Agrokultura

# Full Year Interim Report 2013

Agrokultura AB (OMX First North: AGRA), “Agrokultura” or “the Group”, the Russian and Ukrainian producer of agricultural commodities, announces its results for the year ending 31 December 2013. Figures in brackets relate to the year ending 31 December 2012 unless otherwise stated.

**Financial highlights**

- Revenue for the period fell by 8 per cent to SEK 617 million (SEK 673 million) driven by a sharp decrease in commodity prices.
- The loss before depreciation (EBITDA) was SEK 129 million (profit SEK 29 million) and net loss was SEK 262 million (net loss SEK 102 million).
- On 31 December 2013, Group debt totalled SEK 167 million (SEK 162 million). Group cash at the same date was SEK 29 million (SEK 41 million), and unsold inventory amounted to SEK 93 million (SEK 143 million).
- Russia cropping business positive EBITDA and cash generative
- Cash situation remains constrained due to 2013 Ukrainian losses and delays in the execution of Kaliningrad sale
- Loss per share was SEK 1.88 (SEK 0.73)

**Operational highlights**

- Weighted average yields up 34 per cent in Russia and 11 per cent in Ukraine
- Development and implementation of a SEK 150 million cost saving programme focussed on direct cost inputs and payroll
- Agreement signed for the divestiture of Group’s Kaliningrad assets at around book value
- Discussions ongoing related to the sale of Ukraine business in whole or in part despite political events
- No major negative impact on operations relating to political events in Ukraine

Stephen Pickup, Group Managing Director commented

“2013 has been a difficult year where, despite materially improved yields, financial results have been dominated by falls in commodity prices. However, the Group management team which came together in the fourth quarter 2013 is committed to improving performance through the cost savings and the divestment of poorly performing businesses.

“At the same time commodity pricing has improved which leads us to look forward to 2014 with a positive outlook. The Group will focus on ensuring that the cost cutting programme is successfully implemented, whilst exerting strict controls and procedures, and building upon the operating successes. At the same time we will continue to investigate ways of delivering maximum value to shareholders, if appropriate through disposals.”

**Upcoming Reporting Dates**

- Annual Report 2013 – 24 April 2014
- Annual General Meeting – 15 May 2014
- Half Year Report – 28 August 2014

The annual report for 2013 will be available on the Group's website and will be sent to shareholders who so request.

Agrokultura

**Managing Directors' Comments**

The financial performance of the Group in 2013 is clearly unacceptable and unsustainable. With the negative movement in prices during the course of the year, the Board concluded that due to reduced revenue potential a change in management and a companywide cost cutting programme was required. This commenced in August 2013 with SEK 150 million of savings being identified, the results of which will start to be seen from the beginning of 2014 with the goal of providing profitable operations. The business is being re-organised to operate in a moderate pricing environment and material cuts have been made to implement this. Improvements made in the past 18 months further strengthen the financial reporting and internal audit and controls allowing us to ensure cost cuts are carried out.

The Group's Russian cropping business has delivered another year of real progress and development resulting in positive EBITDA and cash generation despite the material reductions in commodity prices. Weighted average yields increased by 34 per cent, on top of increases reported in 2012, materially outperforming the listed peer group. Strong yields were partly related to favourable weather conditions but also due to improved execution and organised operations. Modest machinery investments have been made which are expected to de-risk the Russian operation further.

Ukraine's performance has been mixed with certain crops having a successful year. However, the disappointing cereals harvest, together with materially lower prices, have left another year of substantial losses. Despite the losses and despite the political events in Ukraine, the assets are valuable, and the Group has received interest from parties for the acquisition of the whole or part of the Ukraine business. In the event that the discussions do not materialise with a transaction for the whole of the business, land will be sold and cost reductions will continue to deliver an improved performance.

Strong progress has been made in the rationalisation of the land bank with over 25,000 ha divested in Ukraine, including the Group's entire operation in Crimea, together with over 15,000 ha in Russia, including the Group's Kaliningrad operation. These areas were not in the Group's core area and were taking away focus as well as forming an underutilised part of the balance sheet. Sales revenues have been put towards maintaining investment in machinery while also supporting the Ukraine business' losses.

In order for the Group to be sustainable, we believe that a recurring 15 per cent return on equity is required. The strategic reviews which are taking place in both Ukraine and Russia compare likely performance and investment required to the price a third party bidder may pay for the business. All parts of the business are included in the reviews.

Implementation of costs savings has been an area of focus in the latter part of the year. Payroll and direct costs are the main area of focus especially in the Ukrainian business. The Ukraine payroll for 2014 will be reduced by approximately 30 per cent compared to 2013. The Group's senior management have been reduced by half providing a more co-ordinated and efficient decision making unit. In total, payroll costs are planned to fall by approximately 20 per cent across the Group in 2014.

Direct input costs in Ukraine will be reduced in 2014 through the use of cheaper generic chemicals which have proved successful in the past in our Russian operations and are planned to deliver yield targets in excess of those achieved in 2013 for most crops. In addition, recent soil testing has shown that levels of potassium and phosphorus are now sufficient to allow some substitution of complex fertilisers with cheaper nitrogen only fertilisers without loss of yield. Reductions in input prices have generally lagged behind the fall in the commodities we produce and will be lower for the crop harvested in 2014 compared to 2013. For the first time, the Group is splitting out general and administration costs in its financial statements to help readers see the progress over the coming periods.

The Board has been observing the political situation in Ukraine carefully. Following non-core land disposals in 2013, the Group only operates in the west of Ukraine. Change of governmental control has been peaceful and unopposed in the cities around the Group's farms with no significant impact on operations being experienced. The Group's working capital debt facility in Ukraine, which is denominated in USD and UAH, was agreed and draw-downs commenced as planned in February 2014 although the amount available for drawdown may be reduced due to the devaluation of the local currency. A large proportion of the Group's assets, liabilities, revenues and expenses in Ukraine are directly linked to hard currencies such as USD and Euros. Therefore devaluation of the Ukrainian Hryvnia is not expected to have significant negative performance consequences. During 2014, the Russian rouble also devalued against a basket of international currencies. Russia is more of a domestic market in terms of sales and input prices. Bank facilities are taken in roubles to match the rouble revenues.

The Group has been working with constrained cash since it last approached the capital markets with conjunction with the acquisition of Landkom in January 2012. The sale of Kaliningrad was expected to fill the funding gap generated by the losses incurred in Ukraine. We had expected to make more progress with the final execution in the first quarter of 2014 which would have delivered the remaining revenues from the sale. These revenues are now expected in the second quarter 2014.

2013 has been a difficult year where, despite materially improved yields, financial results have been dominated by falls in commodity prices. However, the Group management team which came together in the fourth quarter 2013 is committed to improving performance through the cost savings and the divestment of poorly performing businesses. At the same time commodity pricing has improved which leads the Board to consider 2014 with a positive outlook. Over the coming year the Group will focus on ensuring that the cost cutting programme is successfully implemented, whilst exerting strict controls and procedures, and building upon the operating successes. At the same time we will continue to investigate ways of delivering maximum value to shareholders, if appropriate through disposals. We have in place a smaller, more focussed management team with significant experience in the listed agriculture sector working towards the delivery of these goals.

Stephen Pickup
Group Managing Director

Agrokultura

# FINANCIAL REVIEW

## Income Statement

*Revenues*

Revenues for the year were SEK 617 million (SEK 673 million), a drop of 8 per cent. This reduction was driven by a weighted average 29 per cent reduction in commodity prices compared to 2012 which was partially offset by a 19 per cent improvement in yield. Following the signing of an agreement to dispose of the Group's Kaliningrad operations, all income statement activity from Kaliningrad operations have been classified as discontinued operations. 92 per cent of revenues were derived from the cropping business with the remainder from Livestock which is located predominantly in Russia. Of the cropping revenues, 42 per cent were derived from Russia and 58 per cent from Ukraine.

At the period end, the Group had unsold 2013 harvested crop valued at SEK 93 million which is included in inventory on the balance sheet. These inventories were mostly sold at around carrying value in quarter 1 2014.

