Alpcot Agro

Full Year Interim Report for the financial year 2010

The Full Year Interim Report for the financial year 2010 for Alpcot Agro AB (publ) ("Alpcot Agro", "the Company" or "the Group") has been approved by the board and subjected to a limited review by the Company's auditor.

The audited annual report will be published both in Swedish and in English no later than three weeks before the Annual General Meeting which will take place on May 18, 2011 in Stockholm. The information presented is financial results for the period 1 January 2010 – 31 December 2010. (Numbers within brackets refer to the period 1 January 2009 – 31 December 2009 unless otherwise stated).

FINANCIAL HIGHLIGHTS FOR THE PERIOD

- The Group's revenues in 2010 amounted to SEK 232 million (179 million), an increase of 29 percent.
- The result from changes in fair value of biological assets in 2010 amounted to SEK –4 million (–4 million) and proceeds from government grants amounts to SEK 13 million (SEK 9 million).
- Operating loss after net goodwill adjustments for 2010 amounted to SEK –161 million (–189 million), and the Group net loss after financial items and tax for 2010 was SEK –202 million (–174 million).
- Cash and cash equivalents of the Group as of 31 December 2010 was SEK 66 million (33 million).
- Earnings per share for 2010 equalled SEK –4.04 (–5.03). Equity per share as of 31 December 2010 was SEK 18.70 (27.21).
- The Company raised SEK 235 million before issue costs from a preferential rights issue in January 2010.
- The Board proposes that no dividend be paid for the financial year 2010.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

- On 16 February 2011, the Company announced a preferential rights issue to raise approximately SEK 322 million before issue costs by the end of April 2011. A prospectus for the rights issue is to be published on 24 March 2011.
- On 16 February 2011, the Company announced changes in the management agreement between the Company and Alpcot Capital Management with the consequence that i.a. the management fee has been converted to a fixed yearly remuneration.
- The Company issued convertible bond instruments in March 2009 for a total of SEK 65 million, which mature on 27 March 2011. Holders of the convertible debt instrument corresponding to approximately 95 percent of the outstanding amount have agreed to postpone the due date of the debt to 28 April 2011. Holders of convertible debt instrument corresponding to KSEK 100 have requested conversion into shares in Alpcot Agro at SEK 14.61 per share, which led to an issue of 6,844 new shares in March 2011.

Björn Lindström, Managing Director of Alpcot Agro AB, comments

"Alpcot Agro was severely affected by the historical drought in the Russian inland in 2010. This led to large operational losses in 2010. On the other hand, the drought has reduced domestic stocks and led to sharply higher prices in Russia, and thereby radically improved the profitability outlook for 2011. The business plan for Alpcot Agro is being implemented, and the operations are being concentrated to a few large clusters. All material partnerships with local Russian partners have been terminated during 2010, triggering write-offs in some cases.

The proposed rights issue is a vital precondition for implementing the business plan and creating a viable and strong company. We firmly believe that 2011 holds very promising conditions for our crop production, and that it is the right decision to maximize the cropped area to capitalize on the high prices for soft commodities.

Alpcot Agro has increased its presence in Ukraine by organic growth and by acquiring assets in the western part of the country from the listed Polish company PKM Duda. Following the rights issue, Alpcot Agro will further take advantage of its Ukrainian presence, and we have high expectations on the result in 2011."

Stockholm, 22 March 2011

The Board of Directors

For further information please contact:
Björn Lindström, Managing Director +44 (0) 7979 855 556
Joakim Ollén, Chairman of the Board +46 (0) 70 354 24 07

The preliminary reporting calendar for 2011 is

27 April 2011	Annual Report 2010
18 May 2011	Annual General Meeting 2011
31 August 2011	Interim Report January–June 2011
30 March 2012	Report for the financial year 2011

FINANCIAL INFORMATION

1. Comments to the consolidated statement of comprehensive income and balance sheet

1.1 Revenue

The total revenues during the 12-month period amounted to KSEK 231,637 (179,005), an increase of 29 percent. Sales of crops and processed grain products constituted 80 percent of total sales, 16 percent was generated from sales of milk, meat and dairy products and 4 percent came from sales of other goods and services. The sale of livestock products more than doubled for the second consecutive year, and grew by 152 percent in 2010 (128 percent in 2009).

