepayments amounting to SEK 315 thousand are not classed as financial instruments.

Statement of assurance

The Board of Directors and the Managing Director hereby provide an assurance that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) to the extent they have been adopted by the EU, and that the consolidated accounts provide a fair and true view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting standards and provide a fair and true view of the Parent Company's financial position and results.

The report of the directors for the Group and the Parent Company provides a fair and true overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainties to which the Parent Company and the companies in the Group are exposed.

Stockholm 24 April 2013

Alpcot Agro AB (publ)
Board of Directors

Simon Hallqvist
Chairman of the Board

Sven Dahlin
Board member

Mikael Nachemson
Board member

Adam Oliver
Board member

Michael Rosenlew
Board member

Katre Saard
Board member

Ulf Scholander
Group Managing Director

The annual report and the consolidated financial statements were, as stated above, approved for publication by the Board of Directors on 24 April 2013.

The consolidated income statement, statement of financial position and the Parent Company's income statement and balance sheet will be the subject of approval at the Annual General Meeting on 16 May 2013.

Our audit report, which diverges from the standard format, was submitted on 24 April 2013

Ernst&Young
Signature on Swedish original

Mikael Ikonen
Authorized Public Accountant

Auditor's report

TRANSLATION FROM THE SWEDISH ORIGINAL

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF ALPCOT AGRO AB, CORPORATE IDENTITY NUMBER 556710-3915

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Alpcot Agro AB for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16–65.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance [and its cash flows] for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Emphasis of matter

We draw attention to the Board of Directors' disclosure in the statutory administration which describes cash transactions and costs in foreign subsidiaries not correctly booked. Judgmental adjustments have been made on consolidated level. Our opinion is not qualified in respect of this matter.

Other matters
The audit of the annual accounts and the consolidated accounts for Alpcot Agro AB for 2011 was performed by another auditor who submitted an audit report on May 16, 2012, with modified opinions in the report on the annual accounts and consolidated accounts.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Alpcot Agro AB for the financial year 2012.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated [loss be dealt with] in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Criticism
The improper book-keeping described in the emphasis of matter paragraph in our report on the annual accounts and consolidated accounts depends on insufficient routines and inadequate internal control in the Ukrainian subsidiaries. Upon learning of these insufficiencies the Board of Directors acted promptly which, during the second half of 2012, has led to changed routines and an improved internal control. The improper book-keeping and insufficient internal control have been limited and, in our opinion, have not led to material inaccuracies or brought material damages to the company. These circumstances have, accordingly, not affected our recommendation of discharge of liability for 2012 for the Board of Directors and the Managing Director.

Stockholm on April 24, 2012
Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Board of Directors

Simon Hallqvist
(b. 1967)
Board member since 2011
Chairman of the Board since 2013
Other positions:
- Preato Capital (partner)

Number of shares: 7,540,000

Sven Dahlin
(b. 1971)
Board member since 2006
Other positions:
- Leimdörfer (partner)

Number of shares: 250,000

Mikael Nachemson
(b. 1959)
Board member since 2012
Other positions:
- Connecta AB (Chairman of the Board)

Number of shares: 450,000

Adam Oliver
(b. 1973)
Board member since 2012
Other positions:
- Brown & Co. (partner)

Number of shares: 0

Michael Rosenlew
(b. 1959)
Board member since 2012
Other positions:
- Mikaros AB (CEO)
- YIT Oyj (board member)
- Time System Holding AG (board member).

Number of shares: 1,207,000

Katre Saard
(b. 1972)
Board member since 2012
Other positions:
- Alpcot Capital Management Ltd. (partner)
- Shelton Petroleum AB (board member)

Number of shares: 1,196,039 and in addition 49,133 shares through ACM.

Executive Management

Ulf Scholander
(b. 1956)
Group Managing Director
Number of shares: 0

Stephen Pickup
(b. 1975)
Group Chief Financial Officer
Number of shares: 85,947

Hannes Sjöblad
(b. 1976)
Deputy Managing Director
Number of shares: 33,332

Jens Peter Aabyen
(b. 1971)
Managing Director for Russia
Number of shares: 0

Igor Buchatskiy
(b. 1966)
Managing Director for Ukraine
Number of shares: 0

Glossary and definitions

Alpcot Agro
Alpcot Agro AB (publ), corporate registration number 556710-3915, including subsidiaries depending on the context

Central Black Soil Region or "Russia CBS"
A region in Central Russia that comprises the oblasts Voronezh, Lipetsk, Belgorod, Tambov, Oryol and Kursk. The Black Soil Region is famous for its very good soil, called Black soil, Black earth or Chernozem, and is one of the core areas of Alpcot Agros crop production business. The short form "Russia CBS" is used as a name for the Groups operations in the region.

Group
Alpcot Agro AB (publ) together with subsidiaries

Investment Manager, Alpcot Capital Management or ACM
The investment manager Alpcot Capital Management Ltd provides investment advice to the Group under a Management Agreement, which was set up in connection with the incorporation of Alpcot Agro in 2006

Landkom
Landkom International Plc. The parent company of a group of companies operating a large agricultural business in Ukraine. Landkom, including subsidiaries and assets were acquired by Alpcot Agro in January 2012

Parent Company
The Swedish parent company for the Group, Alpcot Agro AB (publ)

DEFINITIONS – LAND

Registered land
Land where authorized authorities have issued owner certificates in the name of a subsidiary of the Group and where the corresponding registration has been made in the central land register.

Land in the process of registration
Land acquired by subsidiaries of the Group through the holdings of pais, where registration in the name of a subsidiary is ongoing

Leased land
Land controlled through lease agreements

Land in ownership
Registered land + Land in the process of registration

Land under control
Registered land + Land in the process of registration + Leased land

DEFINITIONS – CROP PRODUCTION

Grains
Generic term for wheat, barley, oats, rye, and corn

Oilseeds
Generic term for rapeseed (also called OSR), soybean and sunflower seed

Measurement units
Tonnes are metric tonnes
1 hectare (ha) = 10,000 m^2
1 hectare (ha) = 2.47 acres
1 tonne of wheat = 36.74 bushels
1 tonne corn = 39.37 bushels
1 tonne = 10 centners

DEFINITIONS – LIVESTOCK

Dairy cow
A cow that has had a calving and is either a Producing dairy cow or a Dry cow. A cow goes from being a heifer to become a dairy cow when it has had at least one calving.

Dry cow
A cow which has had at least one calving and have been producing milk, but is not producing milk at the reporting date.

Heifer
A cow which has not yet had its first calving.

Producing dairy cow
A cow that is producing milk at the reporting date.

Addresses

HEAD OFFICE
Alpcot Agro AB / Agrokultura AB
Birger Jarlsgatan 32B
114 29 Stockholm
Sweden

web: www.alpcotagro.com
E-mail: info@alpcotagro.com /
info@agrokultura.com
Tel: +46 (0) 8 46 339 40

RUSSIA
Agrokultura Russia
Leninsky Prospect 43A
8th floor
394004 Voronezh
Russian Federation

UKRAINE
Agrokultura Ukraine
72 Heroiv UPA Street
4th floor Building 1
79015 Lviv
Ukraine

Alpcot Agro AB (publ)
Corporate registration number: 556710-3915

www.alpcotagro.com