The Group has recognised a loss from changes in the fair value of biological assets of SEK 31 million. This reflects the current pricing together with the average 5 year track record of yields. The loss is arrived through a combination of realised losses for harvested 2013 crops and unrealised losses for crops in the ground. Despite the biological asset loss, the Group is planning to produce a profitable crop across both countries of operation through higher than five year historic average yields.

*Costs*

The Group has presented its income statement in a revised format to show the function of expenses on the face of the income statement, with additional analysis in the notes to show the nature of expense. This analysis is to assist users in analysing and comparing the Group's performance.

Although costs of sales have remained largely flat this is impacted by a number of different factors such as reduced winter planting in Russia due to exceptionally wet conditions in the autumn of 2013. Cost per ha analysis is outlined below:

| | **Ukraine - SEK Per Ha** | | | |
|---|---|---|---|---|
| | **Rapeseed** | **Winter wheat** | **Sunflower** | **Corn** |
| Seed | 413 | 304 | 535 | 1,445 |
| Fertiliser | 1,934 | 1,785 | 315 | 1,710 |
| Chemical | 1,590 | 740 | 583 | 749 |
| **Total seed, fertiliser & chemical** | **3,937** | **2,829** | **1,433** | **3,904** |
| Other direct & Indirect costs | 2,739 | 2,633 | 2,232 | 4,413 |
| Land costs | 880 | 880 | 880 | 880 |
| Administration allocation | 714 | 714 | 714 | 714 |
| Other costs / income | (24) | (24) | (24) | (24) |
| **Subtotal** | **8,246** | **7,032** | **5,235** | **9,887** |
| Depreciation & amortisation | 691 | 691 | 691 | 691 |
| **Total cost** | **8,937** | **7,723** | **5,926** | **10,578** |

| **Russia CBS - SEK per Ha** | | | |
|---|---|---|---|
| **Winter wheat** | **Spring barley** | **Sunflower** | **Soybean** |
| 274 | 400 | 361 | 303 |
| 467 | 291 | 208 | 264 |
| 168 | 195 | 292 | 417 |
| **909** | **886** | **861** | **984** |
| 1,652 | 1,495 | 1,562 | 1,331 |
| 152 | 152 | 152 | 152 |
| 380 | 380 | 380 | 380 |
| 207 | 207 | 207 | 207 |
| **3,300** | **3,120** | **3,162** | **3,054** |
| 738 | 738 | 738 | 738 |
| **4,038** | **3,858** | **3,900** | **3,792** |

| | Ukraine - $ per Ha | | | | Russia CBS - $ per Ha | | | |
|---|---|---|---|---|---|---|---|---|
| | Rapeseed | Winter wheat | Sunflower | Corn | Winter wheat | Spring barley | Sunflower | Soybean |
| Seed | 63 | 47 | 82 | 222 | 42 | 61 | 55 | 46 |
| Fertiliser | 297 | 274 | 48 | 262 | 72 | 45 | 32 | 40 |
| Chemical | 244 | 114 | 90 | 115 | 26 | 30 | 45 | 64 |
| **Total seed, fertiliser & chemical** | 604 | 435 | 220 | 599 | 140 | 137 | 132 | 150 |
| Other direct & Indirect costs | 421 | 404 | 343 | 678 | 254 | 230 | 240 | 204 |
| Land costs | 135 | 135 | 135 | 135 | 23 | 23 | 23 | 23 |
| Administration allocation | 110 | 110 | 110 | 110 | 58 | 58 | 58 | 58 |
| Other costs / income | (4) | (4) | (4) | (4) | 32 | 32 | 32 | 32 |
| **Subtotal** | 1,265 | 1,080 | 803 | 1,519 | 507 | 480 | 485 | 467 |
| Depreciation & amortisation | 106 | 106 | 106 | 106 | 113 | 113 | 113 | 113 |
| **Total cost** | 1,371 | 1,186 | 909 | 1,625 | 620 | 593 | 598 | 580 |

Cost per ha data shows that input efficiency is materially higher in Russia compared to Ukraine. Ukraine costs per ha were materially higher in 2013 but did not deliver the extra yield suggested by the technical plan. The cost cutting plan has been focussed on reducing the input costs of Ukraine and thereby reducing the risk of yield misses. Other direct and indirect costs are being reduced mostly through the reduction in salaries and fuel costs. Land rental costs are higher in Ukraine because all land is rented and actual rental values are higher. In Russia a number of crops including winter wheat, sunflower, sugar beet and soya provided positive net profit margins.

Costs of sales which rose in 2013 include inventory provisions, livestock feed costs and third party harvest costs. Livestock feed costs have been difficult to control given the sharp rise in feed prices especially in the first six months of 2013. Feed costs have now reverted to more realistic levels. Third party harvest costs are higher given the materially higher tonnages which have been harvested thanks to continuously improving yields. Inventory provisions largely stem from spare parts which have been held for equipment the Group has now been disposed of and therefore the Group no longer has a use for. Land costs are reduced by 13 per cent following the disposal underutilised land in non-core areas of Ukraine such as Crimea and Poltava. If the Group does not dispose of its entire operation in Ukraine further reductions will be made in unplanted land.

The effects of the employee reductions will take effect in 2014 therefore personnel costs were only marginally reduced in 2013. For the cropping business in Russia, the Group is targeting payroll costs of $85 per ha of cultivated land. In Ukraine our initial target is to deliver $125 per ha. If achieved, these metrics will compare favourably to the listed peer group.

Administrative expenses are now clearly split so they can be monitored and focused on. Whilst administration expenses fell by 22 per cent compared to 2012 the Group remains deeply unsatisfied with SEK 106 million charge in 2013. Minimising these costs is a key element to the cost cutting plan being implemented. Reductions in 2013 were attributable to the termination of the ACM management agreement which amounted to SEK 15 million (2012 SEK 31 million) and will reduce to zero in 2014.

*Results*

The loss before interest, tax, depreciation and amortisation (EBITDA) was SEK 129 million (profit SEK 29 million). Depreciation and amortisation was SEK 96 million (SEK 97 million).

Agrokultura

Exceptional items in 2012 mostly related to the negative goodwill on acquisition of Landkom. In 2013 exceptional items relate to the sale of certain entities in Russia and Ukraine. The sale of the Group's operations in Kaliningrad will occur through the disposal of three legal entities. One of these Kaliningrad legal entities was disposed of in 2013 resulting in a SEK 17.5 million loss whilst the remaining disposals in 2014 are expected to provide a small exceptional gain.

The loss from continuing operations was SEK 257 million (SEK 82 million). Excluding exceptional items, this loss was SEK 251 million (SEK 173 million).

Discontinued operations relate to the Kaliningrad operation whose sale is likely to complete in all material respects in the first half of 2014. The Kaliningrad sale is being executed through the sale of three entities and a number of smaller land transactions. Given the interlinked status of the entities prior to the transaction, there are complex intercompany asset pledges. As a result of this structure, since the first closing in December 2013, certain Group assets have remained pledged to loans which are held by entities outside the Group. This situation is temporary, part of the deal mechanics and will be reversed as soon as practicable.

The breakdown of the result shows that losses were mostly incurred in Ukraine with Russia cropping and livestock showing small operating losses. The Group's Russia cropping business has delivered a positive EBITDA and cash generation in 2013 despite material price reductions.

Operating loss by segment

| SEK million | Russia cropping | Ukraine | Russia Livestock | Overseas |
|---|---|---|---|---|
| **EBITDA** | 47.6 | (120.3) | (3.2) | (29.6) |
| **Operating loss** | (7.7) | (155.7) | (13.2) | (29.6) |

Balance Sheet

*Non-current assets*
Non-current assets have been reduced due to the classification of Kaliningrad as assets held for sale together with ongoing depreciation. The sale of non-core Ukrainian assets has also reduced the intangible assets from SEK 100 million to SEK 54 million which largely reflected the value of the leases acquired during the acquisition of Landkom International in 2012. Land in process of registration has dropped to SEK 22 million from SEK 59 million due to ongoing successful registration of land plots and certain land right offs where the Group has decided not to proceed with registration following a cost benefit analysis.

