

Half Year Report 2014 – Major turnaround accomplished

Agrokultura, the Russian and Ukrainian producer of agricultural commodities, announces its results for the six months ending 30 June 2014. (Figures in brackets relate to the six month period ending 30 June 2013).

Financial highlights

- First positive net profit in the history of the Company
- Previous losses reversed with a positive swing of over SEK 110 million compared to 2013 due to cost cuts and improved yields.
- Earnings before interest and tax for the period of SEK 61.4 million (loss SEK 57.0 million). EBITDA was SEK 94.4 million (loss 18.8 million), Net profit was SEK 47.7 million (net loss 76.9 million).
- Net asset value per share at 30 June 2014 was SEK 6.39 per share (8.20) and profit per share turned positive and amounted to SEK 0.34 (-0.55).
- On June 30 2014, Group debt, incorporating lease financing and interest bearing bank borrowings, reduced compared to the previous year amounting to SEK 189.6 million (250.6 million). Group cash at the same period was SEK 6.5 million (11.2 million).
- Kaliningrad sale materially completed with proceeds received shortly after period end delivering approximately SEK 52.8 million to assist working capital
- Financial results materially impacted in several areas, both positively and negatively, by UAH foreign exchange movements impacting biological assets, other expenses and other comprehensive income. Impact of devaluation considered broadly positive for operations.

Operational highlights

- Benefits of execution of material cost reduction plan initiated in H2 2013 yielding results with:
 - payroll costs reduced to SEK 48.1 million (71.8 million) a reduction of 33 per cent on 2013
 - administrative costs reduced to SEK 28.6 million (57.0 million) a reduction of 50 per cent on 2013
 - input costs incurred in H1 reduced by 20 per cent compared to 2013
- Record yields across all crops harvested to date, providing market leading yields for Ukrainian winter wheat, rapeseed and barley and Russian winter wheat and spring barley
- In July 2014 the Group materially completed the sale of its operations in Kaliningrad, Russia.

Upcoming reporting dates

Interim Full Year Report 2014 – 27 March 2015

Annual Report 2014 – 24 April 2015

Managing Director's comments

I am pleased to report that the management's efforts together with the support of the board, is showing through in the financial and operational performance of the Group. For the first time we are showing a positive dynamic of materially decreased costs combined with continued improved yields. For the first time we are announcing a positive net profit. This situation within the Group is a direct result of strict budgeting procedures and controls implemented within the business together with the strategic land improvements made in Ukraine and the stability and operating expertise within the local teams.

We have now completed the harvest of the crucial winter planted crops. The achieved yields are without exception the best in the company's history. Russia has further built on to the improvements made in the last two years and Ukraine has demonstrated 51 per cent improvements on its winter grains while consolidating its position as a leading producer of rapeseed from the region. Our belief is our farming results in both countries place us firmly in the top end of corporate farmers in the regions we operate.

We have however seen a drop in the price of agricultural products this summer. This is because global weather patterns have been relatively benign meaning supply is strong across most major grain producing regions. These price reductions negate some of the over-performance in yield. Despite some forward selling in Ukraine, we remain exposed to market price movements although an improved cash position due to the sale of Kaliningrad will provide us with some flexibility in the timing of sales.

In the past six months we have been focused on a number of initiatives to make the company profitable: concentration of the land bank, improvements in yields through operational advances and most importantly cost control.

In Russia we have disposed of our business in Kaliningrad which failed to meet strict geographical criteria. The price was attractive at approximately book value (following the fair value assessment at the time of acquisition) and the disposal will free up management time and working capital for improvements in core operations. In Ukraine we had advanced discussions relating to a sale of the entire business for a sum in excess of book value but political events put those discussions on hold prior to completion. In general we maintain that we will consider investment decisions in the business in the context of the price a third party may be willing to pay for the asset.

We have launched several initiatives on yield improvement in combination with the cost cuts. Ultimately, the key restricting factors on our yields are precipitation and fertiliser. This year we have had good levels of precipitation which have been one factor in helping drive yields. We are doing what we can within this framework to improve the quality level in our operations and deliver farming activities at the right time to avoid reduction in yield potential. We have had strong success on this in Ukraine especially where we have reduced direct input costs by an average of 26 per cent per ha yet received weighted average yield increases of 22 per cent. Generally we have improved operating processes and have ensured clear decision-making process to ensure less operating mistakes. Lessons are being taken from trials made in Ukraine which have resulted in certain fields delivering wheat and barley yields of over 8 tonnes per ha and rapeseed of over 5 tonnes per ha.

Cost reductions have been the greatest area of success in the first half of 2014. A strong budgeting and planning process in the second half of 2013 set the foundations for the Group's new cost structure. In 2014, we have been executing that plan with close monitoring and buy-in at all levels in the organisation. The results are clear:

- Administrative costs reduced by 50 per cent on 2013
- Salary costs reduced by 33 per cent on 2013
- Direct input costs per hectare reduced by 18 per cent on 2013

Although the Group's cash balance has remained low throughout the six month period, proceeds from the disposal of Kaliningrad operations were received shortly after the reporting date. These proceeds amounted to 52.8m SEK in July and August 2014 with additional amounts due over the coming months. The additional working capital funds are being used to allow additional flexibility in selling the 2014 harvest and to purchase crop inputs in advance at lower prices.

