

Half Year Report 2011



Alpcot Agro 

The period in brief

(Numbers within brackets refer to the period 1 January – 30 June 2010 unless otherwise stated)

FINANCIAL RESULTS

- The Company is posting a positive operating result before depreciation and amortization for the period, amounting to SEK 24 million (-55 million).
- Total revenue and gains for the period ended 30 June 2011 amounted to SEK 263 million (208 million), of which SEK 185 million (119 million) was a gain from changes in fair value of biological assets at the end of the reporting period.
- During the period operating loss amounted to SEK -8 million (-85 million) and total loss for the period amounted to SEK -34 million (-24 million).
- Earnings per share amounted to SEK -0.51 (-0.49). Equity per share at 30 June 2011 was SEK 12.26 (per 31 December 2010 before the rights issue: 18.69).

OPERATIONAL HIGHLIGHTS

- At the time of writing, Alpcot Agro is in the process of harvesting about 78,600 hectares of crops for sale in Russia and 13,700 hectares in Ukraine.
- The company now has 82,600 hectares of land in Russia in registered direct ownership and 19,400 hectares are in the process of being registered. The total amount of land under control is 201,700 hectares, including 18,500 hectares of leased land in Ukraine.
- On 1 April 2011, Jens Peter Aabyen became Managing Director of Alpcot Agro AB.

OTHER IMPORTANT TRANSACTIONS AND AGREEMENTS DURING THE PERIOD

- In April 2011 the Company completed a preferential rights issue with proceeds of approximately SEK 322 million before transaction costs, which led to the issue of 49,598,736 new shares.
- In 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 until it expires in January 2014.
- The convertible bond instruments issued by the Company in March 2009 for a total of SEK 65 million were repaid with interest to the bondholders on 28 April 2011. Holders of convertible debt instrument corresponding to TSEK 100 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.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

- On August 30, the Company announced having completed the harvest on 52,000 hectares of different crops, with a total gross weight of 142,400 tons. The average yields for the early crops so far harvested were 2.9 ton per hectare for winter wheat, 2.5 tons per hectare for winter rape and 2.5 tons per hectare for barley.
- On August 30, the Board of Directors of Alpcot Agro resolved to change the Company's dividend policy to the following: "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."

Comments from the Managing Director

DEAR SHAREHOLDERS,

Alpcot Agro is still a young company, but is slowly coming of age. I am proud to announce that the company is showing a positive result before depreciations and that we are optimistic about the outlook of this year's harvest. Our financial leverage is limited, and following the preferential rights issue in April, the Company has a strong cash position. Thanks to the resources that the Company's shareholders provided in the share issue we have been able to execute carefully evaluated investments in a number of areas where we see attractive opportunities.

Most importantly, we are now executing our long term livestock investment strategy which has so far led to the purchase of 800 high yield Holstein heifers from Western Europe and the construction and renovation of a number of buildings on our livestock farms. The elevator the Alpcot Agro acquired last year in Western Ukraine is being completed for this year's harvest. The acquisition has turned out very successful, with a yield for winter wheat of 5 ton per hectare.

We also have a clear vision for the future and have a number of goals set for the coming years:

- Complete the ongoing cost reducing and operational streamlining initiatives, which will show results already in 2011
- Crop over 100,000 hectares each year from 2012 onwards
- Complete the land registration process of indirectly controlled land before the end of 2012 and complete the land bank restructuring by 2013
- Grow the livestock herd to more than 10,000 animals in 2013 and produce 100,000 litres of milk per day before the end of 2014
- Be seen as one of the most transparent and investor friendly companies in our industry category

We have a strong management team in place and have spent significant efforts in improving our internal processes and controls, but there is more to be done. The work has begun and I am very much looking forward to building Alpcot Agro into a world class agricultural company with superior and sustainable shareholder value creation.



Jens Peter Aabyen
Managing Director



Expanded reporting calendar

With the ambition of improving the Company's external communication and increasing transparency toward investors, the Company will introduce an extensive and detailed reporting calendar.

The expanded reporting calendar includes the following communication dates and items:

FINANCIAL REPORTING

30 March 2012	Full Year Interim Report 2011
20 April 2012	Annual Report 2011
31 August 2012	Half Year Report 2012

LIVESTOCK UPDATES

10 October 2011	Livestock update Q3 2011
12 January 2012	Livestock update Q4 2011
10 April 2012	Livestock update Q1 2012
9 July 2012	Livestock update Q2 2012
8 October 2012	Livestock update Q3 2012

CROPPING UPDATES

Timing	Report	Main content
Mid-August	Preliminary production plan for the agricultural year	Planned hectares for winter and spring crops
End October	Winter planting report	Total hectares planted
Mid-April	Production plan update	Winter crop assessment and updates on the spring planting plan
End May	Spring planting report	Total hectares planted
Mid-July	Production plan update at start of harvesting campaign	Crop assessment, comments on sales and storage plans
End August	Early crops harvest report	Grains and rapeseed yields
End October	Final harvest report	Total harvested hectares and yields for all crops