*Current assets*
Inventories incorporating work in progress, finished agricultural produce and raw materials amounted to SEK 183 million. Finished agricultural produce amounted to SEK 93 million of this figure and will be sold in the first quarter of 2014 at a level around book value.

*Biological Assets*
The fair value of cropping biological assets is SEK 73 million. This is lower than 2012 given the lower market price of commodities and the lower levels of planting carried out in Russia and Ukraine due to the exceptionally wet weather in Autumn 2013.

The table below shows the main assumptions which have been made in the valuation of the crops in the ground at December 31 2013.

| Crop | Russia | | Ukraine | |
|---|---|---|---|---|
| | Biological Asset assumed yield | Biological Asset assumed price | Biological Asset assumed yield | Biological Asset assumed price |
| **Rapeseed** | n.a | n.a | 2.6 | 2,911 |
| **Winter Wheat** | 2.7 | 1,050 | 3.7 | 1,134 |
| **Winter Barley** | n.a. | n.a | 3.5 | 1,173 |

*Liquid resources and indebtedness*
Group financial indebtedness from continued operations has been flat at SEK 167 million compared to SEK 162 million a year before. This includes SEK 50 million which is owing to the former management company Alpcot Capital Management relating to deferred fees from previous years. This payment is due in October 2014 either in cash or a mixture of cash and shares (shares forming a maximum contribution of 75 per cent). Cash and equivalents at the period end was SEK 29 million giving a net debt of SEK 138 million.

| **SEK Thousands** | **31 December 2013** | **31 December 2012** |
|---|---|---|
| Debt | (166,847) | (162,088) |
| Cash and cash equivalents | 28,790 | 41,238 |
| Net debt | (138,057) | (120,850) |

Since the period end, Ukraine has renewed its $12 million working capital facility and has commenced drawdown. The Russian business continues to renew working capital facilities as they become due. Over the past 24 months, in absence of any equity funding, continued losses have been financed through the disposal of non-core assets which were not utilised. Limited investments in machinery have also been made. Although management believes that the cost cutting programme will turn the Group to profitability, in the event that further losses are made, remaining revenues derived from the sale of non-core assets such as Kaliningrad will be used to finance the business together with the additional drawing of credit facilities.

*Key ratios*

| **The Group** | **2013** | **2012** | **2011** | **2010** | **2009** |
|---|---|---|---|---|---|
| Operating margin % | (36.5%) | (10.1%) | (27.3%) | (54.9%) | (103.1%) |
| Equity / assets ratio % | 75.6% | 80.9% | 81.4% | 74.5% | 80.5% |
| Shareholders equity MSEK | 941 | 1,257 | 1,100 | 951 | 941 |
| Average number of shares | 139,008,658 | 134,124,104 | 84,656,369 | 48,005,758 | 34,591,956 |
| Number of shares at end of year | 139,008,658 | 139,008,658 | 99,197,472 | 49,591,892 | 34,591,956 |
| Earnings per share, SEK | (1.9) | (0.8) | (1.4) | (4.0) | (5.0) |
| Equity per share, SEK | 6.8 | 9.0 | 11.1 | 19.2 | 27.2 |

*Personnel*
The total number of employees in the Group at year end was 1,679 (1,859).

**Parent Company**

*Revenues and results*

The parent company provides management services and production expertise to the subsidiaries, as well as loan and equity financing for investments and operations. Revenues in the parent company consisted of sales of services to other group companies amounting to SEK 9.1 million (SEK 18.8 million). The operating result amounted to a loss of SEK 34.3 million (loss SEK 39.5 million). The result for the period amounted to a loss of SEK 315.0 million (loss of SEK 1,011 million).

*Important balance items and cash*

During the year, the parent company converted some of its long term loan receivables into investments in subsidiaries. The total asset balance at year end amounted to SEK 976 million (1,259 million), and the solidity of the parent company was at year end 91.9 per cent (96.3 per cent). As of 31 December 2013, cash and cash equivalents in the parent company amounted to SEK 3.4 million (SEK 0.7 million).

Hedging

When appropriate, the Group uses financial instruments such as forward offtake contracts or financial derivatives to hedge commodity prices. The purpose of the Group's hedging strategy is to hedge and reduce business risk rather than to speculate. Over the period, the Russian rouble and Ukrainian hrivnia have remained stable. However since the period end, both the Russian rouble and Ukrainian hrivnia have fallen materially against major currencies. Ukrainian bank debt is denominated mostly in US dollars which naturally matches its production which is priced off US dollar dominated markets. Russian bank debt is denominated in Russian roubles which matches the principal that Russian sales prices do not follow international prices in the same way and therefore are Russian rouble dominated. Weakening of local currencies in the short term is not considered disruptive for the Group's local operations.

OPERATIONAL REVIEW

*Crop Production*

The Group crops a mix of winter and spring crops in order to balance weather risk with working capital and machinery constraints. Rapeseed, sunflower and corn are the most profitable crops and the Group seeks to maximise cropping of these crops within established agronomic rotations. For the 2014 harvest, due to exceptionally wet weather in the autumn sowing campaign, there will be a greater than usual proportion of spring cropping. Autumn planting was curtailed since planting after the ideal window has been missed which gives a high chance of a yield reduction.

The Group's Russian business, following recent success, is continuing to implement no-till technology in its CBS (Central Black Soil) farms. New, larger seeding machinery was purchased in Q1 2013 and these are being complemented in 2014 by more high capacity self-propelled sprayers. No till farming reduces diesel, labour and machinery maintenance costs whilst also preserving ground moisture. In the 2013 harvest, 12,000 ha were cultivated on a no-till basis. For the 2014 harvest this is expected to reach 20,000 ha.

Ukraine is less suited to no-till production given the smaller field sizes and the more plentiful rainfall. Although Ukraine has not had material capital investment in 2013 other than an increase in the spraying capacity, focus remains on the internal organisation of operations where following land rationalisation, three clusters have been merged into two and control in general has been improved. The Group now has more effective control over the current more consolidated planted areas.

*2014 Harvest*

*Planting*

The Group's continuing operations planted a total of 41,000 ha of which 24,700 ha are in Ukraine and 16,300 ha are in Russia. Ukrainian planting fell by 23 per cent compared to the previous year to permit a move from poorly performing winter cereals to more profitable spring crops such as sunflower and corn. Russian planting fell by 33 per cent due to the wet conditions in the autumn of 2013.

| Region | Winter Wheat | Winter Barley | Winter Rapeseed | Total |
|---|---|---|---|---|
| **Ukraine** | 8,200 | 4,100 | 12,400 | 24,700 |
| **Russia CBS** | 16,300 | - | - | 16,300 |
| **Total** | 24,500 | 4,100 | 12,400 | 41,000 |

The Group intends to increase the level of Russian spring planting to make up the shortfall of winter planting. A total of 77,800 ha are planned to be planted across Russia and Ukraine this spring to bring the total land available for harvest to 118,800. Russia CBS combined winter and spring planting is expected to increase by 6 per cent over 2013 to make up for the sale of planted lands in Kaliningrad. With the land bank rationalisations, the proportion of planted land to total land continues to increase.

The Group will report on its winter crop health and the result of its spring campaign in due course.

*Harvest 2013*

Weather conditions were reasonable throughout the year in the Company's areas of operations. Given the lack of material global weather events, global supply for agricultural commodities was high in 2013 which depressed pricing. The harvest of the winter planted crops overall saw good weather however conditions turned wet for the later harvest of the spring planted crops. Ukraine completed its harvesting operations in early December whereas at the year-end Russia was left with approximately 900 hectares of sunflower which have since been harvested.

In Russia, the weighted average improvement in yields was 34 per cent compared to 2012. The sunflower harvest delivered an average net yield of 2.4 tonnes/ha (up 20 per cent on 2012 – 2.0 tonnes/ha). Wheat yields and corn yields also have shown material improvements (+48 per cent and +35 per cent respectively).