To deliver these cost cuts processes have been changed and responsibility has been taken by key individuals to ensure the yield side of the business continues to improve despite the reductions in cost. We will not stop here and will continue to develop ways to make the business more efficient and prepare ourselves to work poor pricing environments.

Our key objectives remain unchanged – we are working to use all of our resources; land, storage, machinery, people and cash more efficiently to deliver the best possible return to our shareholders. Improved results and cash generation will undoubtedly improve the value of our assets.

Stephen Pickup
Group Managing Director

Agricultural Commodity Market Development

The Group produces commodities which are sold to local, regional and international buyers and broadly follow international price trends. International prices for commodities such as rapeseed, wheat and corn have fallen since the year end from 5 year trailing averages to close to 4 year lows.

This cropping season has seen a very wet winter in Russia which restricted the level of winter planting. Farmers have been forced to increase the level of spring planting. This increased the cost of seeds such as spring wheat and increased the planted area of crops such as corn. Although a dry May and beginning of June threatened yields, weather has been generally favourable and will likely increase overall Russian output. Western Ukraine in general has seen excellent weather for cropping which is more than offsetting any output reductions related to the ongoing problems in the eastern side of the country. Globally, there have been few weather events to disrupt supply and therefore prices have fallen across the range of commodities. Recent years have seen swings in crop pricing in part owing to volatile weather patterns but also owing to reduced inventory levels which means inventory stocks are less able to absorb reductions in supply in any given year. There is nothing to indicate that the high price volatility will disappear in the coming years. The Group will increase efforts to manage risk through the implementation of a more widespread programme of forward sales and other hedging mechanisms.

OPERATIONAL REVIEW

Crop production

The Group's farming results have shown significant progression and are now at the level initially proposed when the business was established. Although still exposed to weather risk, we have a good rotation and a developed farm plan which we continue to adjust year on year where we see improvements, new products and technologies. Focus remains on improving operational efficiencies within a set, established crop rotation. The Group achieves a balance between winter planted crops and spring planted crops which hedges weather risk and working capital and machinery requirements.

In Russia, the most attractive margins have historically come from sunflower and in Ukraine the most attractive margins are derived from the cultivation of rapeseed and sunflower although recent improvements in grain yields are improving their profitability and reducing their production cost per tonne significantly.

Yields per hectare are generally lower in the Russian part of the business than in the Ukraine due to historically lower precipitation levels in the Central Black Soil Region compared to Western Ukraine which means that different input models are applied in the two regions. The input cost per hectare is therefore intentionally proportionally lower in the Russian part of the business than in Ukraine.

Spring planting in 2014

Weather conditions during the spring planting season were satisfactory across both Russia and Ukraine which enabled the planting to be carried out within acceptable windows. Spring came early which gave an extended planting period and allowed a timely execution of field operations. In Russia, conditions after planting were good with precipitation. The end of May and beginning of June was characterised by very high temperatures and no rain which stressed the crops although rains at the end of June appear to have maintained yields. Ukraine has had good weather throughout the year.

The 2014 spring planting amounted to 74,900 hectares; 13 per cent more than was planted in the spring of 2013. The Group has increased spring planting in Russia to make up for the reduction in winter cropping given the wet autumn which prevented the full plan being executed. The political situation in Ukraine resulted in a reduction and delay in the availability of working capital bank credit. This, combined with an extended period of rain during the planting window, meant that overall spring planting levels in Ukraine reduced in comparison to previous years. See the table below for details of the spring planting campaign, together with the winter planted crops.

2014 Crop mix	Ukraine	Russia – CBS	Total
<i>Winter planted crops</i>	24,700	16,300	41,000
Winter wheat	8,200	16,300	24,500
Winter rape	12,400	-	12,400
Winter barley	4,100	-	4,100
<i>Spring planted crops</i>	20,200	54,700	74,900
Sunflower	12,200	16,800	29,000
Corn	8,000	4,600	12,600
Spring wheat	-	4,600	4,600
Spring barley	-	11,100	11,100
Spring rape	-	7,200	7,200
Soya	-	5,100	5,100
Sugar beet	-	1,300	1,300
Other crops for sale	-	4,000	4,000
Total crops for sale	44,900	71,000	115,900
Forage crops	-	4,400	4,400
Total cropped area	44,900	75,400	120,300

Harvest 2014

The harvest period commenced at the beginning of July and has largely been dry and hot which has produced a crop with limited drying requirements and without too many delays. The Group has managed the materially increased volumes through temporary storage in form of silo bags in Russia and hockey rings in Ukraine. In certain cases additional crop also is placed with third party storage facilities with whom we have a strong relationship. The winter crop harvest has been completed and the results are outlined in the table below.

Harvest results winter planted crops 2014

	Harvested area, ha	2014 Gross yield (t/ha)	2014 Net yield* (t/ha)	2013 Net yield (t/ha)	Year-on-year change	2 year CAGR yield
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Ukraine

Winter rape	12,200	3.5	3.4	2.9	17%	24%
Winter wheat	8,200	5.9	5.7	3.8	51%	24%
Winter barley	4,100	5.6	5.5	3.7	49%	29%

Russia CBS

Winter wheat	16,200	4.2	4.1	3.7	11%	28%
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Group total for winter crops	40,700	4.5	4.4	3.5	23%	27%
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*The net yield figure is an estimate of the actual sellable weight after cleaning and drying.