Revenue from sales (all amounts in KSEK)	Jan–Dec 2010	Jan–Dec 2009	Year on year change, %
Crop production	182,399	160,964	13
Milk and meat	36,721	14,568	152
Processed grain products	4,013	2,822	42
Other goods and services	8,504	651	1,306
Total	**231,637**	**179,005**	**29**

In 2010 the Group sold about 97 thousand tons of grain and other crops (166 thousand tons in 2009), a decrease of about 41 percent compared to 2009. At the same time the average prices were about 93 percent higher due to substantial increases in the prices for grains in the later half of 2010.

1.2 Result from change in fair value of biological assets

The net result from changes in fair value of biological assets at year end amounted to KSEK –4,093 (–4,412). The main reason for the negative revaluation is the effect of severe drought in Russia on the harvest 2010 that was only partially compensated by the gain on revaluation of winter crops seeded in autumn 2010.

1.3 Change in inventory

Changes in inventory relates to the changes in value of agriculture produce in stock: grains, milk and meat. Changes in inventory for 2010 amounted to KSEK 32,303 (31,528). At year end approximately 31 percent of the 2010 harvest remained in storage, and the total estimated value of agricultural produce in inventory at year end amounted to KSEK 54,422 (84,460).

Agricultural produce in inventory	31 Dec 2010	31 Dec 2009
Inventory, tons	33,906	57,090
Weight as % of the year net harvest	31%	40%
Agricultural produce in inventory, KSEK	54,422	84,460
Average price per ton in inventory, SEK	1,605	1,479

1.4 Expenses

Expenses for raw materials in 2010 decreased compared to 2009 and amounted to KSEK 130,083 (156,011) as following drought and winter kill the use of fertilizers and plant protection be significantly reduced.

Personnel expenses in 2010 increased to KSEK 78,889 (53,730), due to an increase in the number of employees following the acquisitions made during the year.

Depreciation and amortization during the period increased to KSEK 69,684 (46,038), primarily due to a larger asset base following the acquisitions in Kaliningrad and Western Ukraine.

Other external expenses in 2010 amounted to KSEK 135,713 (85,488). The main items are management fees of KSEK 30,717, harvest loss and livestock attrition of KSEK 21,885, rent of land and equipment of KSEK 15,751 and various taxes such as land and property taxes along with non-refundable VAT amounting to KSEK 10,039.

At year end, the Company has booked a positive net effect of goodwill related items amounting to KSEK 44,647. For additional information see Note 3 Acquisition of subsidiaries.

1.5 Financial items

The net effect of financial items at Group level amounted to KSEK –39,622 (1,856), mainly because of an increase of the bank loans portfolio and as a result of the impairment of an investment in a joint venture in Lipetsk region in Russia.

1.6 Investment activity

Investments during the year amounted to KSEK 69,020 (74,552) of which investments in tangible and intangible fixed assets amounted to KSEK 57,037 (57,753). The book value at 31 December 2010 of tangible fixed assets amounted to KSEK 642,045 (423,054) and intangible fixed assets to KSEK 7,888 (11,198). The most important single direct asset investment during the year was the acquisition of assets in Western Ukraine, which included a grain silo under construction designed for 50,000 tons, machinery and equipment, a farm base, title to real estates and other assets, for a total of up to about SEK 24 million.

During the year, the Group has made significant progress in gaining direct control of the land assets in Russia, and the amount of directly registered land increased during the year from 23,600 hectares to 75,700 hectares at 31 December 2010. The accounting effects are described in Note 6 Land. The total land under control at year end amounted to 188,700 hectares (170,000 hectares) in Russia and 15,800 hectares (7,400 hectares) in Ukraine.

The Group also made a number of acquisitions of businesses which were integrated into the Group during the year, that are described in Note 3 Acquisition of subsidiaries.

1.7 Results

Loss before tax for the period amounted to KSEK –200,834 (–187,388). The total profit tax charge for the year was KSEK –959 (2009 had a positive net tax effect of KSEK 13,280). Total net loss after tax for the year amounts to KSEK –201,793 (–174,108).