In Ukraine, weighted average yields were up 11 per cent compared to 2012 with the best performance coming from rapeseed which showed an increased yield of 33 per cent compared to 2012 over 13,774 ha. All crops other than corn showed an increase in yield. The corn harvest was very disappointing and delivered a net 5.7 tonnes per ha (2012, 7.2 tonnes per hectare). Corn yields were negatively impacted by the late spring and certain related operating issues.

The table below shows the harvested yields achieved in the 2013 harvest. Net yields are estimates.

**Ukraine**

| Crop | Harvested Ha | Gross Yield | Estimated Net Yield | Change on 2012 |
|---|---|---|---|---|
| **Winter Rapeseed** | 13,800 | 3.0 | 2.9 | +33% |
| **Winter Wheat** | 14,200 | 3.9 | 3.8 | +2% |
| **Winter Barley** | 4,200 | 3.9 | 3.7 | +12% |
| **Corn** | 7,900 | 6.9 | 5.7 | -21% |
| **Sunflower** | 7,800 | 2.4 | 2.2 | +16% |
| **Soya** | 100 | 2.0 | 1.9 | +16% |
| **Buckwheat** | 2,200 | 1.3 | 1.1 | +15% |
| **Total** | 50,200 | | 3.5 | +11% |

**Russia**

| Crop | Harvested Ha | Gross Yield | Estimated Net Yield | Change on 2012 |
|---|---|---|---|---|
| **Winter Wheat** | 24,400 | 3.8 | 3.7 | +48% |
| **Corn** | 3,300 | 7.1 | 6.2 | +35% |
| **Sunflower** | 15,900 | 2.5 | 2.4 | +20% |
| **Sugar Beet** | 1,300 | 54.2 | 47.9 | +30% |
| **Soya** | 5,200 | 1.3 | 1.2 | +20% |
| **Buckwheat** | 2,300 | 1.7 | 1.6 | +167% |
| **Spring Barley** | 8,500 | 2.7 | 2.7 | +50% |
| **Spring rapeseed** | 7,300 | 1.1 | 1.0 | -31% |
| **Other** | 900 | 2.6 | 2.4 | NA |
| **Total** | 69,100 | | 3.5 | +34% |

*Sales*

2013 saw material price reductions for all commodities compared to 2012. The pricing environment has subsequently recovered from its 2013 lows. The Group's sales strategy for Ukraine extends the sales windows for crops through forward sales to reputable counterparties. Ukraine exports approximately 54 per cent of its produce (by value) with the rest being sold domestically. Average prices to date in USD on selected major crops for the 2013 harvest are set out below.

| Average price (ex VAT) USD per tonne for selling season | 2013 harvest Ukraine | 2012 harvest Ukraine | 2013 harvest Russia | 2012 harvest Russia |
|---|---|---|---|---|
| Rapeseed | 430 | 554 | 299 | 502 |
| Corn | 159 | 225 | 108 | 258 |
| Wheat | 187 | 195 | 163 | 231 |
| Sunflower | 333 | 460 | 273 | 469 |

Due to the large proportion of exports, the Ukraine prices tend to correlate highly to the international pricing of commodities. The Russian market is more domestically focussed which causes it to be influenced more by the local environment.

The Group has already begun to forward sell the 2014 harvest. In Ukraine the Group has forward sold approximately 47 per cent of its expected rapeseed crop for SEK 2,941 per tonne on a DAF (Delivered at Frontier) basis. More is expected to be contracted over the coming months. Forward selling is not commonplace in Russia.

*Storage*

Storage is an important part of the Group's infrastructure, providing flexibility around crop harvest and sales as well as reducing operating costs and maintaining security over the harvested commodity. The Group has around 228,000 tonnes of storage located across Russia and Ukraine and expects to make selected further investments where cash resources permit.

The table below shows the type and location of the Group's storage which will be available for use in the 2014 harvest.

| Storage | Russia | Ukraine | Total |
|---|---|---|---|
| Grain silo | 10,000 | 53,000 | 63,000 |
| Flat bed | 115,000 | 15,000 | 130,000 |
| Other temporary | 15,000 | 20,000 | 35,000 |
| **Total** | 140,000 | 88,000 | 228,000 |

Ukraine is expecting to cover approximately 75 per cent of its storage requirements using own storage facilities. Russia will cover approximately 85 per cent. Future storage priorities include improving the quality of Russian storage facilities to reduce wastage as well as adding a third silo in western Ukraine to reduce logistics costs.

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

*Livestock*

The previous three years have been difficult for the Group's livestock business. It is a more long term business than cropping with business disruption taking years to come through due to the birth and milking cycle. In 2013, the Group was still feeling the effects of the Russian 2010 drought. In 2010 and 2011 due to drought conditions and an absolute shortage of feed for cows, pregnancy rates fell materially. The cows that should have been born in 2010/11 would now be coming of age to be milking. Equally with the extremely high feed costs of 2012/3 caused the Group to adjust feed to cheaper mixes which have an impact on yield and pregnancy rates. The Group is expecting a sharp increase in the birth rates in 2014. During 2013, as part of the wider disposal of the Group's activities in Kaliningrad, the Group's dairy farm in Kaliningrad was disposed.

Average milk production in 2013 was up 2 per cent to 508 litres per cow per month. Overall production totalled 965,000 litres per month. Profitability for the unit is improving given the rising milk prices of the past months and the decreasing cost of feed. In 2013 the direct and indirect costs of production of a litre of milk were SEK 5.0 which compared to revenue and gains of SEK 5.1.

| | Per litre (SEK) | Per litre (USD) |
|---|---|---|
| **Milk revenue** | 3.5 | 0.53 |
| **Meat revenue** | 0.6 | 0.09 |
| **Biological asset gain** | 1.0 | 0.17 |
| **Total revenue and gain** | 5.1 | 0.79 |
| | | |
| **Direct cost** | 3.8 | 0.58 |
| **Indirect cost** | 1.2 | 0.19 |
| **Total production costs** | 5.0 | 0.77 |

Current achieved milk prices in 2014 have averaged SEK 4.5 (USD 0.69). Increases in milk price (24 per cent up in 2013 compared to 2012) are partly related to market dynamics but also due to the improved quality of milk which enables the Group to supply to international brands operating in Russia and charge premium pricing.

Small capital investments are expected to enable improvements in average milk production per cow in 2014. Sales of meat fell by 58 per cent in 2013 following 2012 when there was a major restructuring of the herd which involved the slaughter of many older underperforming animals. An area of focus for 2014 is to look at ways of improving the efficiency of meat sales and the Group is looking to increase the current meat contribution of 16 per cent of dairy revenue to in excess of 20 per cent.

At December 31 2013, the Group's Russian livestock herd amounted to approximately 4,900 animals, consisting of 1,500 milking cows, 1,000 dry cows, 2,100 heifers and 300 bulls and calves.

*Land*

The Group has been actively restructuring its land bank in 2013. In addition considerable efforts have been placed in developing an integrated land database to interact operations, land and accounting to ensure a single point of information within the Group. The purpose of this is to improve management of the land data base and thereby improve the security of the land bank. At 31 December 2013, the land bank extends to 216,500 ha, of which 146,900 are in Russia and 69,600 are in Ukraine.