Yields on the winter crops show further sharp improvements compared to 2012 and 2013, across all crops. Certain trial fields in Ukraine delivered net rapeseed yields in excess of five tonnes per ha and grain yields in excess of eight tonnes per ha and we are looking into replicating some of the lessons learnt from these fields. In Russia we believe we are delivering among the highest yields for listed scale farming companies. A full analysis of the harvest will be provided at the end of the year.

The Group reported yields have been stated gross together with estimated net yield. Gross yields are defined as in field tonnage divided by harvested ha. Net estimated yield relates to a "for sale" tonnage and is calculated by reducing the gross yield by an informed percentage to reflect losses relating to drying, cleaning and handling losses.

Sales

Revenues of SEK 113.4 million as stated in the income statement reflect the sales from the remainder of the 2013 harvest together with livestock revenues.

The Group forward sold some Ukrainian rapeseed, wheat, corn and barley in the first few months of the year and, although this covered a minority of production, this will help boost average prices above the current market levels. Russia has a less developed forward pricing market and will be selling post-harvest.

Winter planting and cropping plan for 2015

The Company is planning for a winter planting in excess of 52,400 hectares for autumn 2014 with approximately 25,900 ha of winter wheat in Russia. Ukraine will see winter planting of approximately 26,500 ha made up of rapeseed, winter wheat and winter barley.

For the full 2015 harvest year, the Group expects to crop a similar area as in 2014, while at the same time increase the proportion of its land bank under cultivation through the reduction of excess and unused land holdings.

Storage

Storage provides flexibility around crop harvest and sales as well as reducing operating costs and maintaining security over the harvested commodity. A crucial factor in categorising land as core or non-core is the distance from owned silos. The Group has about 228,000 tonnes of storage located across Russia and Ukraine. The table below shows the type and location of the Group's storage which will be available for use for the completion of this year's harvest.

Storage capacity per region for the 2014 harvest (tonnes)

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 owned storage facilities. The Group is looking to add additional capacity to its rail-side facility in western Ukraine in the form an additional 10,000 tonne bin which will minimise use of third party silos. In Russia where approximately 80 per cent of storage requirements are met with own storage facilities options for an additional facility are being investigated.

The Group has contracted external silo capacity to take harvest in locations where the Group does not have logistically efficient owned storage facilities.

Livestock

Whilst the cropping segment of the Group has been concerned with high supply and falling commodity prices, the Group's livestock business has benefitted from both falling feed costs and increasing milk prices. 2014 milk prices for the 6 month period are 27 per cent higher than for the same period in 2013. Overall milk revenues are 14 per cent higher.

At the end of the period, the Group has completed a good harvest of forage which delivered over 48,000 tonnes of feed. This will lower the need for externally purchased feeds and reduce overall costs. The Group is looking to plant further areas of lucerne which in turn will decrease reliance on expensive, external feed for the business.

The business is generally a low cost operation with little investment made in the past years. Management has worked hard to extract improvements with a low level of investment. Specific investment items made towards the end of the period will permit further cost reduction activities whilst also progressing production.

During the first six months of 2013, average milk production on the Group's Russian dairy farms amounted to 1.01 million litres per month, a decrease of four per cent from 1.05 million litres per

month. Production per cow has increased by 9 per cent, with an average of 591 litres per cow per month compared to 540 litres in the same period 2013.

The milk prices in the first half of 2014 which were 27 per cent higher than during the same period of 2013 continues to reflect the shortage of fresh quality milk in Russia. The Group produces Eurostandard milk with low somatics, bacteria and high fat and protein content. The strategy of focusing on animal comfort and health related issues is providing a return in the form of better pricing.

At 30 June 2014, the Company's Russian livestock herd amounted to approximately 5,000 animals, consisting of 1,800 dairy cows, 2,150 heifers, 500 dry cows, and 550 bulls, calves and meat animals, compared to 6,400 animals at the same time last year. The reduction relates to the sale of the Group's interests in Kaliningrad which included one dairy farm.

Land bank

During the first half of 2014, the Company has continued to work on the restructuring of its land bank to improve efficiency, control and improve the working capital situation. The objective of the restructuring which has been ongoing for over 18 months, is to concentrate the Company's operations to two core areas, the central Black Soil region in Russia and Western Ukraine. Land deals in Russia and Ukraine are time consuming and complicated. Due to the crop being at different stages of development in the ground, there are certain windows of opportunity to close deals, hence restructuring the land banks is a gradual process that will take years rather than months.

The restructuring involves the disposal of land which does not meet the Group's criteria in terms of operating efficiency, quality and control. In conjunction with the restructuring, the Board is comparing the price a third party would be willing to pay for larger assets and such disposals will be considered should the terms be attractive. Advanced negotiations have been held with a number of parties regarding the sale of the entire Ukrainian operation. While discussions are on hold due to the political situation, we are focused on the successful turnaround of our Ukraine business which will increase the value to shareholders for when the market is more stable for sale discussions to recommence.