Translation differences at year end amounted to KSEK –53,111 (–104,334). This is a currency effect arising from changes in the exchange rate between Russian roubles (RUB), which is the functional currency of the Russian subsidiaries of the group, and Swedish krona (SEK), which is the reporting currency of the Group. Total comprehensive loss in 2010 therefore amounted to KSEK –254,904 (–278,442). See also note 7 Equity.

1.8 Financing

During 2010, the Group has expanded the debt part of financing. At year end 2010, interest-bearing debt had increased to KSEK 234,368 (143,839). Some KSEK 49,512 of this increase resulted from the consolidation of the BBAH and Agroreserv acquisitions and KSEK 40,087 from the acquisition of Kolybelskoye. All loans besides the convertible bond instruments are extended in Russia by Russian banks and denominated in RUB. The Group has pledged assets, mainly tangible fixed assets and bearer biological assets, in respect of bank loans to Russian banks for about SEK 285 million per 31 December 2010 (SEK 132 million as of 31 December 2009).

The Group has during the year also attracted cash equity financing net after issue costs of about KSEK 224,485.

1.9 Cash flow and liquidity

The Group's net cash flow for the period amounted to KSEK 37,829 (–71,152). Cash flow from operating activities amounted to KSEK –96,616 (–84,365), due to significant expenses for planted fields that were then lost in the drought. The net cash flow effect from financing activities amounted to KSEK 203,465 (87,764) and consist of issue proceeds and repayments of loans in Russia. Cash and cash equivalents at year end amounted to KSEK 66,123 (33,458).

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2. Key ratios

The Group	1 Jan 2010 – 31 Dec 2010	1 Jan 2009 – 31 Dec 2009	1 Jan 2008 – 31 Dec 2008
Operating margin, %	–85.4	–103.1	–82.5
Equity/asset ratio, %	74.0	80.5	91.0
Shareholders' equity, MSEK	927	941	1,207
Average number of shares	48,809,689	34,591,956	29,974,536
Number of shares at end of period	49,591,892	34,591,956	34,591,956
Earnings per share, SEK	–4.04	–5.03	–3.23
Equity per share, SEK	18.70	27.21	34.90

3. Employees

The number of employees as of 31 December 2010 amounted to 1,401 (1,078), and the average number of employees during the year was 1,457.

4. Parent company

The profit for the period amounted to KSEK 3,719 (18,455). During the year, the parent company has increased its lending to the subsidiaries to SEK 1,534 million (1,368 million). As of 31 December 2010, cash and cash equivalents in the parent company amounted to KSEK 41,317 (21,757).

5. Related party transactions / Agreement with the Investment Manager

Management fee

In connection with the incorporation of Alpcot Agro in 2006, the Company entered into a management agreement with Alpcot Capital Management Ltd ("ACM") to act as Investment Manager and execute the Company's investment strategy. Under the agreement, which expires in January 2014, ACM is entitled to a fee of 2.25 per cent per year of the total funds raised by Alpcot Agro before issue costs. For 2010 the management fee amounted to KSEK 30,717 (30,924), after ACM waived fees amounting to KSEK 5,560 in 2010.

In February 2011, Alpcot Agro and ACM agreed to replace the management fee with a fixed management fee, which amounts to SEK 36.5 million per annum for 2011–13 and SEK 3 million for January 2014. Alpcot Agro will only be liable to pay 51.3 per cent of the fixed management fee in cash and the remainder will be converted into promissory notes, which carry no interest and mature on 31 October 2014. For the full details of the amended agreement see the press release that was issued by the Company on 16 February 2011.

6. Share data

Per 31 December 2010, the number of outstanding shares was 49,591,892 shares and the number of shareholders was about 750. During the year, an additional 20,211,192 new shares were issued by the Company. 19,587,133 new shares were issued in the preferential rights issue and 624,059 new shares via an issue in kind for the payment of shares of BBAH Sweden AB. The quota value of the shares is SEK 5.00. The final closing price for 2010 was SEK 14.60. For historic data on the share capital and share price development, see www.alpcotagro.com.

7. Risks and uncertainties

The risks facing the Company, including i.a. foreign exchange, liquidity, interest and financing and legal risks are detailed in note 30 in the 2009 annual report. During the period, there has been no major change in material risk factors or uncertainties for the Group or the parent company.