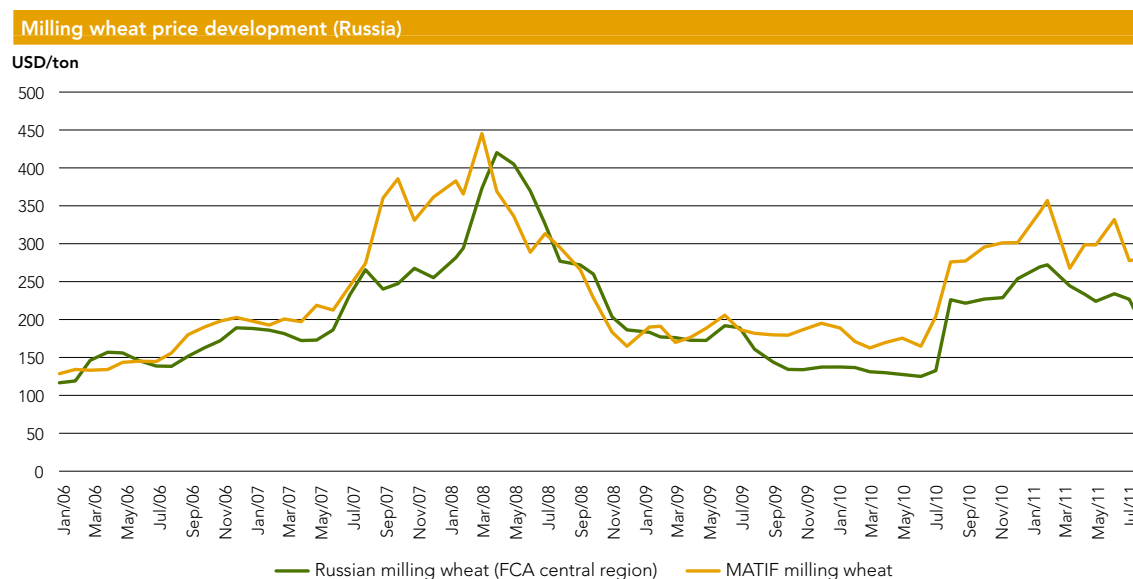
Harvesting rape in Ukraine

Agricultural market developments

Besides a lingering snow cover in April, weather, precipitation and temperatures have overall been favourable for agriculture and the latest official harvest forecasts from the Russian Ministry of Agriculture are in the range of 85–90 million tons of grains for 2011, compared to the disastrous 64 million tons in 2010. In Ukraine the latest official harvest forecasts indicate a total harvest of about 47 million tons of grains for 2011, compared to 40 million tons in 2010.

The export ban on grains that was introduced by the Russian government last summer was lifted on 1 July 2011 and Russia is forecasted to export between 20–23 million tons of grains this year, compared to only 4.5 million tons last year.

The domestic Russian prices for grains increased steeply last year following the bad harvest, but have since decreased from the peak January–February 2011.



Source: Reuters



Buckwheat in Western Ukraine



The sugar beets look promising. Ertel in August

Group operations

INVESTMENT ACTIVITIES

Land

Due to the divestment of some land assets, the amount of land under control in Russia decreased during the period up to 30 June by about 5,500 hectares to 183,200 hectares. At the same time, the amount of directly registered land increased from 75,700 hectares at year end 2010 to 82,600 hectares. In Ukraine, the Company controls about 18,500 hectares through lease agreements, an increase by 2,700 hectares since 31 December 2010.

Land bank by category

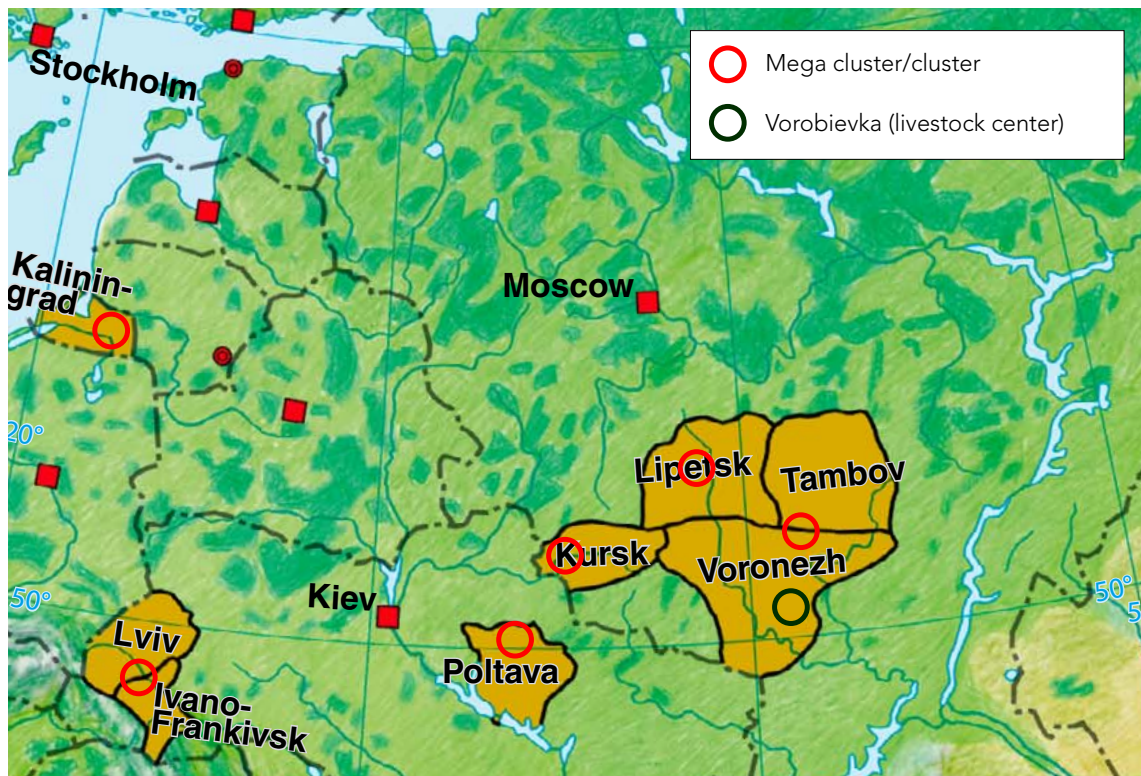
Land under control (hectares)	2011-06-30	2010-12-31
Russia		
Registered land	82,600	75,700
Indirectly owned land	19,400	29,600
Leased land	81,200	83,400
Total land under control, Russia	183,200	188,700
Ukraine, leased land	18,500	15,800
Total Group	201,700	204,500

