

# Report for the financial year 2009

The report for the financial year 2009 for Alpcot Agro AB (publ) ("Alpcot Agro", "the Company" or "the Group") has been approved by the board.

The audited annual report will be published both in Swedish and in English no later than two weeks before the annual general meeting. The information presented is the unaudited financial results for the period 1 January 2009 – 31 December 2009. (Numbers within brackets refer to the period 1 January 2008 – 31 December 2008 unless otherwise stated.)

## FINANCIAL HIGHLIGHTS FOR THE PERIOD

- The Group's total revenues for 2009 increased by 491 per cent and amounted to SEK 179 million (SEK 30 million).
- The Group's gain on revaluation of biological assets for 2009 amounted to SEK –4 million (SEK 94 million).
- Operating loss for 2009 amounted to SEK –189 million (SEK –111 million).
- Personnel expenses for the period amounted to SEK 54 million (SEK 51 million), other external expenses amounted to SEK 85 million (SEK 94 million) and depreciation amounted to SEK 46 million (SEK 35 million).
- The Group net loss for 2009 amounted to SEK –174 million (SEK –96 million). Cash and cash equivalents of the Group as of 31 December 2009 was SEK 33 million (SEK 106 million).
- Earnings per share for 2009 is SEK –5.03 (–3.21). Equity per share as of 31 December 2009 was SEK 27.21 (34.90).
- Total investments in land acquisition during 2009 amounted to SEK 11 million and investments in new machinery and equipment during the year amounted to SEK 47 million.
- The Company raised SEK 65 million from an issue of convertible bonds in March 2009.
- The Company's shares were accepted for trading on NASDAQ OMX First North in Stockholm with the ticker name ALPA. First day of trading was Monday 19 October 2009.
- The board proposes that no dividend is paid for the financial year 2009.

## IMPORTANT EVENTS AFTER THE END OF THE PERIOD

- The preferential rights issue that was announced on 24 November, 2009 was completed in January 2010 and raised SEK 235 million before issue costs.
- On 24 November 2009 the Company announced an offer to acquire all outstanding shares of BBAH Sweden AB ("BBAH"). The offer ended on 26 February 2010 with Alpcot Agro gaining control of 95.2 per cent of the shares in BBAH.

## Björn Lindström, CEO of Alpcot Agro AB, comments

*"2009 was a challenging year, but not a lost year. Despite the disappointing financial result, considerable and calculated efforts have been made during 2009 to improve the company's long-term profitability prospects. These efforts include changes in Alpcot Agro's land bank, evaluation of options within vertical integration, cost reductions and recruitment of key personnel. It is a time consuming work, but when soft commodity markets recover Alpcot Agro will be well positioned to benefit. The main objective for the Company is to reach profitability."*

## ANNUAL GENERAL MEETING 2010

The Annual General Meeting will take place on Monday 17 May, 2010 at 16:00 in Stockholm.

Stockholm, 30 March 2010

## Alpcot Agro AB (publ)

The Board of Directors

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The preliminary reporting calendar for 2010 is

3 May, 2010	Annual Report 2009
17 May 2010	Annual General Meeting 2010
31 August 2010	Interim Report January–June 2010
30 March 2011	Report for the financial year 2010

## MARKET HIGHLIGHTS

### Grains market in 2009

The Russian and Ukrainian economies have both been suffering from the aftermath of the global economic crisis, with the GDP falling by around 8 per cent and 15 per cent respectively. The crisis also had a considerable impact on the banking systems of both countries which influenced the availability and the cost of credit, hence limiting corporate expansion plans. In the last months there are signs that the economies are bottoming out and there are indications of economic recovery.

The overall economic slowdown in Russia and Ukraine has coincided with a depressed grain market, as a result of:

- Two consecutive historically large grain harvests in Russia in 2008 and 2009 (108 million tonnes and 97 million tonnes respectively),
- A considerable both global and domestic excess supply of grains in both the 2008/09 and 2009/10 seasons and carryover stocks growing to the highest level in a decade,
- Reduction of government intervention program in Russia with the tender price levels below the market price levels, hence absorbing only small portion of the supply,
- Infrastructure limitations for the export sales leading to the increase in national stock levels.