In Russia, the sale of Kaliningrad was materially completed after the period end. The disposal is to deliver a net cash flow of over SEK100 million when all aspects of the deal have completed. Significant planning will take place in the remainder of 2014 to establish which areas of the Russia CBS business are core to future operations and which areas should be actively disposed of. The Group's target is to not hold large areas of land which are not being cultivated.

As at 30 June 2014, Agrokultura controlled approximately 212,400 ha of land across Russia and Ukraine as per the below table.

Land bank by category (ha)	30 June 2014	31 Dec 2013
Registered land, Russia	84,900	83,000
Land in process of registration, Russia	3,300	5,000
Leased land, Russia	52,700	58,900
Leased land, Ukraine	71,500	69,600
Total Group	212,400	216,500

Management and Ownership Changes

During the six month period, there has been a single senior management change with the promotion of Eduard Gaidar to the role of Managing Director Russia. Mr Gaidar has been with the business for over four years and his previous role was head of logistics.

After the period end there have been a number of material changes in the ownership of the company. Steenord, which is registered in the British Virgin Islands, has become a major shareholder amassing approximately 47 per cent of the outstanding shares. Steenord is an investment company controlled by Nikolay Fartushnyak, a successful Russian sports retail entrepreneur born in Ukraine.

Steenord is supportive of the current strategy which the Board of Directors has been following. This strategy with focus on the operational turnaround of the business together with the investigation whether the assets might deliver a better return through an outright sale, was put in place in order to maximise shareholder value.

Steenord has appointed Achim Lukas, a German citizen, as its representative for dealings with Agrokultura. Mr Lukas until December 2012 was the CEO of Prodimex, one of the largest corporate farmers in Russia and a major participant in the sugar refining industry in Russia. He also has 15 years of experience in senior management of Nordzucker AG, Europe's second largest sugar manufacturer.

As an interim measure Achim Lukas will attend Board meetings in the capacity of an observer pending an EGM to nominate him to the Board.

Steenord has committed to the Board to adhere to the rules of the stock exchange including making a mandatory offer as and when required and acknowledges the need and importance of equal treatment of all shareholders.

The Board of Agrokultura is content with the intentions communicated by Steenord as well as the concrete actions by Steenord supporting these communicated intentions. Steenord brings stability and industrial competence giving the Company an improved ability to execute the chosen strategy from an operations, financing and asset divestiture perspective.

FINANCIAL REVIEW

The Group's financial results have improved significantly since last year. There is a strong impetus behind the financial performance and we hope to be able to carry this improved performance through to the end of the year. Both 2014 and 2013 numbers have been presented without the Kaliningrad operation which has been included within discontinued operations.

Statement of comprehensive income

The results for the six months to 30 June 2014 are clearly showing the impact of management actions and cost savings across the Group. Costs are materially reduced and the impact of the better yield on the early harvested crops is having an impact on biological asset revaluations.

Revenues were down 30 per cent on the comparable period to SEK 113.4 million (2013: SEK 161.7 million) principally made up of the sale of the remaining crop from the 2013 harvest and revenues from the livestock business. The reduction was predominantly due to the timing of sales with less of the 2013 harvested crop being held back for sale in the period compared to the previous year. Livestock revenues rose 8 per cent compared to the previous period to SEK 25.9 million (2013: SEK

24.0 million) due to the increase in the price of milk. Other income mostly relates to farming subsidies received in Russia. Total subsidies received in the six months to 30 June 2014 amounted to SEK 11.6 million (2013: SEK 9.0 million) including interest rate subsidies which are netted against finance costs. The Group does not receive subsidies in Ukraine.

The gain on biological assets has increased materially mostly due to the higher yields being achieved for the winter planted crops and but also due to the devaluation of the Ukrainian Hryvnia which has reduced the cost side of the Ukrainian biological asset while maintaining the dollar linked revenue hence creating a gain.

Costs of sales have dropped significantly thanks to the full review of the Group's costs structure and development and execution of a revised budget in H2 2013. Overall direct operating costs have been reduced by 21 per cent or SEK 46.1 million despite planted hectares remaining largely comparable. Although seed costs have increased in part due to higher seeding rates but also an increase in the proportion of total planting carried out in the spring, both chemical and fertiliser expenditure have been reduced. The reductions have been most significant in Ukraine where there was a material rethink on crop input rates and the type and brand of products used. The yield results have indicated this was a successful exercise.

Personnel costs have been another area of great success. Direct labour costs, including taxes have been reduced by 27 per cent and administrative salaries have fallen by 42 per cent compared to the first six months of 2013. Overall salary costs are down 33 per cent to SEK 48.1 million (2013: SEK 71.8 million). In addition to basic salary savings, reduced headcount means more efficient decision-making, reduced travel and communication expense and overall a more cohesive and efficient work organisation.

Administrative costs which were another major area of focus in the cost reduction programme have fallen by 50 per cent to SEK 28.6 million (2013: SEK 57.0 million). Major contributors to the reductions relate to the abovementioned reduced labour costs but also include the closure of offices including Stockholm, the termination of the management agreement with Alpcot Capital Management, and a reduction in audit costs due to better organisation in reporting.

Other expenses mainly relate to foreign exchange losses which were incurred when the Ukrainian hryvnia devalued resulting in losses on USD denominated debts. Whilst this loss is significant it is offset by gains on biological assets which are also mostly valued in USD or Euro. Exceptional items of SEK 20.1 million relate to the profit on disposal of certain Kaliningrad entities.