For the definitions of each category of land, please see page 24
Glossary and definitions

Land bank per cluster

Land under control (hectares)	2011-06-30	2010-12-31
Russia		
Kursk cluster	49,800	48,800
Ertil/Mordova cluster	40,100	41,300
Lipetsk cluster	17,900	17,900
Kaliningrad cluster	15,000	15,000
Vorobievka (Livestock center)	12,000	12,000
Other	48,400	53,700
Total land under control, Russia	183,200	188,700
Ukraine	18,500	15,800
Total Group	201,700	204,500

Alpcot Agro's key areas of operation



CROP PRODUCTION

Winter and spring planting 2010/11

The Company winter planted about 46,100 hectares of winter crops in Russia and 6,400 hectares in Ukraine in 2010, whereof about 47,800 hectares of winter wheat and 4,700 hectares of winter rape.

The total spring planting covered about 42,900 hectares in Russia and 7,300 hectares in Ukraine.

Losses of winter crops amounted to approximately 4,200 hectares of winter wheat and 3,700 hectares of winter rape, all in Russia. In addition, the Company has divested a farm which included 1,100 hectares of winter wheat, and about 500 hectares of winter wheat has been reclassified as fodder crops and will be harvested for the dairy farms. As part of the crop rotation plan, the Company has also cultivated 22,000 hectares of black fallow during the spring of 2011. Therefore the total area in crop rotation, including about 6,600 hectares of fodder crops, in Russia is about 108,000 hectares which equals about 60 percent of the land controlled by the Company.

In addition the company is planning to divest of some land assets in Russia over time, which is not considered core land. Therefore it may not be worth the cost to start the cultivation of certain lands that have been in fallow for some time, as yields are typically lower during the first years after breaking fallow.

Harvest 2011

Per the end of August, the Company is in the process of harvesting about 92,300 hectares of crops for sale. The early crops winter wheat, winter rape and barley are completed or very close to completion, and the results are shown in the below table.

Early crops harvest results per 30 August

Crop	Russian inland	Kaliningrad	Ukraine	Total area	Harvested to date %	Gross weight	Average yield ton/ha
Winter wheat	34,600	1,500	5,500	41,600	97%	118,000	2.9
Spring wheat	4,200	1,700	–	5,900	47%	4,500	1.7
Barley	3,900	1,900	–	5,800	80%	11,900	2.5
Winter rape	–	400	900	1,300	100%	3,200	2.5
Total	42,700	5,500	6,400	54,600		137,600	2.8

The harvest for some of the late crops has begun and the results will be reported upon completion.

Late crops, planted hectares

Crop	Russian inland	Kaliningrad	Ukraine	Total
Sunflower	16,100	–	–	16,100
Spring rape	2,900	2,700	–	5,600
Corn	2,300	–	3,300	5,600
Soya	1,700	–	2,500	4,200
Buckwheat	1,100	–	1,500	2,600
Beans	–	1,400	–	1,400
Sugar beet	900	–	–	900
Other	1,100	200	–	1,300
Total late crops	26,100	4,300	7,300	37,700
Total cropped hectares in 2011	68,800	9,800	13,700	92,300

For the 2011 harvest, the Company has a total storage capacity of about 215,000 tons with an additional 42,000 tons under construction.

Storage capacity, tons	Per August 2011	Under construction
Grain silos	24,500	42,000
Flatbed storage	155,500	–
Other temporary storage	35,000	–
Total storage capacity	215,000	42,000

Preliminary cropping plan for 2012

The Company is planning to plant and harvest at least 103,000 hectares of commercial crops in 2012, of which 20,000 in Ukraine and 83,000 in Russia. The preliminary plan outlines planting about 38,000 hectares of winter wheat in Russia and 6,000 hectares in Ukraine, as well as other crops for a total winter planting campaign of about 50,000 hectares.

The spring planting is planned to cover about 53,000 hectares, including about 15,000 hectares of sunflower. In total, this means an increase in cropped land of about 10 percent as compared to 2011.

In addition to the crops for sale, the Company will grow forage for the Company's livestock farms on about 6,000 hectares, and about 21,000 hectares will be cultivated as black fallow. This gives a total of 130,000 hectares in rotation. The numbers are preliminary and may change due to a number of factors, most importantly weather and price developments.



Three proud Kamaz truck drivers

LIVESTOCK

At 30 June 2011, the Company's livestock operations encompassed about 6,100 heads of cattle, of which about 2,470 milking cows, 2,860 heifers and 770 bulls and calves. An additional 800 pregnant heifers of high yield Holstein breed were bought during the early summer 2011 and will be added to the herd during the third quarter.