Ukraine is expected to have further disposals in 2014 either to bring the total land bank closer to the area of planted land or through the disposal of the entire business. In Russia, the Group is conducting a strategic review in order to establish if the current land bank structure is the most efficient for future profits. As part of the review, the Group will be carefully studying with its agronomists which areas of land the Group are cultivatable and consider disposing those areas which are not of interest to the Group.

| Land bank by cluster (ha) | 31 December 2013 | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **Russia** | | | |
| North Voronezh (Ertil & Dina) | 48,500 | 47,000 | 41,300 |
| Kursk | 45,900 | 45,900 | 48,800 |
| Lipetsk | 17,300 | 18,000 | 17,900 |
| Kaliningrad | - | 15,000 | 15,000 |
| South Voronezh (Vorobievka) | 11,400 | 9,900 | 12,000 |
| Russia other | 23,800 | 25,200 | 53,700 |
| **Total Russia** | **146,900** | **161,000** | **188,700** |
| | | | |
| **Ukraine** | | | |
| Western Ukraine | 69,600 | 67,100 | 14,200 |
| Ukraine other | - | 26,300 | 1,600 |
| **Total Ukraine** | **69,600** | **93,400** | **15,800** |
| | | | |
| **Total Group** | **216,500** | **254,400** | **204,500** |
| | | | |
| **Land bank by category (ha)** | | | |
| **Russia** | | | |
| Registered owned land | 83,000 | 87,500 | 75,700 |
| Land in process of registration | 5,000 | 10,000 | 29,600 |
| Leased land | 58,900 | 63,500 | 83,400 |
| **Total Russia** | **146,900** | **161,000** | **188,700** |
| | | | |
| **Ukraine** | | | |
| Leased land | 69,600 | 93,400 | 15,800 |
| **Total Ukraine** | **69,600** | **93,400** | **15,800** |
| | | | |
| **Total Group** | **216,500** | **254,400** | **204,500** |

In addition approximately 14,000 ha are in the process of being sold in Kaliningrad.

*Share Development*

The Group's shares are listed on Nasdaq OMX First North with the ticker name AGRA. The final closing price as of 31 December 2013 was SEK 2.94, and the market capitalisation at year end amounted to approximately SEK 408.7 million. At 31 December 2013 the Group had approximately 850 shareholders. The Group has decided not to pay a dividend.

The main shareholders were:

| Shareholder | Number of shares | Capital and votes |
|---|---|---|
| JPM CHASE NA | 19,262,067 | 14% |
| ALPCOT CAPITAL MANAGEMENT LTD | 12,873,854 | 9% |
| SIX SIS AG, W8IMY | 11,705,685 | 8% |
| TREDJE AP-FONDEN | 9,874,993 | 7% |
| PARETO SECURITIES OY | 8,229,766 | 6% |

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.

Agrokultura

The full year interim report has not been reviewed by the Company's auditors.
Stockholm, 27 March 2013

**GROUP STATEMENTS**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| SEK thousand | Note | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|---|
| ***Continuing operations*** | | | |
| Revenue | 3 | 617,393 | 672,591 |
| Gain or loss on biological assets | 7 | (30,701) | (73,973) |
| Cost of sales | 4 | (648,833) | (599,008) |
| **Gross profit** | | **(62,141)** | **(390)** |
| Distribution costs | | (23,339) | (15,068) |
| Other income | | 11,466 | 5,133 |
| Other expense | | (39,492) | (11,603) |
| Administrative expenses | 5 | (106,317) | (136,741) |
| Exceptional items | 6 | (5,648) | 91,036 |
| **Operating loss** | | **(225,471)** | **(67,633)** |
| Finance income | | 345 | 815 |
| Finance expense | | (22,173) | (15,727) |
| **Loss before tax** | | **(247,299)** | **(82,545)** |
| Income tax | | (9,491) | 583 |
| **Loss for the year from continuing operations** | | **(256,790)** | **(81,962)** |
| Loss for the year from discontinued operations | | (4,734) | (20,206) |
| **Loss for the year** | | **(261,524)** | **(102,168)** |
| Currency translation differences | | (54,633) | (20,224) |
| **Total comprehensive loss for the year** | | **(316,157)** | **(122,392)** |
| **Loss for the year attributable to:** | | | |
| Equity holders of the Company | | (268,862) | (101,116) |
| Non-controlling interests | | 7,338 | (1,052) |
| **Total comprehensive loss attributable to:** | | | |
| Equity holders of the Company | | (323,515) | (121,478) |
| Non-controlling interests | | 7,358 | (914) |
| **Earnings per share:** | | | |
| Basic and diluted earnings per share | | (1.88) | (0.73) |
| Basic and diluted earnings per share from continuing operations | | (1.85) | (0.59) |
| Basic and diluted earnings per share from discontinued operations | | (0.03) | (0.15) |
| Average number of shares | | 139,008,658 | 139,008,658 |
| Number of shares at the end of the period | | 139,008,658 | 139,008,658 |

Agrokultura

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| SEK thousands | Note | 31 December 2013 | 31 December 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 629,726 | 700,446 |
| Intangible assets | | 53,796 | 100,161 |
| Land in process of registration | | 22,083 | 58,857 |
| Other non-current financial assets | | 11,779 | 424 |
| Non-current biological assets | 7 | 57,401 | 45,461 |
| Deferred tax assets | | 9,271 | 19,889 |
| Other non-current assets | | 1,811 | 554 |
| **Total non-current assets** | | **785,867** | **925,792** |
| **Current assets** | | | |
| Inventories | 8 | 183,284 | 241,211 |
| Biological assets | 7 | 72,922 | 98,177 |
| Trade and other receivables | | 71,917 | 60,814 |
| Income tax receivable | | 997 | 685 |
| Other financial assets | | 3,197 | 6,908 |
| Cash and cash equivalents | | 28,790 | 41,238 |
| **Total current assets** | | **361,107** | **449,033** |
| Assets in disposal groups classified as held for sale | 9 | 98,341 | 179,974 |
| **TOTAL ASSETS** | | **1,245,315** | **1,554,799** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Equity share capital | | 695,043 | 695,043 |
| Other paid in capital | | 1,463,126 | 1,463,126 |
| Foreign currency translation reserve | | (285,437) | (222,968) |
| Accumulated deficit | | (929,785) | (679,316) |
| **Equity attributable to owners of the parent Company** | | **942,947** | **1,255,885** |
| Non-controlling interests | | (1,917) | 1,270 |
| **Total equity** | | **941,030** | **1,257,155** |
| **Non-current liabilities** | | | |
| Other non-current financial liabilities | | 73,313 | 132,824 |
| Deferred tax liabilities | | 509 | 857 |
| **Total non-current liabilities** | | **73,822** | **133,681** |
| **Current liabilities** | | | |
| Trade and other payables | | 126,932 | 96,554 |
| Other current financial liabilities | | 93,534 | 29,264 |
| Income tax payable | | - | 1,916 |
| **Total current liabilities** | | **220,466** | **127,734** |
| Liabilities in disposal groups classified as held for sale | 9 | 9,997 | 36,229 |
| **TOTAL LIABILITIES AND EQUITY** | | **1,245,315** | **1,554,799** |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Equity share capital | Other paid in capital | Foreign currency translatio n reserve | Accumulate d deficit | Attributable to owners of the parent company | Non-controllin g interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2011** | **495,987** | **1,383,392** | **(202,606)** | **(578,200)** | **1,098,573** | **1,435** | **1,100,008** |
| Net result for the year | - | - | - | (101,116) | (101,116) | (1,052) | (102,168) |
| Other comprehensive loss | - | - | (20,362) | - | (20,362) | 138 | (20,224) |
| **Total comprehensive loss** | **-** | **-** | **(20,362)** | **(101,116)** | **(121,478)** | **(914)** | **(122,392)** |
| New share issue | 199,056 | 89,684 | - | - | 288,740 | - | 288,740 |
| Transaction costs | - | (9,950) | - | - | (9,950) | - | (9,950) |
| Acquisition from minorities | - | - | - | - | - | 749 | 749 |
| **Balance at 31 December 2012** | **695,043** | **1,463,126** | **(222,968)** | **(679,316)** | **1,255,885** | **1,270** | **1,257,155** |
| Net result for the year | - | - | - | (268,862) | (268,862) | 7,338 | (261,524) |
| Other comprehensive loss | - | - | (54,653) | - | (54,653) | 20 | (54,633) |
| **Total comprehensive loss** | **-** | **-** | **(54,653)** | **(268,862)** | **(323,515)** | **7,358** | **(316,157)** |
| Purchase of shares from non-controlling interests | - | - | 479 | 18,393 | 18,872 | (20,838) | (1,966) |
| Disposal of subsidiary | - | - | (8,295) | - | (8,295) | 10,293 | 1,998 |
| **Balance at 31 December 2013** | **695,043** | **1,463,126** | **(285,437)** | **(929,785)** | **942,947** | **(1,917)** | **941,030** |