8. Declaration

The Board of Directors and the Managing Director declare that the interim report provides a true and fair picture of the operations, financial position and results of the parent company and the Group.

Stockholm, 22 March 2011

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Notes	12 month Jan–Dec 2010	12 month Jan–Dec 2009	6 month Jul–Dec 2010	6 month Jul–Dec 2009
Revenue	2	231,637	179,005	148,618	92,730
Gain from change in the fair value of biological assets	5	(4,093)	(4,412)	(123,276)	(131,178)
Government grants		13,269	8,958	7,778	6,327
Total revenue and gain		**240,813**	**183,551**	**33,119**	**(32,121)**
Change in inventory of agricultural produce	4	(32,303)	(31,528)	57,495	74,411
Raw material and consumables		(130,083)	(156,011)	(36,053)	(64,441)
Personnel expenses		(78,889)	(53,730)	(46,938)	(32,282)
Depreciation and amortization		(69,684)	(46,038)	(39,247)	(22,386)
Other external expenses		(135,713)	(85,488)	(88,747)	(59,010)
Total operating expenses		**(446,672)**	**(372,795)**	**(153,490)**	**(103,708)**
Operating result before goodwill adjustments		**(205,859)**	**(189,244)**	**(120,371)**	**(135,829)**
Net goodwill adjustments	3	44,647	–	(52,935)	–
Operating result		**(161,212)**	**(189,244)**	**(173,306)**	**(135,829)**
Net financial items		(39,622)	1,856	199	(5,268)
Result before tax		**(200,834)**	**(187,388)**	**(173,107)**	**(141,097)**
Tax		(959)	13,280	(5,150)	14,988
Result for the period		**(201,793)**	**(174,108)**	**(178,257)**	**(126,109)**
Other comprehensive income	7	(53,111)	(104,334)	(95,341)	(41,579)
Total comprehensive loss for the period		**(254,904)**	**(278,442)**	**(273,598)**	**(167,688)**
Whereof attributable to shareholders of parent company		**(250,310)**	**(278,442)**	**(269,184)**	**(167,689)**
Whereof attributable to minority		**(4,594)**	**–**	**(4,415)**	**–**
Basic / Diluted earnings per share		(4.04)	(5.03)	(3.51)	(3.65)
Average number of shares		48,809,689	34,591,956	49,591,892	34,591,956
Number of shares at the end of the period		49,591,892	34,591,956	49,591,892	34,591,956

CONDENSED CONSOLIDATED BALANCE SHEET

KSEK	Notes	31 Dec 2010	31 Dec 2009
ASSETS			
Non-current assets			
Tangible fixed assets		642,045	423,054
Land in process for registration	6	136,153	262,543
Intangible assets		7,888	11,198
Biological assets	5	47,388	15,844
Equity investments			17,932
Investments in securities and other financial assets		43,587	61,997
Deferred taxes		17,548	20,282
Total non-current assets		**894,609**	**812,850**
Current assets			
Inventory	4	98,524	116,983
Biological assets	5	75,679	69,124
Trade and other receivables		111,810	124,840
Cash and cash equivalents		66,123	33,458
Total current assets		**352,136**	**344,405**
Assets classified as held for sale		6,390	7,262
TOTAL ASSETS		**1,253,135**	**1,164,517**
EQUITY AND LIABILITIES			
Equity		**927,054**	**941,107**
Non-current liabilities			
Convertible loan		–	56,446
Other non-current liabilities		66,088	37,279
Deferred taxes		1,630	2,348
Total non-current liabilities		**67,718**	**96,073**
Current liabilities			
Convertible loan		63,217	–
Short term loans		100,108	50,114
Trade and other payables		95,038	77,223
Total current liabilities		**258,363**	**127,337**
TOTAL EQUITY AND LIABILITIES		**1,253,135**	**1,164,517**

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	31 Dec 2010	31 Dec 2009
Opening balance	941,107	1,207,239
New share issue	234,182	
Equity part of convertible loan		12,610
Non-controlling interests in the acquired companies	6,669	(300)
Total comprehensive income for the period	–254,904	–278,442
Closing balance	927,054	941,107