Milk production volumes increased by 15.5 percent during Q2 as compared to Q1 2011 but a decrease in prices led sales to remain relatively flat.

Alpcot Agro is currently undertaking an ambitious investment programme in the livestock business. Approximately 35 million SEK of the proceeds from the share issue is being invested in new and improved facilities, preventive health care, a larger herd with better genetics and in developing the organisation. A new livestock unit with focus on meat production is also being set up in the Kursk cluster, and is planned to be operational before the end of the year.

Livestock herd, development during the period

	2010-12-31	2011-03-31	2011-06-30	Change during 6M 2011
Milking cows	2,080	2,220	2,470	19%
Heifers and dry cows	2,910	3,060	2,590	-11%
Pregnant heifers	340	180	270	-20%
Bulls and calves	720	680	770	7%
Total	6,050	6,140	6,100	1%

Production per quarter during the period

Milk (during period)	Q1 2011	Q2 2011
Milk produced, thousand litres	2,774	3,205
Milk production per day, litres	30,822	35,611
Average milk production per cow, litres	1,278	1,498



Feed time in Alpcot Agro's livestock center in Vorobievka



Seeding sunflower in Kursk



Sunflower in Ertel, Voronezh

Financial information

(Numbers within brackets refer to the period 1 January – 30 June 2010 unless otherwise stated)

Comments on the interim report

1. CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

1.1 Revenue

Revenue by product category

TSEK	6M 2011	6M 2010	% change	12M 2010
Crop products	43,219	67,389	-35.9%	186,630
Milk and meat	22,528	12,351	82.4%	36,721
Processed grain	–	1,585	n/a	4,129
Other revenue	5,260	1,694	210.5%	4,157
Total	71,007	83,019	-14.5%	231,637

Revenue split by crop/product

	Sales revenue, TSEK		Tons sold		Average price, SEK/ton**	
	6M 2011	12M 2010	6M 2011	12M 2010	6M 2011	12M 2010
Crop products, Russia						
Wheat	19,325	65,558	12,780	56,046	1,512	1,170
Sunflower	14,653	60,496	3,607	15,174	4,062	3,987
Other crop products	1,887	43,811	2,542	30,533	743	1,435
Total crop products	35,865	169,865	18,929	101,753	1,895	1,669
Crop products, Ukraine						
Wheat	3,124	6,011	2,120	5,884	1,473	1,022
Other crop products	4,230	10,754	3,437	2,955	1,231	3,639
Total crop products	7,354	16,765	5,557	8,839	1,323	1,897
Livestock products						
Milk *	19,951	34,559	5,962	11,975	3,346	2,886
Meat	2,577	2,162	323	383	7,978	5,645
Total Livestock	22,528	36,721	6,285	12,358	3,584	2,971

*) Milk volumes are measured in thousand litres, not tons ***) Prices are excl. of VAT

For the six months period ending 30 June 2011 revenues from sales decreased in comparison with the same period 2010, and amounted to TSEK 71,007 (83,019). The main reason for the difference is that a greater part of the 2010 harvest was sold before the year end of 2010. The sale of cropping products decreased from TSEK 67,389 to TSEK 43,219, whereas the revenue from livestock products increased by 82 percent compared to the year before and constituted 31.7 percent of the total Group revenue for the period.

1.2 Gains on revaluation of biological assets

TSEK	Consumable biological assets – crops		Bearer biological assets – livestock	
	Mature	Immature	Mature	Immature
Book value on 31 December 2009	–	69,124	9,613	6,231
Change in fair value during 6M 2010	–	7,410	7,197	-3,921
Other changes in 6M 2010, net	–	142,674	10,338	11,522
Book value on 30 June 2010	–	219,208	27,148	13,832
Book value on 31 December 2010	–	75,679	33,977	13,411
Additions	–	176,698	–	728
Change in fair value	–	27,524	2,116	5,879
Transfers	3,169	-3 169	544	-544
Change due to harvest	-3,169	–	–	–
Disposals	–	-13 848	-812	-6,813
Disposal of subsidiary	–	-1,983	–	–
Currency translation effect	–	1,327	533	186
Book value on 30 June 2011	–	262,230	36,358	12,847

The Company recognises two types of biological assets, consumable biological assets which are growing crops, and bearer biological assets which are the livestock animals. The gain in revaluation of biological assets mostly consists of the estimated change in value of the crops in the fields and to a limited extent of changes in the livestock. For the six months ended 30 June 2011 the Group has accounted for gains on revaluation of biological assets amounting to TSEK 185,301 (119,183).

Biological assets are measured at initial recognition and at each reporting date at their fair value less estimated point-of-sale cost. Fair value of the crops in the fields is estimated based on the latest assessment of the yields and takes into account actual harvesting results for winter crops. The prices used when calculating the fair value of the biological assets can be found in the table below. The reason for the lower price estimate for wheat in the Russian inland is due to estimated differences in quality.