As a consequence, the price levels for grains in the Black Sea region remained at historically low levels. Meanwhile, sunflower and corn remained the most profitable crops due to the high price levels, supported by strong demand from the major sunflower oil importing countries and the increased competition among regional processing plants.

### Market outlook for 2010

The grain market outlook for 2010/2011 will be affected by the following major factors:

- The area under winter crops further increased in 2009/2010, which might put additional pressure on local and national wheat markets,
- Indications of a decrease of the spring planting of wheat and barley could provide some support for the prices until the end of the year,
- The Russian government has announced plans of a substantial increase of grain exports from the State intervention fund by United Grain Company, which might bring about a reduction of the Russian carryover stocks,
- In general, government support is likely to be reduced with fewer intervention sessions and cuts in subsidies.

## FINANCIAL INFORMATION

### 1. Consolidated statement of comprehensive income and balance sheet

#### 1.1 Revenue

For the twelve months ended 31 December 2009 revenues from sales increased significantly in comparison with the same period 2008, and amounted to KSEK 179,005 (30,267). Sales of crops constituted 88 per cent of total sales, 8 per cent was sales of milk, meat and dairy products and 4 per cent other sales.

Revenue from sales	SEK thousand Jan–Dec 2009	SEK thousand Jan–Dec 2008	Year on year change, %
Revenues from sales of crop production	157,202	16,971	826
Revenues from sales of milk and meat	14,568	6,394	128
Revenues from sales of other goods and services	7,235	6,902	5
<b>Total</b>	<b>179,005</b>	<b>30,267</b>	<b>491</b>

In 2009 the Group sold 219,938 tons of grain, sunflower and other crops. The volume of sales increased from 64,882 tons in 2008, 339 per cent on year-on-year basis, as a substantial part of the 2008 harvest was sold in 2009 and also due to the increase of harvest in 2009. At year end approximately 21 per cent of 2009 the harvest remained in storage.

Agricultural produce in inventory	31 Dec 2009	31 Dec 2008	Year on year change, %
Tons	34,716	85,308	–59
As % of the year harvest	21%	57%	

#### 1.2 Gains on revaluation

For the twelve months ended 31 December 2009 the Group has accounted for losses on revaluation of biological assets in the amount of KSEK 4,412 (gain 94,355). The loss is driven by the decrease of the winter crops acreage to 46,200 ha as of 31 December 2009 compared with 55,300 ha as of 31 December 2008, and by the decrease of market prices for grains compared to a year ago.

When calculating fair value of crops in inventory and biological assets, and respective revaluation, market prices from Ministry of Agriculture of Russian Federation were used. The prices for all grains as of 31 December 2009 have decreased compared with prices as of 31 December 2008 as listed in the table below:

Crop	31 Dec 2009, SEK / ton	31 Dec 2008, SEK / ton
Wheat	1,028	1,400
Rye	849	1,021
Barley malting	907	1,050
Barley feed	852	1,034
Corn	1,088	824
Sunflower	2,348	2,895

#### 1.3 Change in inventory

The operations are highly seasonal: winter crops are seeded in August–September and spring crops are seeded in April–May. Hence, expenses are accumulated during the agricultural year preceding the year of harvest, which is done in July–September. The harvest is mostly sold during the period of September–March.

Change in inventory relates to the changes in value of agriculture produce: grains, milk and meat. Change in inventory for the twelve months ended 31 December 2009 amounted to KSEK –31,528 (130,652).

## 1.4 Expenses

In 2009 the Group did not increase the amount of land in production to a significant extent as most of the abandoned land was already put into operation during 2008. Putting land that has been abandoned into operation requires a high level of inputs, including fuel, chemicals and fertilizers. As a consequence, the expenses for raw materials in 2009 decreased compared to the same period of 2008 and amounted to KSEK 156,011 (196,448).

Since the Group made large purchases of machinery and equipment during the first half of 2008, the depreciation for the twelve months period ended 31 December 2009 increased significantly compared to the same period 2008 and amounted to KSEK 46,038 (35,444).

During 2009 the Group realised several cost reduction initiatives that helped to decrease other external expenses in 2009 to KSEK 85,487 (93,935).

Due to the fact that several significant subsidiaries of the Group were acquired only in 2Q 2008 and have not been consolidated for the full year of 2008, personnel expenses for twelve months ended 31 December 2009 increased to KSEK 53,730 (51,092).