CONDENSED CONSOLIDATED GROUP CASH FLOW STATEMENT

KSEK	12 months Jan–Dec 2010	12 months Jan–Dec 2009	6 month Jul–Dec 2010	6 month Jul–Dec 2009
Cash flow from operating activities	–96,616	–84,365	–15,806	–40,517
Cash flow from investing activities	–69,020	–74,552	–48,206	–34,298
Cash flow from financing activities	203,465	87,764	–21,144	–614
Net (decrease)/increase in cash and cash equivalents	37,829	–71,152	–85,156	–75,428
Cash at the beginning of the period	33,458	105,619	155,628	109,328
Exchange difference on cash	–5,164	–1,009	–4,349	–441
Cash at the end of the period	66,123	33,458	66,123	33,458

PARENT COMPANY CONDENSED INCOME STATEMENT

KSEK	Jan–Dec 2010	Jan–Dec 2009	Jul–Dec 2010	Jul–Dec 2009
Net revenue	8,122	3,735	6,320	2,715
Other revenues		0	0	0
Total revenues	8,122	3,735	6,320	2,715
Personnel costs	0	0	0	0
Other external expenses	–18,318	–18,881	–9,710	–14,083
Depreciation	0	0	0	0
Operating results	–10,196	–15,146	–3,390	–11,368
Financial items	13,915	33,601	–5,785	14,523
Result before tax	3,719	18,455	–9,175	3,155
Income tax	0	0	0	0
Result for the period	3,719	18,455	–9,175	3,155

PARENT COMPANY CONDENSED BALANCE SHEET

KSEK	31 Dec 2010	31 Dec 2009
ASSETS		
Non-current assets		
Tangible fixed assets	2	5
Financial non-current assets	1,546,672	1,368,957
Total non-current assets	1,546,674	1,368,962
Current assets		
Other receivables	93,783	61,673
Cash and cash equivalents	41,317	21,757
Total current assets	135,100	83,430
TOTAL ASSETS	1,681,774	1,452,392
EQUITY AND LIABILITIES		
Equity	1,611,934	1,381,893
Non-current liabilities		
Convertible loan	–	56,446
Total non-current liabilities	0	56,446
Current liabilities		
Convertible loan	63,217	–
Other liabilities	6,623	14,053
Total current liabilities	69,840	14,053
TOTAL EQUITY AND LIABILITIES	1,681,774	1,452,392

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Accounting principles
Alpcot Agro financial reporting is made according to International Financial Reporting Standards (IFRS). This report for the Alpcot Agro Group has been prepared in accordance with IAS 34, "Interim Financial Reporting" and the Swedish Annual Accounts Act (Årsredovisningslagen).

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2 Financial reporting for legal entities issued by the Swedish Financial Reporting Board (Rådet för Finansiell Rapportering).

The same accounting policies, presentation and methods of computation are applied in these condensed financial statements as in the Annual Report for 2009.

Note 2 – Segment reporting
The operating segments are based on the main value adding activities in the business, i.e. crop production, meat and milk production, grain processing and management.

The business is also segmented by region, with Ukraine being treated as one region. The management companies in Moscow and Sweden bear the main overhead and administrative expenses. For the year end 2010, the same geographical segmentation will be applied as in the Annual report for 2009, but the intention is to change this as the Group implements the mega cluster structure to its operations. The geographical segmentation will then, to facilitate comparison, be made by mega cluster.

SEGMENTATION BY BUSINESS AREA

KSEK	Revenue	Operating result	Total assets
Crop production	190,787	–119,008	878,368
Meat and Milk	36,721	8,336	140,656
Grain processing	4,129	882	10,450
Management		–96,068	223,661
Total	231,637	–205,859	1,253,135

SEGMENTATION BY REGIONS

KSEK	Revenue	Operating result	Total assets
Voronezh	70,791	–51,987	424,280
Kaliningrad	48,307	–11,012	202,436
Tambov	37,609	–4,280	86,107
Lipetsk	29,591	–10,198	99,933
Kursk	19,348	1,532	94,849
Ukraine	16,765	–21,466	85,024
Volgograd	5,333	–5,422	16,457
Kurgan	3,892	–6,957	20,388
Management entities	–	–96,068	223,661
Total	231,637	–205,859	1,253,135

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Note 3 – Acquisition of subsidiaries

In 2010 a number of subsidiaries were acquired by the Group. Note that these statements are preliminary and that there have been minor adjustments made as compared to the preliminary statements made in the half year report 2010.