SEK/ton	Russian inland	Kaliningrad	Ukraine
Wheat	892	1,457	1,307
Sunflower	2,008	–	–
Corn	1,406	–	1,495
Barley	1,004	1,450	–
Rape	2,276	3,570	3,272

1.3 Changes in inventory

TSEK	2011-06-30	2010-12-31
Raw materials at cost	55,977	47,206
Less: Provision for obsolescence	-1,599	-3,103
Net raw materials	54,378	44,103
Agricultural products	11,963	55,079
Less: provision to NRV	–	-668
Products that are the result of processing after harvest	493	10
Total inventories	66,834	98,524
Inventory balance, tons	7,218	33,906
Average price of agricultural produce in inventory, SEK/ton	1,726	1,605

1.4 Expenses

Raw materials and consumables

TSEK	6M 2011	12M 2010
Seeds	18,716	36,754
Fertilisers	34,030	32,471
Plant protection	19,235	19,969
Fuel	8,980	19,748
Fodder and Animal protection	14,023	14,810
Other	9,800	6,331
Total	104,784	130,083

The costs for inputs in the first half of 2011 amounted to TSEK 104,784, as compared to TSEK 94,030 for the same period 2010. It should be noted that the periods are not fully comparable in terms of cost, as the Kaliningrad acquisitions were not fully integrated in the Group during the entire first half of 2010. Despite a continued focus on cost savings, the Company incurred higher expenses for fertilizers, seeds and plant protection chemicals in the first half year of 2011, as a consequence of the expanded area of cropping and increases in market prices, for example on fertilizers.

Higher costs for seeds are due to the purchase of higher quality seeds for in particular sunflower and corn which should result in higher yields during the ongoing and next year's harvests.

The main reasons for the increased expense on chemicals are the expansion of the areas of more expensive crops and different weather conditions. In particular, the Company has expanded the areas of sugar beet, soya and sunflower which are more expensive to grow, but also should generate better revenues. In addition, mild weather during 2011 in contrast to the severe drought in 2010 has meant a greater need for plant protection, fungicides and insecticides as well as an increased use of herbicides on fallow land.

Other external expenses

TSEK	6M 2011	12M 2010
Management fees	13,997	30,677
Spoilages / winter losses	7,880	21,885
Land rent	5,474	6,553
Legal & professional	4,057	6,234
Repairs and maintenance	3,670	3,661
Security	2,976	6,197
Transportation costs	2,663	4,875
Rent of M&E	2,463	5,014
Audit Fees	2,397	2,979
Office rent	1,914	4,183
Contractors	1,761	10,602
Taxes	5,914	10,039
Change in reserves	-3,365	11,789
Other	12,532	11,025
Total	64,333	135,713

Other external expenses in the first half of 2011 were TSEK 64,333, an increase from TSEK 46,966 for the same period in 2010. Spoilages and losses from winter kill are included in costs net of the governments grants received.

1.5 Operating result

The operating result before depreciation and amortization for the period amounted to TSEK 24,261 (-55,051). The operating loss TSEK -7,634 (-85,488) has decreased significantly compared to the same period last year. The translation differences for the period amounted TSEK 14,195 (42,230).

1.6 Acquisitions and divestments

As a part in the process of restructuring Alpcot Agro's land assets into a few large and concentrated clusters, the Group has divested the wholly owned subsidiary OOO Agrokultura Kamenka ("Kamenka"), including approximately 3,200 hectares of land and lease agreements for about 2,800 hectares of land in the Voronezh region in Russia. The net financial effect from the divestment is a loss of TSEK -832, which is included in the financial result as a loss from investments.

In Ukraine the following subsidiaries were disposed of: LLC Agrokultura Polyssja, LLC Agrokultura Volyn and LLC Agrokultura Volyni. Total net effect recognized in the Consolidated Statement of Comprehensive Income is a loss of TSEK -2,330.

The Group has previously reported the intention to swap the assets of LLC Donskoye (Ostrogzhsk) for a land plot with lease-hold for 49 years and various machinery and equipment. The transaction will be completed in Q3 2011. In the Statement of Financial Position the investment to LLC Donskoye (Ostrogzhsk) is treated as asset classified as held for sale.

1.7 Investments activity

Losses from investments during the period amounted to TSEK -10,959 (-25,102) due to the divestments of subsidiaries in Ukraine and Russia (see section 1.6) and an impairment reservation of TSEK 7,797 for the potential loss of the rights to register land in a part of Voronezh.

For the six months ended 30 June 2011, investments in tangible and intangible assets amounted to TSEK 31,977 (24,571). Investment in machinery and equipment for the crop production in the first half of 2011 is TSEK 28,545, most importantly construction work to expand the elevator in Western Ukraine. Investments in livestock, including the purchase of new animals, construction of the new cow houses and purchase of equipment amount to TSEK 3,432.

1.8 Cash flow and liquidity

The rights issue in April provided Alpcot Agro with proceeds of approximately MSEK 322 before transaction costs. Direct issue costs amounted to MSEK 13.7 and MSEK 16.0 was subscribed through an offset of accrued debts, so the net cash inflow after issue costs amounted to about MSEK 292. The repayment of the convertible bond, including interest, amounted to MSEK 72.0.

Due to the seasonality of the business, the cash flow during the first half of the year is negative, while the revenues from the harvest will generate a positive cash flow during the latter half of the year.

2. SEGMENT REPORTING

The operating segments are based on the main value adding activities in the business, i.e. crop production, livestock, grain processing, and management. The management companies in Moscow and Sweden bear the main overhead and administrative expenses.