## 1.5 Operating result

For the twelve months ended 31 December 2009, EBITDA amounted to KSEK –143,205 (–75,892). The operating loss amounted to KSEK –189,243 (–111,336) and loss for the period amounted to KSEK –174,109 (–96,092). The main factors behind the negative result are the continually low prices for crops during 2009 as well as high production costs for the land recently put into operation.

## 1.6 Investments activity

As the Group substantially decreased the investment activities this year, for the twelve months ended 31 December 2009, investments in tangible and intangible assets amounted to KSEK 57,753 (575,622). The main part of such investments comprised farming machinery and equipment. As of 31 December 2009, the book value of tangible and intangible fixed assets amounted to KSEK 395,986 (426,624) and KSEK 11,198 (–39,295), respectively.

## 1.7 Cash flow and liquidity

The Group's cash-flow for the period amounted to KSEK –71,152 (–82,502). Cash and cash equivalents at the end of the period amounted to KSEK 33,458 (105,620) and interest-bearing debt to KSEK 139,833 (56,996). During the reporting period, the Company issued a convertible loan which raised KSEK 65,050 (0).

## 2. Key ratios

The Group	1 Jan 2009 – 31 Dec 2009	1 Jan 2008 – 31 Dec 2008
Operating margin, %	–103.1	–82.5
Equity/asset ratio, %	80.5	90.3
Shareholders' equity, MSEK	941	1,207
Average number of shares	34,591,956	29,974,536
Number of shares at end of period	34,591,956	34,591,956
Earnings per share, SEK	–5.03	–3.21
Equity per share, SEK	27.21	34.90

*Earnings and equity per share has been adjusted for the share issue which was completed in January 2010.*

## 3. Employees

The number of employees as of 31 December 2009 amounted to 1,078 (1,285). The decrease of the number of employees is the result of cost reduction and efficiency improvement initiatives.

## 4. Parent company

The profit for the period amounted to KSEK 22,162 (18,188). The parent company has increased its lending to the subsidiaries up to KSEK 1,367,777 (1,260,118). As of 31 December 2009, cash and cash equivalents amounted to KSEK 21,757 (85,239).

## 5. Related party transactions / Agreement with the Investment Manager

### *Management fee*

As described in the Annual Report for the financial year 2008 the Group has engaged Alpcot Capital Management Ltd ("ACM") as Investment Manager to execute the Company's investment strategy. ACM is controlled by a number of the Company's shareholders. ACM receives a fee of 2.25 per cent per year of the total funds raised by Alpcot Agro before issue costs. During 2009 the management fee amounted to KSEK 31,192 (26,579).

## 6. Share data

Per 31 December 2009, the amount of outstanding shares was 29,380,700. Per 20 March 2010, the amount of shares had increased to 49,591,892 shares and the number of shareholders was about 1,000. The quota value of the shares is SEK 5.00.

### *Development of the share*

On October 19, 2009 the Company's share was listed on Nasdaq OMX First North. In the remainder of 2009 after the listing, a total of around 2.1 million shares were traded for a value of around SEK 34.1 million. The final closing price for 2009 was SEK 12.60.

The preferential rights issue that was announced on November 24, 2009, was completed in January 2010 and raised SEK 235 million before issue costs. The subscription price was SEK 12.00 per new share and Alpcot Agro's shareholders were entitled to subscribe for 2 new shares for each 3 old shares held. The rights offering led to the issue of 19,587,133 new shares in Alpcot Agro.

On 24 November 2009 the Company announced an offer to acquire all outstanding shares of BBAH Sweden AB ("BBAH"). The offer ended on 26 February 2010 with Alpcot Agro gaining control of 95.2 per cent of the shares in BBAH. The offer proposed 0.142 shares in Alpcot Agro for each share in BBAH, and led to the issue of 624,059 new shares in Alpcot Agro.

For historic data on the share capital and share price development, see [www.alpcotagro.com](http://www.alpcotagro.com).

## 7. Material risks and uncertainties

Alpcot Agro's operations are subject to a number of risks, not least due to the nature of the operations and the running thereof in Russia and other CIS-states, such as for example risks related to Russian real estate law and ways to legally acquire agricultural land, politics, crime and corruption, corporate governance, accounting and financial reporting, grain prices and weather conditions.