(i) Acquisitions in Kaliningrad (BBAH and Agroreserv)

On January 19, 2010, a majority of the shareholders in BBAH Sweden AB ("BBAH") accepted the offer from Alpcot Agro, giving the Company control of the Russian holding company ZAO Agroprom and its three subsidiaries, controlling about 3,300 hectares of agricultural land in the Kaliningrad region in Russia.

The offering was 0.142 shares in Alpcot Agro for each share in BBAH, and a total of 624,059 new shares in Alpcot Agro were issued in three steps to complete the acquisition. The total amount of Alpcot Agro shares at the moment of acquisition was 48,967,833, and the issue of new shares led to a dilution of about 1.2 percent in Alpcot Agro.

The fair value of the issued shares has been calculated according to the full acceptance period method, using the volume weighted average price for the period 19 December 2009 to 19 February 2010 with an average share price of SEK 15.09. Alpcot Agro presently owns 95.2 percent of the shares in BBAH, and a process of compulsory purchase has been initiated in order to gain full control of BBAH.

In addition, BBAH had an investment corresponding to 45 percent of the share capital in ZAO Agroreserv, a Russian holding company with seven subsidiaries ("Agroreserv"), controlling about 11,700 hectares of farmland in Kaliningrad. As the initial investment did not provide full control over Agroreserv but only a significant influence, Agroreserv was classified as an associated company. From 19 January 2010, Agroreserv is included in the Group accounts using the equity method.

For BBAH and the 45 percent stake in Agroreserv, the Company measured the excess of the fair value of the assets acquired and liabilities assumed in relation to the fair value of the new shares issued by Alpcot Agro. The values determined have been reassessed and tested for impairment. The remaining excess is recognized as income during the period amounting to SEK 76 million.

BALANCE SHEET FOR BBAH PER 19 JANUARY 2010

Net assets acquired	KSEK
Property, plant and equipment	78,094
Intangible assets	5
Biological assets	14,695
Inventories	14,052
Trade and other receivables	23,294
Investments in securities and other financial assets	30,259
Cash and cash equivalents	3,703
Loans and borrowings	–69,797
Trade and other payables	–4,841
Net assets at the date of acquisition	**89,464**
Less: Non-controlling interests in BBAH and Russian subsidiaries	–3,982
Group's share of net assets acquired	**85,482**
Consideration paid for BBAH	**9,417**
Negative Goodwill	**–76,065**
Effect on the Group liquid assets	
Cash paid	0
Cash and cash equivalents in the acquired companies	3,703
Net effect on the Group cash and cash equivalents	**3,703**

In May 2010, a wholly owned Russian subsidiary of Alpcot Agro acquired the remaining 55 percent of Agroreserv from two private individuals. Consequently, Agroreserv has been consolidated in the Group accounts starting from 1 June, 2010.

In May 2010, a new company was also established in the Kaliningrad region – OOO Novaya Liniya ("Novaya Liniya"). Initially the Group owned 1% of the equity and later in October 2010 acquired the remaining 99% of the share capital as a part of the transaction for acquisition of Agroreserv. Consequently, Novaya Liniya has been consolidated in the Group accounts starting from 1 October, 2010. The acquisitions of Agroreserv and Novaya Liniya are accounted for by using the 'acquisition method' in Alpcot Agro's consolidated accounts in accordance with IFRS 3 'Business combinations'.

For the 55 percent stake in Agroreserv and 99% in Novaya Liniya, the Company measured the excess of the fair value of the assets acquired and liabilities assumed in relation to consideration paid by the Group. The values determined have been reassessed and tested for impairment. The remaining excess is recognized as income during the period amounting to SEK 27 million.