Agrokultura

## CONSOLIDATED CASH FLOW STATEMENT

| SEK thousands | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| **Operating activities** | | |
| Cash received from customers | 679,681 | 750,363 |
| Cash received from government grants | 22,009 | 16,303 |
| Cash paid to suppliers and personnel | (697,638) | (809,358) |
| **Cash flow generated in operations** | 4,052 | (42,692) |
| | | |
| Interest paid | (20,082) | (20,862) |
| Interest received | 145 | 2,124 |
| Income tax paid | (3,350) | (1,227) |
| **Net cash used in operating activities** | (19,235) | (62,657) |
| | | |
| **Investing activities** | | |
| Acquisition of subsidiaries, net of cash acquired | - | (4,301) |
| Acquisition of tangible fixed assets | (49,996) | (61,446) |
| Acquisition of biological assets | - | (1,087) |
| Disposal of subsidiaries | 19,526 | 13,075 |
| Sale of fixed assets and intangible assets | 26,052 | 31,523 |
| Loans granted | (9,546) | (12,833) |
| Repayment of loans granted | 25,388 | 6,862 |
| **Net cash used in investing activities** | 11,424 | (28,207) |
| | | |
| **Financing activities** | | |
| Share issue | - | 138,400 |
| Share issue costs | - | (9,950) |
| Loans received | 126,270 | 57,436 |
| Repayment of loans | (129,265) | (120,765) |
| **Net cash generated from financing activities** | (2,995) | 65,121 |
| | | |
| **Net cash flow for the year** | **(10,806)** | **(25,743)** |
| **Cash at the beginning of the year** | **43,628** | **64,379** |
| **Exchange difference on cash** | **(1,920)** | **4,992** |
| **Cash at the end of the year** | **30,902** | **43,628** |
| | | |
| **Less cash included in assets held for sale** | **2,112** | **2,390** |
| **Cash in continued operations** | **28,790** | **41,238** |

Agrokultura

## STATEMENT OF COMPREHENSIVE INCOME OF PARENT COMPANY

| SEK thousands | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| **Operating Income** | | |
| Revenue | 9,062 | 18,816 |
| **Operating costs** | | |
| Cost of sales | (8,630) | (18,427) |
| Administrative expenses | (35,041) | (39,889) |
| Other income | 304 | - |
| **Operating result** | **(34,305)** | **(39,500)** |
| Finance income | 22,782 | 41,881 |
| Finance expense | (303,466) | (1,012,880) |
| **Result before tax** | **(314,989)** | **(1,010,499)** |
| Income tax | - | - |
| **Result for the year** | **(314,989)** | **(1,010,499)** |
| **Other comprehensive result** | | |
| Translation difference on loans to subsidiaries | (113) | 374 |
| **Total comprehensive (loss) / profit for the year** | **(315,102)** | **(1,010,125)** |

Agrokultura

## Parent company statement of financial position

| SEK thousands | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Investment in Group companies | 563,896 | 164,422 |
| Receivables from Group companies' | 317,339 | 903,017 |
| Other receivables' | 6,994 | - |
| **Total non-current assets** | **888,229** | **1,067,439** |
| | | |
| *Current assets* | | |
| Receivables from Group companies | 1,654 | 79,077 |
| Other receivables | 5,391 | 306 |
| Prepaid expenses and accrued income | 77,113 | 111,007 |
| Cash and cash equivalents | 3,403 | 731 |
| **Total current assets** | **87,561** | **191,121** |
| | | |
| **TOTAL ASSETS** | **975,790** | **1,258,560** |
| | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | |
| Equity share capital | 695,043 | 695,043 |
| Other paid in capital | 1,461,126 | 1,461,126 |
| Reserve for fair value | (779) | (779) |
| Retained earnings | (943,538) | 66,959 |
| Result for the year | (315,102) | (1,010,499) |
| **Total shareholders' equity** | **896,750** | **1,211,850** |
| | | |
| **Non-current liabilities** | | |
| Other long term debts | - | 36,173 |
| **Total long term liabilities** | **-** | **36,173** |
| | | |
| **Current liabilities** | | |
| Accounts payable | 4,889 | 3,692 |
| Payables to Group companies | 24,213 | - |
| Other liabilities | 45,205 | 1,277 |
| Accrued expenses and deferred income | 4,733 | 5,568 |
| **Total current liabilities** | **79,040** | **10,537** |
| | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **975,790** | **1,258,560** |
| | | |
| ***Off balance sheet items*** | | |
| Pledged assets | - | - |
| Guarantees | 97,626 | - |

**CONDENSED NOTES TO THE GROUP STATEMENTS**

## 1. ACCOUNTING PRINCIPLES

The interim report for the period ended 31 December 2013 has been prepared in accordance with IAS 34, "Interim Financial Reporting", International Financial Reporting Standards (IFRS) and the interpretations from the IFRS International Reporting Committee, 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, Agrokultura 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 2012 and the manner in which they were described in the 2012 annual report.

The new or amended IFRS standards and interpretations from IFRS Interpretations Committee, which became effective January 1, 2013, had no material effect on the consolidated financial statements. All amounts are in thousands of Swedish kronor, TSEK, unless otherwise indicated.

## 2. SEGMENT REPORTING

The operating segments are based on the main value adding activities in the business, i.e. crop production and livestock. The Group has three main operational regions that between them have distinctly different production conditions, climate and weather patterns and operational characteristics. These three regions are the Central Black Soil (CBS) Region in Russia, the Kaliningrad region in Russia and Western Ukraine. The Group also has some minor operations outside of these regions but these are either in the process of being divested or are not material in size to merit separate reporting.

Agrokultura

| SEK Thousands | Russia CBS arable | Kaliningrad arable | Ukraine arable | Livestock | Management | Segment total | Eliminations | Total Group |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2013:** | | | | | | | | |
| External revenue | 239,160 | 41,440 | 334,798 | 56,078 | 389 | 671,865 | (54,472) | 617,393 |
| Intersegment revenue | 23,401 | - | 2,660 | 1,050 | 9,062 | 36,173 | (36,173) | - |
| Gain or loss on bio assets | 33,186 | (14,418) | (76,641) | 13,660 | - | (44,213) | 13,512 | (30,701) |
| Cost of sales | (258,237) | (38,428) | (335,425) | (61,884) | (2,463) | (696,437) | 47,604 | (648,833) |
| **Gross profit** | **37,510** | **(11,406)** | **(74,608)** | **8,904** | **6,988** | **(32,612)** | **(29,529)** | **(62,141)** |
| | | | | | | | | |
| Distribution costs | (3,888) | (204) | (19,403) | (56) | - | (23,551) | 212 | (23,339) |
| Other income | 7,539 | 1,836 | 72 | 5,156 | - | 14,603 | (3,137) | 11,466 |
| Other expense | (15,084) | 2,330 | (23,708) | (707) | (356) | (37,525) | (1,967) | (39,492) |
| Intersegment costs | (12,292) | (555) | (4,669) | (18,655) | - | (36,171) | 36,171 | - |
| Administration expenses | (28,092) | (514) | (38,555) | (2,756) | (36,981) | (106,898) | 581 | (106,317) |
| Exceptional items | 6,617 | (13,071) | 5,131 | (5,052) | 727 | (5,648) | - | (5,648) |
| **Operating profit** | **(7,690)** | **(21,584)** | **(155,740)** | **(13,166)** | **(29,622)** | **(227,802)** | **2,331** | **(225,471)** |
| | | | | | | | | |
| Intersegment finance income | 18,438 | 18,211 | - | - | 33,846 | 70,495 | (70,495) | - |
| Intersegment finance cost | (15,275) | (5,891) | (13,916) | (855) | (34,560) | (70,497) | 70,497 | - |
| Finance income | 306 | 74 | 44 | - | (5) | 419 | (74) | 345 |
| Finance expense | (5,045) | (1,515) | (8,136) | (5,038) | (3,954) | (23,688) | 1,515 | (22,173) |
| **Profit before tax** | **(9,266)** | **(10,705)** | **(177,748)** | **(19,059)** | **(34,295)** | **(251,073)** | **3,774** | **(247,299)** |
| | | | | | | | | |
| Assets | 584,733 | 94,148 | 407,376 | 132,257 | 26,801 | 1,245,315 | | 1,245,315 |
| Liabilities | (65,368) | (9,985) | (122,012) | (49,862) | (57,058) | (304,285) | | (304,285) |
| **Net assets** | **519,365** | **84,163** | **285,364** | **82,395** | **(30,257)** | **941,030** | **-** | **941,030** |