The Group is currently not subject to any substantial credit risk exposure in relation to any individual counterparty or group of counterparties.

In note 25 (Risk management) in Alpcot Agro's annual report for 2008, the Group's risks relating to foreign exchange, liquidity, interest and financing and legal risks are presented. In note 3 in the same annual report critical judgements and assessments are reported. These are substantially unchanged.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Jan-Dec 2009	Jan-Dec 2008	Jul-Dec 2009	Jul-Dec 2008
Revenue	179,005	30,267	92,730	20,387
Gain from changes in fair value of biological assets	-4,412	94,355	-131,178	22,536
Government grants	8,958	10,309	6,327	10,309
<b>Total revenue and gain</b>	<b>183,551</b>	<b>134,931</b>	<b>-32,121</b>	<b>53,232</b>
Change in inventory of agricultural produce	-31,528	130,652	74,411	132,910
Raw material and consumables	-156,011	-196,448	-64,441	-134,586
Other external expenses	-85,487	-93,935	-59,010	-67,414
Personnel expenses	-53,730	-51,092	-32,282	-41,471
Depreciation and amortization	-46,038	-35,444	-22,386	-28,646
<b>Total operating expenses</b>	<b>-372,793</b>	<b>-246,267</b>	<b>-103,708</b>	<b>-139,207</b>
<b>Operating loss</b>	<b>-189,243</b>	<b>-111,336</b>	<b>-135,829</b>	<b>-85,975</b>
Financial items	1,855	5,368	-5,268	10,804
<b>Loss before tax</b>	<b>-187,388</b>	<b>-105,968</b>	<b>-141,097</b>	<b>-75,171</b>
Tax	13,280	9,876	14,988	6,976
<b>Loss for the period</b>	<b>-174,108</b>	<b>-96,092</b>	<b>-126,109</b>	<b>-68,195</b>
<b>Other comprehensive income</b>				
Translation differences	-104,333	-7450	-41,579	2,335
<b>Total comprehensive loss for the period</b>	<b>-278,441</b>	<b>-103,542</b>	<b>-167,688</b>	<b>-65,860</b>
Basic / Diluted earnings per share	-5.03	-3.21	-3.65	-1.97
Average number of shares	34,591,956	29,974,536	34,591,956	34,591,956
Number of shares at the end of the period	34,591,956	34,591,956	34,591,956	34,591,956

*Earnings per share has been adjusted for the share issue which was completed in January 2010.*

**CONDENSED CONSOLIDATED BALANCE SHEET**

December 31 KSEK	Notes	2009	2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets		423,054	426,624
Land in process for registration	6	262,543	0
Intangible assets		11,198	39,295
Biological assets	5	15,844	14,514
Equity investments		17,932	891
Investments in securities and other financial assets		61,997	297,950
Deferred taxes		20,282	20,829
<b>Total non-current assets</b>		<b>812,850</b>	<b>800,103</b>
<b>Current assets</b>			
Inventory	4	116,983	161,320
Biological assets	5	69,124	83,622
Trade and other receivables		129,340	184,264
Cash and cash equivalents		33,458	105,620
<b>Total current assets</b>		<b>348,905</b>	<b>534,826</b>
Assets classified as held for sale		7,262	1,654
<b>TOTAL ASSETS</b>		<b>1,169,017</b>	<b>1,336,583</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7	941,107	1,207,246
<b>Non-current liabilities</b>			
Convertible loan		56,446	0
Other non-current liabilities		37,279	38,860
Deferred taxes		2,348	16,631
<b>Total non-current liabilities</b>		<b>96,073</b>	<b>55,491</b>
<b>Current liabilities</b>			
Short term loans		50,114	18,136
Trade and other payables		81,723	55,717
<b>Total current liabilities</b>		<b>131,837</b>	<b>73,853</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,169,017</b>	<b>1,336,583</b>

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KSEK	2009	2008
Opening balance 1 January	1,207,239	810,216
Total comprehensive income	-278,441	-103,542
Change in minority interest	-300	301
Equity part of convertible loan	12,610	0
Share issue	0	500,264
Closing balance 31 December	941,107	1,207,239