Segmentation by business area

TSEK	Crop production	Livestock	Grain processing	Management	Eliminations	Total Group
6 M 2010						
External revenue	67,388	12,351	1,585	1,695	–	83,019
Intersegment revenue	2,432	–	–	9,518	-11,950	–
Operating result before depreciation and amortization	-33,737	7,972	-2,375	-26,911	–	-55,051
Total assets, 2010-12-31	1,026,090	143,484	10,450	73,111	–	1,253,135
Average personnel	1,052	242	46	110	–	1,450
6 M 2011						
External revenue	42,641	22,528	578	–	–	65,747
Other revenue	5,087	27	54	92	–	5,260
Total External revenue	47,728	22,555	632	92	–	71,007
Intersegment revenue	1,701	1,422	–	10,593	-13,716	–
Subsidies	3,915	2,375	–	–	–	6,290
Change of fair value of biological assets	181,283	4,018	–	–	–	185,301
Total revenue and gain	234,627	30,370	632	10,685	-13,716	262,598
Operating result before depreciation and amortization	52,616	-2,346	-1,114	-26,007	1,112	24,261
Total assets, 2011-06-30	1,179,311	154,695	9,504	205,327	–	1,548,837
Average personnel	916	264	31	126	–	1,337

The operating result before depreciation for the crop production for the period is TSEK 52,616 (-33,737). In 2010 the crop production was severely affected by winter kills and summer drought. This year yields are on a higher level for all crops, which has resulted in a higher valuation of biological assets.

For livestock, the 2010 drought meant higher prices for forage, which has influenced the result for the first half of 2011. In addition, a higher number of animals than budgeted we slaughtered during the winter which has restricted the growth in biological assets. In the period, the Company has also integrated the earlier joint venture Kolybelskoe dairy farm as a fully controlled subsidiary of the Group, which has led to a one off negative effect on the operating result.

Segmentation of crop production by cluster

TSEK	External revenue		Operating result before depreciation		Total assets		Average personnel during period	
	6M 2011	6M 2010	6M 2011	6M 2010	6M 2011	12M 2010	6M 2011	12M 2010
Ertil/Mordova	6,434	29,318	13,957	-1,379	520,610	507,038	255	269
Kursk	10,609	14,112	1,882	6,596	217,185	175,523	95	107
Kaliningrad	15,296	8,622	4,684	-2,225	185,009	179,268	130	175
Lipetsk	29	7,635	-3,273	-9,671	119,540	94,053	99	148
Vorobievka	–	1,290	4,458	-9,926	78,095	82,363	57	65
Other	2,919	1,137	5,969	-12,901	64,501	42,943	175	196
Russia Total	35,287	62,114	27,677	-29,506	1,184,940	1,081,188	811	960
Ukraine	7,354	5,274	24,914	-4,231	66 712	33,205	105	92
Intersegment eliminations	–	–	25	–	-72 341	-88,303	–	–
Total	42,641	67,388	52,616	-33,737	1 179 311	1,026,090	916	1,052

3. KEY RATIOS

The Group	6M 2011	12M 2010	6M 2010	12M 2009	6M 2009
Operating margin, %	-2.9	-85.4	5.8	-103.1	-24.7
Equity/Asset ratio, %	78.5	74.0	78.3	80.5	82.5
Shareholders' equity, MSEK	1,216	927	1,195	941	1,109
Average number of shares	67,224,957	48,809,689	48,005,758	34,591,956	29,380,700
Number of shares at end of period	99,197,472	49,591,892	49,591,892	34,591,956	29,380,700
Earnings per share, SEK	-0.51	-4.04	-0.49	-5.03	-1.63
Equity per share, SEK	12.26	18.69	24.27	27.21	37.74

4. PERSONEL

The number of personnel as of 30 June 2011 amounted to 1,421 (1,490).

Personel	6M 2011	12M 2010	6M 2010
Personel at end of period	1,421	1,401	1,490
Average number of personnel during period	1,337	1,457	1,450

5. PARENT COMPANY

The loss for the parent company during the period amounted to TSEK -29,009 (12,894). The result for the period is impacted by the agreement regarding the reduction of the management fee, which meant that accrued management fee of MSEK 22.8 was transferred to the parent company from group level. During the period, the parent company has increased its lending to the subsidiaries with TSEK 89,316. As of 30 June 2011, cash and cash equivalents in the parent company amounted to TSEK 150,253 (per 31 December 2010: 41,317).

6. TRANSACTIONS WITH RELATED PARTIES

In February 2011, Alpcot Agro and the investment manager Alpcot Capital Management Ltd ("ACM") agreed that the remuneration under the management agreement should consist of a fixed yearly fee amounting to MSEK 36.5 per annum for 2011–2013 and MSEK 3 for January 2014, when the agreement expires. Only 51.3 per cent of the Fixed Management Fee is to be paid in cash and the remainder is converted into promissory notes, which carry no interest and mature on 31 October 2014. Accrued Management Fee of about MSEK 22.8 for services in 2009 and 2010 was converted into such promissory notes, out of which notes amounting to MSEK 16.0 were used to subscribe for shares in the preferential rights issue in April 2011.

During the first half of 2011, payments of management fees amounted to MSEK 9.4, and the accrued debt owned by the Company to ACM as per 2011-06-30 amounted to MSEK 15.7.

7. SHARE CAPITAL AND OWNERSHIP STRUCTURE

During the first half of 2011, the Company issued new shares on two occasions. In March, holders of the convertible bond amounting to SEK 100,000 decided to convert their bonds to shares at SEK 14.61 per share, which led to the issue of 6,844 new shares. In April, the Company completed a preferential rights issue in which existing shareholders had the right to subscribe for one new share for each existing share held for SEK 6.50. In total 49,598,736 new shares were issued. The total proceeds of the issue amounted to about MSEK 322 before issue costs. As of 30 June 2011, the Company's share capital amounted to SEK 495,987,360 divided into 99,197,472 shares. The quota value of the shares is SEK 5.00.