| SEK Thousands | Russia CBS arable | Kaliningrad arable | Ukraine arable | Livestock | Management | Segment total | Eliminations | Total Group |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2012:** | | | | | | | | |
| Revenue | 254,428 | 31,193 | 362,122 | 86,757 | - | 738,359 | (65,768) | 672,591 |
| Intersegment revenue | 12,138 | 8,881 | 7,040 | 721 | 41,715 | 70,495 | (70,495) | - |
| Gain or loss on biological assets | (11,369) | (4,877) | (38,955) | (26,936) | - | (82,137) | 8,164 | (73,973) |
| Cost of sales | (217,237) | (36,925) | (330,393) | (70,933) | (16,245) | (671,733) | 72,725 | (599,008) |
| **Gross profit** | **41,819** | **(1,728)** | **(186)** | **(10,391)** | **25,470** | **54,984** | **(55,374)** | **(390)** |
| | | | | | | | | |
| Distribution costs | - | - | (15,068) | - | - | (15,068) | - | (15,068) |
| Other income | 2,323 | 2,348 | 888 | 3,975 | 2,275 | 11,809 | (6,676) | 5,133 |
| Other expense | (2,558) | (2,518) | (6,340) | (4,596) | (1,242) | (17,254) | 5,651 | (11,603) |
| Intersegment costs | (38,253) | (5,328) | (14,914) | (12,000) | - | (70,495) | 70,495 | - |
| Administrative expenses | (28,610) | (4,218) | (48,965) | (4,829) | (54,220) | (140,842) | 4,101 | (136,741) |
| Exceptional items | - | - | - | - | 91,036 | 91,036 | - | 91,036 |
| **Operating loss** | **(25,279)** | **(11,444)** | **(84,585)** | **(27,841)** | **63,319** | **(85,830)** | **18,197** | **(67,633)** |
| | | | | | | | | |
| Intersegment finance income | - | - | - | - | 47,298 | 47,298 | (47,298) | - |
| Intersegment finance cost | (20,100) | (8,940) | (15,683) | (2,575) | - | (47,298) | 47,298 | - |
| Finance income | 599 | 3 | 130 | - | 96 | 828 | (13) | 815 |
| Finance expense | (6,092) | (1,176) | (4,129) | (6,878) | (317) | (18,592) | 2,865 | (15,727) |
| **Loss before tax** | **(50,872)** | **(21,557)** | **(104,267)** | **(37,294)** | **110,396** | **(103,594)** | **21,049** | **(82,545)** |
| | | | | | | | | |
| Assets | 643,782 | 170,454 | 547,088 | 117,876 | 75,599 | 1,554,799 | - | 1,554,799 |
| Liabilities | (56,356) | (34,492) | (84,300) | (62,601) | (59,895) | (297,644) | - | (297,644) |
| **Net assets** | **587,426** | **135,962** | **462,788** | **55,275** | **15,704** | **1,257,155** | **-** | **1,257,155** |

## 3. REVENUE

| SEK Thousands | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| **Crop revenue** | | |
| Rapeseed | 127,473 | 171,759 |
| Wheat | 151,795 | 181,020 |
| Barley | 31,937 | 23,339 |
| Sunflower | 103,782 | 95,597 |
| Soya | 20,892 | 21,158 |
| Corn | 98,240 | 108,647 |
| Sugarbeet | 18,811 | 849 |
| Buckwheat | 12,772 | 5,620 |
| Oats | 66 | 8,010 |
| Rye | 41 | 1,729 |
| Other crops | 142 | 281 |
| **Total crop revenue** | **565,951** | **618,009** |
| | | |
| **Livestock revenue** | | |
| Milk | 37,987 | 35,133 |
| Meat | 8,896 | 15,285 |
| **Total livestock revenue** | **46,883** | **50,418** |
| | | |
| **Other goods sold** | **666** | **653** |
| **Other services provided** | **3,893** | **2,676** |
| **Other revenue** | **-** | **835** |
| **Total revenue** | **617,393** | **672,591** |

## 4. COST OF SALES

| SEK Thousands | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| Seed | 47,553 | 51,432 |
| Fertilisers | 89,908 | 88,991 |
| Chemicals | 69,980 | 66,248 |
| Animal feed, medicine and genetics | 31,491 | 18,039 |
| Fuel | 68,595 | 73,911 |
| Salaries | 92,978 | 88,359 |
| External harvest costs | 39,667 | 27,864 |
| Spare parts and maintenance services | 46,527 | 39,915 |
| Land costs | 56,477 | 64,767 |
| Agricultural VAT & export VAT | (160) | (3,613) |
| Other production costs | 24,331 | 27,210 |
| Inventory provisions | 8,817 | 1,312 |
| Depreciation and amortisation | 93,670 | 96,332 |
| Movement in inventory and biological assets | (21,001) | (41,759) |
| **Total cost of sales** | **648,833** | **599,008** |

## 5. ADMINISTRATIVE EXPENSES

| SEK Thousands | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| Salaries and taxes | 53,954 | 54,012 |
| Other staff costs | 296 | 193 |
| Travel and transport | 8,373 | 6,498 |
| Public relations | 395 | 139 |
| Communication | 1,869 | 2,069 |
| Office costs | 3,791 | 4,456 |
| Management fees | 14,230 | 31,427 |
| Audit | 5,739 | 4,603 |
| Legal | 3,816 | 16,580 |
| Other professional | 6,771 | 9,961 |
| Listing costs | 257 | - |
| Bank charges | 1,275 | 280 |
| Other | 2,775 | 6,304 |
| Depreciation and amortisation | 2,776 | 219 |
| **Total administrative expenses** | **106,317** | **136,741** |

## 6. EXCEPTIONAL ITEMS

| SEK Thousands | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| Negative goodwill on acquisition of Landkom International PLC | - | 111,501 |
| Costs relating to the acquisition of Landkom International PLC | - | (3,650) |
| Loss on disposal of Sinegorie Invest LLC | - | (4,866) |
| Loss on disposal of Borelskiy Melzavod LLC | - | (3,746) |
| Loss on disposal of Romaniv Agro LLC | - | (8,203) |
| Loss on disposal of Yantar 470 | (17,479) | |
| Loss on disposal of AK Poltava LLC | 4,220 | - |
| Loss on disposal of Landkom Centre LLC | (1,265) | - |
| Loss on disposal of LK Krym LLC | 2,047 | - |
| Loss on disposal of Landkom Symoniv | 213 | |
| Loss on liquidation of AF Rodina | 3,317 | |
| Loss on liquidation of OOO Rodina Kamenka | (40) | - |
| Loss on liquidation of OOO Berezovskoe | 62 | - |
| Loss on liquidation of OOO Donskoe Ramon | 3,277 | - |
| **Total** | **(5,648)** | **91,036** |

## 7. BIOLOGICAL ASSETS

The Group has two types of biological assets, cropping and livestock.