EBITDA was SEK 94.4 million (2013: loss SEK 18.8 million). As reflected before this turnaround is largely down to the cost reductions together with the significantly improved harvest results for the winter crops harvested to date.

The operating result before interest and tax was SEK 61.4 million (2013: loss SEK 57.0 million).

Reported net profit was SEK 47.7 million (2013: loss SEK 76.9 million). The profit per share was SEK 0.34 per share (2013: loss SEK 0.55 per share).

During the period the Ukrainian hryvnia devalued by approximately 48 per cent. This currency devaluation has reduced the SEK reporting value of the Groups Ukrainian assets and resulted in a currency translation loss of SEK 96.6 million (SEK 33.5 million) within other comprehensive income.

Statement of financial position

Net assets on 30 June 2014 were SEK 888.7 million (31 December 2013: SEK 941.0 million).

The carrying values of non-current assets has been reduced by depreciation of the Ukrainian hryvnia, and to a lesser extent, the Russian Rouble. Other material changes since 30 June 2013 include the disposal of Kaliningrad assets (which were classified as held for sale from 31 December onwards), decreased land in process of registration as a result of progress in registration of Russian land and decreased intangible assets as a result of disposal of certain land leases in Ukraine.

Current biological assets, which include spring and winter crops, are held at fair value and are therefore not impacted by currency devaluation as these international commodities are valued in USD or Euro.

Cash at 30 June 2014 was SEK 6.5 million which reflects the low point of the Group's cash cycle. SEK 52.8 million was received in the days after the period end reflecting consideration for the Kaliningrad disposal process. Since the period end, harvesting operations have commenced and revenues have been received in both Russia and Ukraine.

Debt in the form of finance leases amounted to SEK 29.8 million (30 June 2013 SEK 44.9 million) and bank credit facilities amounted to SEK 159.7 million (30 June 2013 SEK 213.2 million). The political situation in Ukraine and currency devaluation prevented the group from drawing down the expected amount of working capital finance. Other reductions in debt levels are due to some long term credit facilities and finance leases now being repaid, currency devaluations, and Kaliningrad disposal.

Key Ratios

The Group	6M 2014	12M 2013	6M 2013	12M 2012
Operating margin, %	48%	-41%	-35%	-8%
Equity/assets ratio, %	71%	76%	71%	81%
Shareholders equity, MSEK	889	941	1,141	1,257
Average number of shares	139,008,658	139,008,658	139,008,658	134,124,104
Number of shares at the end of the period	139,008,658	139,008,658	139,008,658	139,008,658
Earnings per share, SEK	0.3	(1.9)	-0.55	-0.76
Equity per share, SEK	6.39	6.77	8.20	9.04

Current trading and outlook

The harvest is now well under way with all winter crops harvested. The spring crop harvest has commenced and is expected to continue until November. The full harvest and winter planting reports will be published when the harvest is completed, likely in the beginning of November. In the meantime there will be continued focus on maintaining the cost reductions implemented in the first half of the year with the aim of delivering positive numbers for the full year.

This interim report has not been audited by the Company's auditors.

Stockholm 28 August 2014

The Board of Directors

GROUP STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK Thousands	Note	6M Jun-14	6M Jun-13	12M Dec-13
Continuing operations				
Revenue	3	113,408	161,708	617,393
Gain or loss on biological assets	10	92,042	33,859	(30,701)
Cost of sales	4	(120,445)	(188,340)	(648,833)
Gross profit / (loss)		85,005	7,227	(62,141)
Distribution costs		(3,038)	(4,760)	(23,339)
Other income	6	5,991	5,990	11,466
Other expense	7	(18,064)	(14,651)	(39,492)
Administrative expenses	5	(28,616)	(57,008)	(106,317)
Exceptional items	8	20,135	6,193	(5,648)
Result before interest and tax		61,413	(57,009)	(225,471)
Finance income		92	193	345
Finance expense		(6,800)	(7,114)	(22,173)
Result before tax		54,705	(63,930)	(247,299)
Income tax		(45)	(2,002)	(9,491)
Result from continuing operations		54,660	(65,932)	(256,790)
Result from discontinued operations		(6,970)	(10,974)	(4,734)
Total result		47,690	(76,906)	(261,524)
Currency translation differences		(96,562)	(33,503)	(54,633)
Total comprehensive result		(48,872)	(110,409)	(316,157)
Result attributable to:				
Equity holders of the Company		47,746	(76,640)	(268,862)
Non-controlling interests		(56)	(266)	7,338
Total comprehensive result attributable to:				
Equity holders of the Company		(48,806)	(110,278)	(323,515)
Non-controlling interests		(66)	(131)	7,358
Earnings per share:				
Basic and diluted earnings per share		0.34	(0.55)	(1.88)
Basic and diluted earnings per share from continuing operations		0.39	(0.47)	(1.85)
Basic and diluted earnings per share from discontinued operations		(0.05)	(0.08)	(0.03)
Average number of shares		139,008,658	139,008,658	139,008,658
Number of shares at the end of the period		139,008,658	139,008,658	139,008,658