### CONDENSED CONSOLIDATED CASH FLOW

KSEK	Jan-Dec 2009	Jan-Dec 2008	Jul-Dec 2009	Jul-Dec 2008
Cash flow from Operating Activities	-84,365	-274,626	-40,517	-164,255
Cash flow from Investing Activities	-74,552	-675,555	-34,298	-258,644
Cash flow from Financing Activities	87,764	867,679	-614	-2,232
Net (decrease)/increase in cash and cash equivalents	-71,152	-82,502	-75,429	-425,131
Cash at the beginning of the period	105,619	186,592	109,328	523,866
Exchange difference on cash	-1,009	1,529	-441	6,885
Cash at the end of the period	33,458	105,619	33,458	105,620

### PARENT COMPANY CONDENSED INCOME STATEMENT

KSEK	Jan-Dec 2009	Jan-Dec 2008	Jul-Dec 2009	Jul-Dec 2008
Total revenues	3,436	8,000	2,416	4,847
Other external expenses	-18,857	-43,860	-14,059	-26,650
Operating results	-15,421	-35,860	-11,643	-21,803
Financial items	37,583	54,048	18,505	39,318
Result before tax	22,162	18,188	6,862	17,515
Income tax	0	0	0	0
Result for the period	22,162	18,188	6,862	17,515

**PARENT COMPANY CONDENSED BALANCE SHEET**

KSEK	31 Dec, 2009	31 Dec, 2008
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible fixed assets	5	125
Financial non-current assets	1,368,957	1,260,798
<b>Total non-current assets</b>	<b>1,368,962</b>	<b>1,260,923</b>
<b>Current assets</b>		
Other receivables	65,871	15,115
Cash and cash equivalents	21,757	85,239
<b>Total current assets</b>	<b>87,628</b>	<b>100,354</b>
<b>TOTAL ASSETS</b>	<b>1,456,590</b>	<b>1,361,277</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	1,372,988	1,356,998
<b>Non-current liabilities</b>		
Convertible loan	65,050	0
<b>Total non-current liabilities</b>	<b>65,050</b>	<b>0</b>
<b>Current liabilities</b>		
Other liabilities	18,552	4,279
<b>Total current liabilities</b>	<b>18,552</b>	<b>4,279</b>
<b>Total EQUITY AND LIABILITIES</b>	<b>1,456,590</b>	<b>1,361,277</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 – Accounting principles

Alpcot Agro applies International Financial Reporting Standards (IFRSs) as adopted by the EU. The Year-end Report of the Alpcot Agro Group has been prepared in accordance with IAS 34, "Interim Financial Reporting," and the Annual Accounts Act.

The parent company's financial statement have been prepared in accordance with the Swedish Annual Accounts Act and the recommendation RFR 2.2 Financial reporting for legal entities issued by the Swedish Financial Reporting Board (Sw. Rådet för Finansiell Rapportering).

#### – IAS 1 amendment "Presentations of Financial Statements"

The revised standard separates changes in equity as a result of transactions with owners and other changes. The statement of changes in equity will only contain details regarding transactions with owners. Changes other than those in transactions with owners are to be presented in one row in the statement of changes in equity. In addition, the standard introduces the concept of "Group statement of comprehensive income", which shows all items pertaining to revenues and costs, either in one separate statement or in two related statements. The group has chosen to present all revenues and costs separately in the item "Group statement of comprehensive income."

#### – IFRS 8 Operating segments

IFRS 8, Operating Segments is effective for annual periods beginning on or after 1 January 2009. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis as used for internal reporting purposes. The group has chosen to apply the IFRS 8 for the first time.

Since 1 January 2009 the Group has changed the presentation of Income Statement from function of expense to nature of expense as described in IAS 1 "Presentation of Financial Statements". The management believes that while not affecting the financial result of the operations, the presentation by nature of expense provides a more transparent picture of the Group performance for the users of financial statements. For the preparation of this report the comparative figures for 2008 have been restated accordingly.

### Note 2 – Segment reporting

The Group has not adopted IFRS 8 Operating Segments previously, so these financial statements include the first adoption of IFRS 8.