BALANCE SHEET FOR AGRORESERV PER 1 JUNE 2010

Net assets acquired	KSEK
Property, plant and equipment	69,107
Intangible assets	4
Biological assets	18,160
Inventories	8,955
Trade and other receivables	6,771
Investments in securities and other financial assets	2,173
Cash and cash equivalents	97
Loans and borrowings	–33,342
Trade and other payables	–15,415
Net assets at the date of acquisition	**56,510**
Less: Non-controlling interest	–2,687
Agroreserv's share of net assets	**53,823**
Group's share of net assets previously controlled	**–22,939**
Consideration paid	**4,301**
Negative goodwill	**–26,583**
Effect on the Group liquid assets	
Cash paid	4,301
Cash and cash equivalents in the acquired companies	97
Net effect on the Group cash and cash equivalents	**–4,204**

The total estimated net excess value of the assets acquired and liabilities assumed over consideration paid amounting to SEK 103 million is recognized in the Income Statement for the reporting period.

Kaliningrad subsidiaries of the Group contributed SEK 48 million of revenue and SEK 11 million of negative income before tax from the date of acquisition to 31 December 2010. If the combination had taken place at the beginning of the year, the revenue and net profit of the Group would have been approximately the same.

(ii) Acquisition of Kolybelskoye

In May 2008, the Group acquired 50% of the shares of OOO AF Kolybelskoye ("Kolybelskoye"), a company which maintains a dairy business in Lipetsk region, and since that time Kolybelskoye has been reported for as a joint venture. In October 2010, the remaining 50% of Kolybelskoye was acquired by the Group, giving the Group full control of the business. From 1 October 2010, Kolybelskoye is accounted for by using the 'acquisition method' in the Group consolidated accounts in accordance with IFRS 3 'Business combinations'.

BALANCE SHEET FOR KOLYBELSKOYE PER 1 OCTOBER 2010

Net assets acquired	KSEK
Property, plant and equipment	26,468
Biological assets	16,508
Inventories	777
Trade and other receivables	7,842
Other financial assets	3
Cash and cash equivalents	190
Loans and borrowings	–68,868
Trade and other payables	–6,808
Net assets at the date of acquisition	**–23,888**
Less: Non controlling interest	0
Group's share of net assets acquired	**–11,944**
Group's share of net assets previously controlled and was impaired in previous periods	**–11,944**
Consideration paid	**10,997**
Excess of purchase consideration over net assets acquired	**34,885**
Effect on the Group liquid assets	
Cash paid	–10,997
Cash and cash equivalents in the acquired companies	190
Net effect on the Group cash and cash equivalents	**–10,807**

The excess of the purchase consideration over the net assets acquired was tested for impairment and the Company has concluded it prudent to write off this excess in the statement of comprehensive income for the period. The investment of KSEK 6,947 that was made for the first 50% of Kolybelskoye has similarly been provided for in earlier reporting.

The Group has earlier provided loans to Kolybelskoye amounting to KSEK 4,745. The reserves related to the loans were released after the consolidation of Kolybelskoye in the reporting period.

From the date of acquisition to 31 December 2010, Kolybelskoye contributed KSEK 2,601 of revenue and an income before tax of KSEK 96 to the Group. If the combination had taken place at the beginning of the year, the revenue of the Group would have been SEK 13 million higher and the profit of the Group would have been affected by approximately negative SEK 8 million.

(iii) Acquisition of Rodina

In previous periods one of the Group subsidiaries participated in a joint venture with agriculture farm in Lipetsk region – OAO AF Rodina ("Rodina"). In January 2010, the joint-venture agreement was terminated and the Group gained control of Rodina without making any purchase consideration. Since January 2010, Rodina is consolidated into the Group figures.

Rodina – Net assets acquired	KSEK
Property, plant and equipment	4,476
Biological assets	0
Inventories	0
Trade and other receivables	0
Other financial assets	15,419
Cash and cash equivalents	22
Loans and borrowings	–24,210
Trade and other payables	–9,259
Net assets at the date of acquisition	**–13,552**
Group's share of net assets acquired	**–13,552**
Consideration paid	0
Excess of purchase consideration over net assets acquired	**13,552**
Effect on the Group liquid assets	
Cash paid	0
Cash and cash equivalents in the acquired companies	22
Net effect on the Group cash and cash equivalents	**22**

The excess of the purchase consideration over the net assets acquired was tested for impairment and the Company has concluded it prudent to write off this excess in the statement of comprehensive income for the period. In addition, the investment of KSEK 12,831 made in the joint venture in earlier periods was also impaired and the respective loss was recognized in the reporting period.