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK Thousands	Note	Jun-14	Jun-13	Dec-13
ASSETS				
Non-current assets				
Property, plant and equipment		547,521	753,121	629,726
Intangible assets		40,154	84,418	53,796
Land in process for registration		21,273	55,053	22,083
Other non-current financial assets		6,964	216	11,779
Non-current biological assets	10	56,962	59,361	57,401
Deferred tax assets		8,424	18,221	9,271
Other non-current assets		100	-	1,811
Total non-current assets		681,398	970,390	785,867
Current assets				
Inventories	11	54,319	99,126	183,284
Biological assets	10	368,364	411,834	72,922
Trade and other receivables		79,549	93,457	71,917
Income tax receivable		719	2,325	997
Other financial assets		573	7,820	3,197
Cash and cash equivalents		6,489	11,211	28,790
Total current assets		510,013	625,773	361,107
Assets in disposal groups classified as held for sale		62,967	8,518	98,341
TOTAL ASSETS		1,254,378	1,604,681	1,245,315
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital		695,043	695,043	695,043
Other paid in capital		1,463,126	1,463,126	1,463,126
Foreign currency translation reserve		(385,705)	(258,540)	(285,437)
Accumulated deficit		(882,357)	(755,956)	(929,785)
Equity attributable to owners of the parent Company		890,107	1,143,673	942,947
Non-controlling interests		(1,371)	(3,140)	(1,917)
Total equity		888,736	1,140,533	941,030
Non-current liabilities				
Other non-current financial liabilities		74,009	145,796	73,313
Deferred tax liabilities		385	856	509
Total non-current liabilities		74,394	146,652	73,822
Current liabilities				
Trade and other payables		127,637	166,309	126,932
Other current financial liabilities		162,523	147,317	93,534
Income tax payable		174	3,502	-
Total current liabilities		290,334	317,128	220,466
Liabilities in disposal groups classified as held for sale		914	368	9,997
TOTAL LIABILITIES AND EQUITY		1,254,378	1,604,681	1,245,315

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Equity share capital	Other paid in capital	Foreign currency translation reserve	Accumulated deficit	Attributable to owners of the parent company	Non-controlling interests	Total equity
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	-	-	-	(76,640)	(76,640)	(265)	(76,905)
Other comprehensive loss	-	-	(33,638)	-	(33,638)	135	(33,503)
Total comprehensive loss	695,043	1,463,126	(256,606)	(755,956)	1,145,607	1,140	1,146,747
Disposal of subsidiary	-	-	(1,934)	-	(1,934)	-	(1,934)
Acquisition from minorities	-	-	-	-	-	(4,280)	(4,280)
Balance at 30 June 2013	695,043	1,463,126	(258,540)	(755,956)	1,143,673	(3,140)	1,140,533
Balance at 31 December 2013	695,043	1,463,126	(285,437)	(929,785)	942,947	(1,917)	941,030
Net result for the year	-	-	-	47,746	47,746	(56)	47,690
Other comprehensive loss	-	-	(96,552)	-	(96,552)	(10)	(96,562)
Total comprehensive loss	695,043	1,463,126	(381,989)	(882,039)	894,141	(1,983)	892,158
Shares issued to non-controlling interests	-	-	-	-	-	294	294
Dilution of interest	-	-	-	(318)	(318)	318	-
Disposal of subsidiary	-	-	(3,716)	-	(3,716)	-	(3,716)
Balance at 30 June 2014	695,043	1,463,126	(385,705)	(882,357)	890,107	(1,371)	888,736

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CONSOLIDATED CASH FLOW STATEMENT	6M	6M	12M
SEK thousands	Jun-14	Jun-13	Dec-13
Operating activities			
Cash received from customers	143,190	195,495	679,681
Cash received from government grants	11,721	8,123	22,009
Cash paid to suppliers and personnel	(239,479)	(318,076)	(697,638)
Cash flow used in operations	(84,568)	(114,458)	4,052
Interest paid	(7,366)	(6,273)	(20,082)
Interest received	66	329	145
Income tax paid	(2,330)	(2,043)	(3,350)
Net cash used in operating activities	(94,198)	(122,445)	(19,235)
Investing activities			
Acquisition of tangible fixed assets	(17,197)	(18,650)	(49,996)
Disposal of subsidiaries	4,599	5,671	19,526
Sale of fixed assets and intangible assets	13,328	21,554	26,052
Loans granted	(5)	-	(9,546)
Repayment of loans granted	1,412	-	25,388
Net cash used in investing activities	2,137	8,575	11,424
Financing activities			
Loans received	95,212	107,728	126,270
Repayment of loans	(25,660)	(26,649)	(129,265)
Net cash generated from financing activities	69,552	81,079	(2,995)
Net cash flow for the year	(22,509)	(32,791)	(10,806)
Cash at the beginning of the year	30,902	43,628	43,628
Exchange difference on cash	(1,714)	374	(1,920)
Cash at the end of the year	6,679	11,211	30,902
Less cash included in assets held for sale	190	777	2,112
Cash in continued operations	6,489	10,434	28,790

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting principles

The interim report for the six month period ended 30 June 2014 has been prepared in accordance with IAS 34 Interim Financial Reporting, International Financial Reporting Standards (IFRS) and the interpretations from the IFRS 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 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 2013 and the manner in which they were described in the 2013 annual report. The new or amended IFRS standards and IFRIC interpretations, which became effective 1 January 2014, have had no material effect on the consolidated financial statements. All amounts are in thousands of Swedish kronor unless otherwise indicated.