Agrokultura

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

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

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

The fair value of the crops in the fields is calculated using a discounted cash flow method. Potential net yields (based on historical Group yields), independently (adjusted to local conditions where necessary) sourced market prices for the time of delivery, together with expected costs to the point of harvest, are discounted to give a fair value at the period end. To the extent that the fair value is in excess or below the costs incurred, there will be a positive or negative impact in the income statement line "Gain or loss on biological assets". The valuation of cropping biological assets are highly sensitive to changes in the market value of the finished products and harvest yield. The finished products are principally traded on active markets which have 5 year volatility in excess of 100%. Harvest yields are sensitive to unpredictable weather. Where available the Group uses 5 year historic average yields to take into account this sensitivity.

The fair value of livestock is based on market prices of livestock of similar age, breed, gender and genetics. This market price is adjusted to take into account the age and productivity of individual animals. The valuation of livestock is sensitive to changes in productivity of animals which is measured on a regular basis.

| | **2012 harvest** | **2013 harvest** | **2014 harvest** | **Total current bio asset – Cropping** | **Total non-current bio asset - Livestock** |
|---|---|---|---|---|---|
| **Fair value at 1 January 2012** | **94 623** | **-** | **-** | **94 623** | **54 652** |
| Costs incurred in production | 455 692 | 111 597 | - | 567 290 | 45 099 |
| Acquisition of subsidiary | 74 281 | - | - | 74 281 | 3 179 |
| Gain or loss from changes in fair value | (32 494) | (16 021) | - | (48 515) | (25 458) |
| Change due to harvest | (543 291) | - | - | (543 291) | - |
| Disposal | (42 315) | - | - | (42 315) | (31 771) |
| Currency translation effect | (2 922) | (974) | - | (3 896) | (240) |
| **Fair value at 31 December 2012** | **3 574** | **94 602** | **-** | **98 177** | **45 461** |
| Purchases and costs incurred in production | 386 | 510,029 | 98,796 | 609,211 | 27,787 |
| Acquisition of subsidiary | - | - | - | - | - |
| Gain or loss from changes in fair value | 651 | (13,985) | (30,069) | (43,403) | 12,702 |
| Change due to harvest | (4,622) | (582,616) | - | (587,238) | - |
| Disposal | - | (1,937) | - | (1,937) | (25,103) |
| Currency translation effect | 11 | (1,377) | (521) | (1,887) | (3,444) |
| **Fair value at 31 December 2013** | **-** | **4,716** | **68,206** | **72,922** | **57,401** |

## 8. INVENTORIES

| SEK Thousands | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Raw materials at cost | 56,693 | 69,597 |
| Work in progress | 33,481 | 28,580 |
| Agricultural inventories | 93,110 | 143,034 |
| **Total** | **183,284** | **241,211** |
| | | |
| Metric tonnes of agricultural produce | 90,133 | 84,361 |
| **Average book value of agricultural produce SEK / metric tonne** | 1,033 | 1,695 |
| | | |
| **Included above are net realisable value provisions relating to:** | | |
| Raw materials at cost | (9,570) | (1,144) |
| Agricultural inventories | (22) | - |
| **Total** | **(9,592)** | **(1,144)** |

## 9. DISCONTINUED OPERATIONS & ASSETS HELD FOR SALE

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

The results of discontinued operations were as follows:

| SEK Thousands | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Revenue | 54,472 | 65,768 |
| Gain or loss on biological assets | (13,512) | (8,164) |
| Cost of sales | (47,604) | (72,725) |
| **Gross profit** | **(6,644)** | **(15,121)** |
| | | |
| Distribution costs | (212) | - |
| Other income | 3,137 | 6,676 |
| Other expense | 1,967 | (5,651) |
| Administration expenses | (581) | (4,101) |
| **Operating loss** | **(2,333)** | **(18,197)** |
| Finance income | 74 | 13 |
| Finance expense | (1,515) | (2,865) |
| **Loss before tax** | **(3,774)** | **(21,049)** |
| Tax benefit | (960) | 843 |
| | | |
| **Loss for the year from discontinued operations** | **(4,734)** | **(20,206)** |

Agrokultura

The major classes of assets and liabilities included within assets held for sale are shown below:

| SEK Thousands | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Property, plant and equipment | 65,787 | 113,111 |
| Intangible assets | 2 | 14 |
| Land in process for registration | 482 | 974 |
| Other non-current financial assets | - | - |
| Deferred tax assets | 17 | - |
| Non-current biological assets | - | 15,310 |
| Differed tax asset | - | 21 |
| Other non-current assets | - | - |
| Inventories | 12,821 | 27,490 |
| Biological assets | 6,504 | 10,143 |
| Trade and other receivables | 8,991 | 10,138 |
| Income tax receivable | 118 | 47 |
| Other financial assets | 1,505 | 336 |
| Cash and cash equivalents | 2,114 | 2,390 |
| **Total assets in disposal groups classified as held for sale** | **98,341** | **179,974** |
| | | |
| Trade and other payables | (2,827) | (9,206) |
| Other current financial liabilities | (5,767) | (16,741) |
| Income tax payable | (1,371) | - |
| Non-current financial liabilities | - | (8,971) |
| Deferred tax liabilities | (32) | (1,311) |
| **Total liabilities in disposal groups classified as held for sale** | **(9,997)** | **(36,229)** |
| | | |
| **Net assets / liabilities of disposal groups** | **88,344** | **143,745** |

Net cash flows of discontinued operations are as follows:

| SEK Thousands | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Operating cash flows | (4,140) | (4,002) |
| Investing cash flows | (2,219) | 2,989 |
| Financing cash flows | (2,086) | - |
| **Net cash outflow** | **(8,445)** | **(1,013)** |

Included within assets held for sale is land with a net book value of SEK 4,370 thousand which has been pledged as security against bank debt held by OOO Yantar 470. OOO Yantar 470 was disposed of in December 2013 and is therefore no longer controlled by the Group. The Group intends to remove the pledges towards OOO Yantar 470 during 2014.

Agrokultura

## 10. RELATED PARTY TRANSACTIONS

### Investment advisor remuneration

During 2013 the Company entered into an agreement with its investment advisors, Alpcot Capital Management ("ACM") to terminate its long standing management agreement ahead of schedule. A transition period was entered into which ceased on 31 December 2013. Katre Saard, a principle owner and director of ACM, held a position on the Board of the Company until November 2013. ACM held 9.3% of the issued shares of Agrokultura AB as at 31 December 2013. The total management fee amounted to 15,000,000 SEK of which 6,000,000 was paid in interest free promissory notes which mature on 31 October 2014. The remainder was paid in cash. The estimated fair value of all outstanding promissory notes at 31 December 2013 of 45,013,000 SEK (which relates to promissory notes issued in 2011, 2012, and 2013) is included in other current financial liabilities. As at 31 December 2013 the Group also had current payables due to ACM amounting to 3,072,000 SEK which were paid in January 2014.

### Key management remuneration

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

| **SEK Thousands** | **31 December 2013** | **31 December 2012** |
|---|---|---|
| **Short term employee benefits:** | | |
| Board of Directors | 1,450 | 1,666 |
| Group management | 6,190 | 5,814 |
| Russia management | 5,138 | 3,232 |
| Ukraine management | 5,737 | 4,507 |
| **Total** | **18,515** | **15,219** |

| **SEK Thousands** | **31 December 2013** | **31 December 2012** |
|---|---|---|
| **Termination benefits:** | | |
| Board of Directors | - | - |
| Group management | 884 | 566 |
| Russia management | - | - |
| Ukraine management | - | - |
| **Total** | **884** | **566** |

**Brown & co.**

Adam Oliver was a Director of Company until 16 May 2013. Mr Oliver also works as a partner of the business consultancy firm Brown and Co. who the Group received professional advice on certain Agricultural matters. During the year Brown and Co. were remunerated SEK 665 thousand. The Group also engaged Brown and Co. to provide advice relating to the disposal of its Kaliningrad operations. A fee amounting to 1% of the disposal proceeds will be payable to Brown and Co upon completion of the transaction. There were no amounts due to or from Brown and Co at 31 December 2013.

**Other board remuneration**

Sture Gustavsson entered into a consultancy agreement with the Group to provide agronomical advice over and above his role as a Director. Total remuneration under the consultancy agreement amounted to SEK 120 thousand.