As of 30 June 2011 the largest shareholders in the Company were the following:

Shareholder	Number of shares	Capital and votes %
1. SEB as nominee	18,848,732	19
2. Tredje AP-fonden	12,674,993	12.8
3. SIX SIS AG as nominee	12,192,624	12.3
4. Nordea Investment Funds	5,086,026	5.1
5. Öhman J:or Suomi Oy	5,015,339	5.1
6. Two Eye Fund Ltd	4,333,332	4.4
7. FIM Bank Ltd	3,725,624	3.8
8. UB Securities AB	3,190,439	3.2
9. Andra AP-fonden	3,049,546	3.1
10. Sturgeon Fund	2,500,000	2.5
Others	28,580,817	28.8
Total no. of shares	99,197,472	100

8. RISKS AND RISK MANAGEMENT

Alpcot Agro's operations are subject to a number of risks, not least due to the nature and location of the operations 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 29 (Risk management) in Alpcot Agro's annual report for 2010 the Group's risks relating to foreign exchange, liquidity, interest, financing and legal risks are presented.

9. 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 of the Group as well as describes the risks and uncertainties faced by the parent company and the Group. This interim report has not been audited by the Company's auditors.

Stockholm 30 August 2011

The Board of Directors

GROUP – CONSOLIDATED INCOME STATEMENT

TSEK	6M 2011	6M 2010
Revenue	71,007	83,019
Gain from changes in fair value of biological assets	185,301	119,183
Government grants	6,290	5,492
Total revenue and gain	262,598	207,694
Changes in inventory of agricultural produce	-30,407	-89,798
Raw material and consumables	-104,784	-94,030
Personnel expenses	-38,813	-31,951
Other external expenses	-64,333	-46,966
Total operating expenses	-238,337	-262,745
Operating result before depreciation and amortization	24,261	-55,051
Depreciation and amortization	-31,895	-30,437
Operating result	-7,634	-85,488
Negative goodwill	–	97,582
Operating result after goodwill adjustment	-7,634	12,094
Income/ (loss) from investments	-10,959	-25,102
Interest income and similar items	408	1,384
Interest expense and similar items	-9,238	-15,897
Other financial items	-4,472	-205
Result before tax	-31,895	-27,726
Tax	-2,249	4,191
Result for the period	-34,144	-23,535
Translation differences	14,195	42,230
Total comprehensive result for the period	-19,949	18,695
Whereof attributable to equity holders of the company	-19,212	18,874
Whereof attributable to non-controlling interests	-737	-179
Basic / diluted earnings per share	-0.51	-0.49
Average number of shares	67,224,957	48,005,758
Number of shares at the end of the period	99,197,472	49,591,892

GROUP – CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TSEK	2011-06-30	2010-12-31
ASSETS		
Non-current assets		
Tangible fixed assets	649,585	642,045
Land in process for registration	74,711	136,153
Intangible assets	33,201	7,888
Biological assets	49,205	47,388
Investments in securities and other financial assets	35,162	43,587
Deferred tax assets	20,787	17,548
Total non-current assets	862,651	894,609
Current assets		
Inventory	66,834	98,524
Biological assets	262,230	75,679
Trade and other receivables	144,467	111,810
Short-term financial investments	13,973	
Cash and cash equivalents	191,936	66,123
Total current assets	679,440	352,136
Assets held for sale	6,746	6,390
TOTAL ASSETS	1,548,837	1,253,135
EQUITY AND LIABILITIES		
Equity		
Share capital	495,987	247,959
Other paid-in capital	1,389,840	1,329,110
Reserves	-151,720	-165,915
Retained earnings, incl.Result for the period	-519,583	-486,176
Non-controlling interests	1,339	2,076
Total equity	1,215,863	927,054
Non-current liabilities		
Other non-current liabilities	102,721	66,088
Deferred tax liabilities	16,054	1,630
Total non-current liabilities	118,775	67,718
Current liabilities		
Convertible loan	–	63,217
Short-term loans	90,180	100,108
Trade and other payables	124,019	95,038
Total current liabilities	214,199	258,363
TOTAL LIABILITIES & CAPITAL	1,548,837	1,253,135

GROUP – CASH FLOW STATEMENT

TSEK	6M 2011	6M 2010
Operating activities		
Cash received from debtors	88,894	92,214
Cash paid to suppliers and personnel	-174,563	-158,934
Cash flow from operations before interest and tax	-85,669	-66,720
Interest paid	-9,764	-14,795
Interest received	128	904
Income tax paid	-133	-199
Cash flow from operating activities	-95,438	-80,810
Investing activities		
Acquisition of subsidiaries, net of cash acquired	–	5,115
Acquisition of tangible fixed assets	-31,977	-24,571
Disposal of subsidiaries	6,936	–
Sale of fixed assets and intangible assets	3,460	–
Change in loan receivables	1,661	-1,358
Cash flow from investing activities	-19,920	-20,814
Financing activities		
Share issue	305,602	234,764
Share issue costs	-13,735	-7,640
Loans received	58,285	–
Repayment of loans	-108,975	-2,515
Cash flow from financing activities	241,177	224,609
Cash flow for the period	125,819	122,985
Cash at the beginning of the period	66,123	33,458
Exchange difference on cash	-6	-815
Cash at the end of the period	191,936	155,628