2. Segment reporting

SEGMENT REPORTING							
30 June 2014							
SEK Thousands	Russia CBS arable	Kaliningrad arable	Ukraine arable	Livestock	Management	Eliminations	Total Group
Revenue	59,212	12,588	29,216	24,974	6	(12,588)	113,408
Intersegment revenue	4,536	-	2	273	-	(4,811)	-
Gain or loss on biological assets	22,938	(3,630)	67,214	1,890	-	3,630	92,042
Cost of sales	(52,840)	(15,351)	(37,936)	(27,473)	(2,352)	15,507	(120,445)
Gross profit / (loss)	33,846	(6,393)	58,496	(336)	(2,346)	1,738	85,005
Distribution costs	(577)	(354)	(2,414)	(47)	-	354	(3,038)
Other income	5,567	119	424	-	-	(119)	5,991
Other expense	985	(1,713)	(23,322)	(350)	6,181	155	(18,064)
Intersegment costs	(3,744)	-	(1)	(1,060)	-	4,805	-
Administrative expenses	(10,937)	(77)	(8,720)	(1,268)	(7,696)	82	(28,616)
Exceptional items	-	-	15	-	20,120	-	20,135
Result before interest and tax	25,140	(8,418)	24,478	(3,061)	16,259	7,015	61,413
Intersegment finance income	428	-	-	-	13,814	(14,242)	-
Intersegment finance cost	(6,457)	-	(7,381)	(428)	-	14,266	-
Finance income	36	-	54	-	2	-	92
Finance expense	(2,930)	(77)	(4,608)	2,716	(1,978)	77	(6,800)
Result before tax	16,217	(8,495)	12,543	(773)	28,097	7,116	54,705
Income tax	(23)	128	(4)	-	(18)	(128)	(45)
Total result	16,194	(8,367)	12,539	(773)	28,079	6,988	54,660

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30 June 2013

SEK Thousands	Russia CBS arable	Kaliningrad arable	Ukraine arable	Livestock	Management	Eliminations	Total Group
Revenue	58,085	23,010	80,722	22,917	-	(23,026)	161,708
Intersegment revenue	5,722	-	257	301	-	(6,280)	-
Gain or loss on biological assets	25,391	(9,686)	7,993	474	-	9,687	33,859
Cost of sales	(74,394)	(8,128)	(100,224)	(26,011)	(2,886)	23,303	(188,340)
Gross profit / (loss)	14,804	5,196	(11,252)	(2,319)	(2,886)	3,684	7,227
Distribution costs	(507)	(25)	(4,240)	(12)	-	24	(4,760)
Other income	4,161	2,162	37	1,791	-	(2,161)	5,990
Other expense	(5,973)	(1,439)	(10,231)	(1,490)	2,872	1,610	(14,651)
Intersegment costs	(4,773)	-	(94)	(1,263)	-	6,130	-
Administrative expenses	(14,205)	(168)	(20,306)	(1,553)	(20,979)	203	(57,008)
Exceptional items	3,483	-	2,710	-	-	-	6,193
Result before interest and tax	(3,010)	5,726	(43,376)	(4,846)	(20,993)	9,490	(57,009)
Intersegment finance income	1,132	-	-	-	17,574	(18,706)	-
Intersegment finance cost	(7,534)	(3,575)	(7,163)	(433)	-	18,705	-
Finance income	186	55	8	-	-	(56)	193
Finance expense	(1,661)	(1,351)	(3,159)	(2,289)	(3)	1,349	(7,114)
Result before tax	(10,887)	855	(53,690)	(7,568)	(3,422)	10,782	(63,930)
Income tax	1,954	(10)	(628)	-	(3,329)	11	(2,002)
Total result	(8,933)	845	(54,318)	(7,568)	(6,751)	10,793	(65,932)

Geographical

segmentation	Revenue from external customers		Net assets	
	H1 2014	H1 2013	30 June 2014	30 June 2013
Ukraine	29,216	80,772	248,269	417,329
Russia	84,192	80,936	598,172	822,451
Total	113,408	161,708	846,441	1,239,780

3. Revenue

SEK Thousands	6M Jun-14	6M Jun-13
Crop revenue		
Rapeseed	15	992
Wheat	27,353	29,460
Barley	7,200	525
Sunflower	21,983	27,779
Soya	1,725	5,831
Corn	27,854	66,960
Buckwheat	102	4,225
Oats	17	6
Rye	-	40
Other crops	7	122
Total crop revenue	86,256	135,940
Livestock revenue		
Milk	22,544	19,782
Meat	3,315	4,255
Other livestock sales	46	-
Total livestock revenue	25,905	24,037
Other goods sold	700	380
Other services provided	547	1,351
Total revenue	113,408	161,708