From the date of acquisition to 31 December 2010, Rodina contributed SEK 0 in revenue and SEK 3 million in negative income before tax.

Other additions to the Group

In June 2010, a new wholly owned subsidiary was established in Ukraine LLC "Agrokultura Rogatyn" with a share capital of KSEK 1.

Based on the above transactions, the total net effect of goodwill related items amounts to KSEK 44,647 for 2010:

Acquisition	KSEK
BBAH (negative goodwill)	76,064
Agroreserv (negative goodwill)	26,583
Kolybelskoye	–34,885
Rodina	–13,552
Other acquisitions	–9,563
Total effect	**44,647**

Note that the negative goodwill impact is about 5 million SEK higher than estimated in the 6-month 2010 interim report, due to additional assets in Novaya Liniya that were not included as of 30 June 2010.

Note 4 – Inventories

Inventories	31 Dec 2010 (KSEK)	31 Dec 2009 (KSEK)
Raw materials at cost	47,206	33,053
Less: Provision for obsolescence	–3,104	–530
Net raw materials	**44,102**	**32,253**
Agricultural products	55,080	83,133
Less: provision to NRV	–668	
Products that are the result of processing after harvest	10	1,327
Total inventories	**98,524**	**116,983**

Note 5 – Biological assets

Bearer biological assets are animal livestock, primarily cattle. These normally generate income for 5–8 years. In line with IAS 41 – Agriculture, these assets are recognized at fair value, which is reviewed every reporting date. Consumable biological assets are growing crops, at year-end primarily winter wheat, which is shown under current assets section of the balance sheet, as they are normally transferred to agricultural produce within the course of a year. Biological assets are measured on initial recognition and at each balance sheet date at fair value. Any changes in fair value are recognised in the income statement in the year in which they arise. The fair value of live-stock is based on market prices of livestock of similar age, breed and gender.

	Consumable biological assets (crops)		Bearer biological assets (livestock)	
KSEK	Mature	Immature	Mature	Immature
Opening balance	–	69,125	9,614	6,231
Additions	–	258,615	–	7,675
Companies aquired	–	21,867	16,268	11,186
Change in fair value	–	–10,322	4,452	1,777
Transfers	199,972	–199,972	8,069	–8,069
Change due to harvest	–199,972	–	–	–
Disposals	–	–58,530	–2,214	–4,503
Currency translation effect	–	–5,104	–2,212	–886
Closing balance per 31 December 2010	**–**	**75,679**	**33,977**	**13,411**

Note 6 – Land

The item "Land in process for registration" amounting to SEK 136 million (263 million) represent advances paid to PAI owners based on preliminary land purchase agreements where the land title has not yet been transferred to the Company. As the registrations are completed, the assets are successively transferred to the Land category.

Note 7 – Equity

Translation differences in equity

Translation differences at year end are recognised directly in the statement of comprehensive income under "Other comprehensive income" and amounts to KSEK –53,111 (–104,334). Translation differences arise upon translation of foreign operations' balance sheet and income statement when assets and liabilities are translated at the exchange rate prevailing on the balance sheet 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 balance sheet date. Those differences are normally recognised under "Other comprehensive income", with the exception of loans denominated in foreign currencies which are designated as an investment in a foreign operation. Translation differences mainly arise on loans given to Russian and Ukrainian subsidiaries of the Group. The intercompany loans to subsidiaries in Russia are denominated in RUR and loans to subsidiaries in Ukraine are denominated in USD.

Alpcot Agro

AUDITORS REVIEW

To the Board of Directors of Alpcot Agro AB (publ)

Introduction

We have performed a review of the condensed interim financial statements for Alpcot Agro AB (publ) at 31 December 2010 and the twelve-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of these Interim financial statements in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the condensed interim financial statements based on our review.

Scope of the Review

We have conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*, issued by the Swedish Federation of Authorized Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different purpose and a substantially less scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain such a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, an opinion based on a review does not constitute the same level of assurance as an opinion based on an audit.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material aspects, for the group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Stockholm, 22 March 2011

Ernst & Young AB

Per Hedström
Authorized public accountant