The Group segments the business in two dimensions, as seen in the tables below. The operating segments are based on the main value adding activities in the business, i.e. plant growing, meat and milk production, grain processing, holding and overhead. These in turn are segmented by the different regions where the Group has operations, with Ukraine being treated as one region. The management companies in Moscow and Sweden bear the main overhead and administrative expenses.

The Group does not have reliable comparative segmentation data for earlier periods. Earlier segmentation analysis covered the results of the current year harvest exclusive of carryover stock and related sales, and the cost for the effort to recalculate earlier data has been judged to exceed the value of the information.

## SEGMENTATION BY NATURE OF BUSINESS

	Revenue KSEK	Net income KSEK	Total assets KSEK
<b>Plant growing</b>	<b>157,202</b>	<b>-82,493</b>	<b>967,761</b>
Voronezh	41,031	-15,156	610,210
Volgograd	31,532	-16,465	47,117
Lipetsk	31,869	-11,713	93,963
Tambov	37,672	-13,742	114,198
Kursk	10,367	-19,931	44,438
Kurgan	8	-880	9,348
Ukraine	4,723	-4,605	48,486
<b>Meat and Milk</b>	<b>14,568</b>	<b>-7,509</b>	<b>56,534</b>
<b>Grain processing</b>	<b>7,234</b>	<b>-531</b>	<b>14,010</b>
Holding	-	-1,361	130,720
<b>Total</b>	<b>179,005</b>	<b>-91,893</b>	<b>1,169,025</b>

Administrative salaries	-11,271
Other general expenses	-19,857
Bad debt provision	-5,396
Finance costs, net	-58,971
<b>Loss before tax</b>	<b>-187,388</b>

## SEGMENTATION BY REGIONS

	Revenue KSEK	Net income KSEK	Total assets KSEK
Voronezh	101,341	-23,684	575,903
Volgograd	12,514	-16,996	90,856
Lipetsk	15,871	-12,055	154,181
Tambov	34,603	-13,742	123,940
Kursk	9,694	-19,931	166,312
Kurgan	8	-880	9,348
Ukraine	4,973	-4,605	48,486
<b>Total</b>	<b>179,005</b>	<b>-91,893</b>	<b>1,169,025</b>

### Note 3 – Acquisition of subsidiaries

In 2009 the following subsidiaries were acquired by the Group.

(i) *LLC “Fermerskiy Capital” in Russia*

On 1 April 2009, a new wholly owned subsidiary “Fermerskiy Capital” was registered. The share capital amounted to KSEK 3. The Company contributed KSEK 6,117 of revenue and KSEK –312 of income before taxation from the date of registration to 31 December 2009.

(ii) *LLC “Agrokultura Volyni” in Ukraine*

On 8 May 2009, a 100 per cent share was acquired in Limited Liability Company “Agrokultura Volyni”, a company engaged in plant growing in Lviv region, for a cash consideration of KSEK 62.5 which equals par value.

The Company contributed KSEK 1,819 of revenue and KSEK 116 of income before tax from the date of acquisition to 31 December 2009. If the combination had taken place at the beginning of the year, the net income for the Group would have been approximately the same.

(iii) *LLC “Agrokultura Polyssja” in Ukraine*

On 28 May 2009, a 100 per cent share was acquired in Limited Liability Company “Agrokultura Polyssja”, a company engaged in plant growing in Lviv region, for a cash consideration of KSEK 62.5 which equals par value.

The Company contributed KSEK 2,267 of revenue and KSEK –4,320 of income before tax from the date of acquisition to 31 December 2009. If the combination had taken place at the beginning of the year, the net income for the Group would have been approximately the same.

### Acquisitions after the end of the period

**BBAH Sweden AB**

On 24 November 2009 Alpcot Agro announced an offer to acquire all outstanding shares of BBAH Sweden AB (“BBAH”). The offer ended on 26 February 2010 with Alpcot Agro gaining control of 95.2 per cent of the shares in BBAH. BBAH Sweden AB is the parent company of a group of companies engaged in plant growing in the Kaliningrad region in Russia, and the group harvested about 10,400 hectares in Kaliningrad in the fall of 2009.

The offer proposed 0.142 shares in Alpcot Agro for each share in BBAH, and led to the issue of 624,059 new shares in Alpcot Agro. Considering the price of the Alpcot Agro share during the time period when the offer was made, the offer amounted to about SEK 10.5 million.