GROUP – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6M 2011	6M 2010
Opening balance	927,054	941,107
New share issue	308,757	235,052
Total comprehensive income for the period	-33,406	-23,535
Currency translation effect	14,195	42,230
Change in non-controlling interest	-737	8,555
Closing balance	1,215,863	1,203,409

PARENT COMPANY'S REPORT OF TOTAL COMPREHENSIVE RESULT

TSEK	6M 2011	6M 2010
Operating Income		
Net sales	4,050	1,802
Operating costs		
Other external costs	-17,153	-6,751
Intra group readjustment of management fee	-22,838	-
Personnel costs	-3,864	-1,856
Depreciation and impairment of tangible fixed assets	-6	-1
Total operating costs	-43,862	-8,608
Operating profit	-39,812	-6,806
Other interest income and similar items	14,790	22,926
Other interest expense and similar items	-3,987	-3,226
Result after financial items	-29,009	12,894
Tax	-	-
Result for the period	-29,009	12,894
Other comprehensive result		
Translation difference on loans to subsidiaries	-9,354	7,129
Total comprehensive result for the period	-38,363	20,023

PARENT COMPANY BALANCE SHEET

TSEK	2011-06-30	2010-12-31
ASSETS		
Fixed assets		
Equipment, furniture and fittings	43	2
Participations in Group companies	10,097	10,097
Receivables from Group companies	1,623,497	1,534,181
Other receivables	1,117	2,395
Total fixed assets	1,634,754	1,546,675
Current assets		
Receivables from Group companies	16,848	16,647
Other receivables	1,721	303
Prepaid expenses and accrued income	94,430	76,833
Cash and cash equivalents	150,253	41,317
Total current assets	263,252	135,100
TOTAL ASSETS	1,898,004	1,681,774
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	495,987	247,959
Other paid in capital	1,387,840	1,327,111
Reserve for fair value	-20,669	-11,315
Retained earnings	48,181	44,460
Result for the period	-29,009	3,719
Total shareholders' equity	1,882,330	1,611,934
Long term liabilities		
Other loans	11,530	-
Current liabilities		
Convertible loan	-	63,217
Accounts payable	84	922
Other liabilities	98	94
Accrued expenses and deferred income	3,962	5,607
Total liabilities	15,674	69,840
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,898,004	1,681,774

Accounting principles

The interim report for the period ended 30 June 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting, International Financial Reporting Standards (IFRS) and the interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. The consolidated financial statements have been prepared in accordance 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 accounts are prepared according to the Swedish Annual Accounts act and the recommendation RFR 2 "Accounting for legal entities" issued by the Swedish Financial Reporting Board.

The same accounting principles and methods of computation have been applied during the period as were applied during the financial year 2010 and the manner in which they were described in the 2010 annual report, except for the presentation of the valuation of biological assets, as described below. The new or amended IFRS standards and IFRIC interpretations, which became effective January 1, 2011, have had no material effect on the consolidated financial statements. All amounts are in thousands of Swedish kronor, TSEK, unless otherwise indicated.

In the Annual report 2010, the presentation of the gain from changes in fair value of biological assets in the Consolidated Statement of Comprehensive income was different from the presentation used in earlier reports. Gains from changes in the fair value of biological assets were disclosed as the difference between the crop's fair value and the costs of production. In the Half Year Report 2011 the Company presents separately the change in fair value and production cost.

Glossary and definitions

GLOSSARY

Alpcot Agro

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

Alpcot Capital Management or ACM

Alpcot Capital Management Ltd is an asset management firm that is authorised by the Financial Services Authority in the UK

Black fallow

Land which is cultivated as part of the crop rotation plan, but not planted. Black fallow allows the usage of non selective herbicides against perennial weeds and to save water for coming crops. Normally as a pre crop before planting of winter wheat. On average, the land is black fallow every sixth year in the Russian inland

Company

Alpcot Agro AB (publ), subsidiaries included depending on the context

Fallow land

Farmland that is not being cultivated

Grain

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

Group

Alpcot Agro AB (publ) together with subsidiaries

Harvester

Agricultural equipment used to harvest crops

Investment Manager

Alpcot Capital Management Ltd provides investment advice to the Company under a Management Agreement, which was set up in connection with the incorporation of Alpcot Agro in 2006. This includes, among other things, to manage the land registration and consolidation process for Alpcot Agro, to evaluate and manage acquisitions, investments and divestments of companies and other tangible assets as well as providing management services and support on all levels of the organisation

Management Agreement

The agreement between Alpcot Agro AB (publ) and the Investment Manager stipulating the Investment Manager's assignments, obligations and compensation

Oilseeds

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

Parent Company

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

Pai

Share in a jointly owned area of land obtained by farmers in connection with the privatisation of collective farms, which in most cases is between 4 and 20 hectares

Measurement units

1 hectare (ha) = 10,000 m²

1 hectare (ha) = 2.47 acres

1 ton of wheat = 36.74 bushels

1 ton corn = 39.37 bushels

1 ton = 10 centners

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.

Indirectly owned land

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 + Indirectly owned land

Land under control

Registered land + Indirectly owned land + Leased land

DEFINITIONS – FINANCIAL TERMS

Average number of shares

Average number of shares issued by the Company during a specified period of time

Earnings per share

Earnings after taxes divided by the average number of shares outstanding during the period

Equity per share

Equity divided by the number of shares per closing day

Equity/Asset ratio

Adjusted equity as per cent of total assets



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