### Note 4 – Inventories

Inventories	31 Dec 2009 (KSEK)	31 Dec 2008 (KSEK)
Stores and materials at cost	27,992	26,918
Less: Provision for obsolescence	(530)	(1,804)
<b>Net stores and materials</b>	<b>26,648</b>	<b>25,114</b>
Agricultural products	83,133	136,208
Products that are the result of processing after harvest	1,327	0
Other	5,880	0
<b>Total inventories</b>	<b>116,988</b>	<b>161,320</b>

**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, primarily winter wheat, which is shown under current assets section of the balance sheet, as these assets would be normally transferred to agricultural produce during one 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 livestock is based on market prices of livestock of similar age and gender.

Productive cattle with fair value of 2,248 KSEK (3,774) is pledged to secure long-term bank loans of the Group.

	Consumable biological assets		Bearer biological assets	
	Mature KSEK	Immature KSEK	Mature KSEK	Immature KSEK
Carrying value at 31 December 2008	0	83,622	9,138	5,377
Additions	0	211,175	0	7,939
Companies acquired	0	0	0	0
Change in fair value (biological transformation)	0	14,637	-1,820	-1,058
Transfers	229,098	-229,098	5,108	-5,108
Change due to harvest (agricultural produce)	-229,098	0	0	0
Disposals	0	-3,835	-1,947	-405
<b>Net change recognized in PL</b>	<b>0</b>	<b>-7,121</b>	<b>1,341</b>	<b>1,368</b>
Translation differences		-7,377	-866	-514
Carrying value at 31 December 2009	0	69,124	9,613	6,231

**Note 6 – Land in process for registration**

In the 2009 year end accounts the Company presents in a separate line “Land in process for registration” a total amount of SEK 263 million which represent advances paid to PAI owners based on preliminary land purchase agreements. These payments will later be transferred to the land category, when all the land registration formalities are finalised. In addition prepayments to agents, based on the agency agreements on purchasing of land, in the amount of SEK 44 million are included in Other financial assets.

In the 2008 all prepayments related to land acquisition (SEK 289 million) were included in the Other financial assets category as these prepayments were made to the agents based on agency agreements regarding acquisition of land.

### Note 7 – Equity

#### Translation differences in equity

As of December 31, 2009 the translation differences recognised directly in other comprehensive income amounts to KSEK –104,333 (–8,471). 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 in the income statement, however, with the exception of loans denominated in foreign currencies which are designated as an investment in a foreign operation. Those differences are recognised in other comprehensive income. 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.

#### Management of capital

Management manages capital which has not yet been used for investments or in the operations by placing available funds with different credit institutions with high credit ratings and with the highest possible return.

#### Convertible loan

A 2-year convertible loan with equity share of 12,610 KSEK (3,354,570 shares) was issued at 31/3/2009, that expires in March 2011.

### EXCHANGE RATES USED FOR THE REPORT

#### Closing rate December 31

1 SEK = EUR	<b>0.0966</b>	1 EUR = SEK	<b>10.3530</b>
1 RUR = EUR	<b>0.0230</b>	1 EUR = RUR	<b>43.3906</b>
1 SEK = RUR	<b>4.1911</b>	1 RUR = SEK	<b>0.2386</b>
1 SEK = UAH	<b>0.8992</b>	1 UAH = SEK	<b>1.11205</b>
1 SEK = USD	<b>0.1386</b>	1 USD = SEK	<b>7.2125</b>
1 UAH = USD	<b>0.1252</b>	1 USD = UAH	<b>7.9850</b>

#### Average rate January – December

1 SEK = EUR	<b>0.0942</b>	1 EUR = SEK	<b>10.6213</b>
1 RUR = EUR	<b>0.0227</b>	1 EUR = RUR	<b>44.1392</b>
1 SEK = RUR	<b>4.1557</b>	1 RUR = SEK	<b>0.2406</b>
1 SEK = UAH	<b>0.9722</b>	1 UAH = SEK	<b>1.0286</b>
1 SEK = USD	<b>0.1272</b>	1 USD = SEK	<b>7.8625</b>
1 UAH = USD	<b>0.1283</b>	1 USD = UAH	<b>7.7962</b>