4. Cost of sales

SEK Thousands	6M Jun-14	6M Jun-13
Seed	39,603	33,169
Fertilisers	43,251	66,048
Chemicals	31,889	44,230
Animal feed, medicine and genetics	12,890	15,332
Fuel	17,300	20,384
Salaries	31,921	43,758
External harvest costs	1,715	1,309
Spare parts and maintenance services	17,667	21,150
Land costs	18,790	23,937
Agricultural VAT & export VAT	4,001	(6,739)
Other production costs	8,532	9,825
Inventory provisions	126	3,873
Depreciation and amortisation	32,166	36,880
Movement in inventory and biological assets	(139,406)	(124,816)
Total cost of sales	120,445	188,340

5. Administrative expenses

SEK Thousands	6M Jun-14	6M Jun-13
Salaries and taxes	16,209	28,059
Other staff costs	85	260
Travel and transport	2,299	4,191
Public relations	136	125
Communication	617	875
Office costs	1,362	2,236
Management fees	-	10,677
Audit	1,231	2,007
Legal	1,383	2,750
Other professional	2,689	2,388
Bank charges	600	940
Other	1,202	1,189
Depreciation and amortisation	803	1,311
Total administration expenses	28,616	57,008

6. Other income

SEK Thousands	6M Jun-14	6M Jun-13
Government grants	5,580	5,988
Insurance receipts	411	2
Total other expenses	5,991	5,990

7. Other expenses

SEK Thousands	6M Jun-14	6M Jun-13
Loss on disposal of property plant and equipment	1,709	10,390
Bad debt provisions and write downs	2,292	2,618
Fines and penalties	2,140	449
Foreign exchange loss	11,923	1,194
Total other expenses	18,064	14,651

8. Exceptional items

SEK Thousands	6M Jun-14	6M Jun-13
Profit on disposal of subsidiaries	20,135	6,193
Total exceptional items	20,135	6,193

9. Salaries and taxes

SEK Thousands	6M Jun-14	6M Jun-13
Russia CBS	19,660	24,129
Kaliningrad arable	885	4,332
Ukraine arable	18,928	33,815
Livestock	6,034	8,138
Management	3,529	5,530
Subtotal salary costs	49,036	75,944
Less discontinued operations	(906)	(4,127)
Total salary costs	48,130	71,817

10. Biological assets

SEK Thousands	2012 harvest	2013 harvest	2014 harvest	Total current bio asset – Cropping	Total non- current bio asset - Livestoc k
Fair value at 1 January 2013	3,574	104,748	-	108,322	60,772
Purchases and costs incurred in production	213	295,278	-	295,491	18,159
Gain or loss from changes in fair value	803	21,192	-	21,995	2,177
Change due to harvest	(4,528)	(3,061)	-	(7,589)	-
Disposal	-	(4,450)	-	(4,450)	(19,059)
Currency translation effect	(62)	(1,872)	-	(1,934)	(2,688)
Fair value at 30 June 2013	-	411,834	-	411,834	59,361

SEK Thousands	2012 harvest	2013 harvest	2014 harvest	Total current bio asset – Cropping	Total non- current bio asset - Livestoc k
Fair value at 1 January 2014	-	4,716	68,206	72,922	57,401
Purchases and costs incurred in production	-	107	233,394	233,501	8,273
Gain or loss from changes in fair value	-	(4,089)	93,868	89,779	2,263
Change due to harvest	-	(482)	(2,171)	(2,653)	-
Disposal	-	-	(1,287)	(1,287)	(11,101)
Currency translation effect	-	(252)	(23,646)	(23,898)	126
Fair value at 30 June 2014	-	-	368,364	368,364	56,962

Key assumptions used in biological asset fair value calculation are:

	2014			2013		
	Hectares planted	Yield per ha	Sales price / MT (ex VAT ex works) SEK	Hectares planted	Yield per ha	Sales price / MT (ex VAT ex works) SEK
Ukraine:						
Winter rapeseed	12,400	3.2	2,370	13,800	2.5	2,780
Winter wheat	8,200	3.7	1,020	14,200	3.4	1,080
Winter barley	4,100	5.3	920	4,200	3.3	1,110
Sunflower	12,200	1.9	2,050	7,800	1.8	2,150
Corn	8,000	6.0	830	7,900	6.1	820
Other crops	-	n.a.	n.a.	2,300	n.a.	n.a.
Total Ukraine	44,900			50,200		
Russia:						
Winter wheat	16,300	4.0	1,170	24,400	3.0	1,040
Spring wheat	4,600	2.0	1,170	3,300	n.a.	1,040
Sunflower	16,800	2.0	1,820	15,900	1.8	2,230
Corn	4,600	5.1	820	1,300	4.2	890
Spring barley	11,100	2.2	1,060	5,200	2.2	1,010
Soybeans	5,100	1.5	2,550	2,300	1.7	2,510
Sugar Beet	1,300	29.7	260	8,500	24.7	260
Spring rapeseed	7,200	1.2	1,900	7,300	1.3	2,600
Other crops	4,000	n.a.	n.a.	900	n.a.	n.a.
Total Russia	71,000			69,100		
Group Total	115,900			119,300		

11. Inventories

SEK Thousands	6M Jun-14	6M Jun-13
Raw materials at cost	33,631	69,907
Agricultural inventories	11,636	20,314
Work in progress	9,052	8,905
Total inventories	54,319	99,126

12. Significant shareholders

As at 30 June 2014 the largest shareholders in the company were the following:

Shareholder	Number of shares	Capital and votes %
SIX SIS AG, W8IMY	24,024,985	17.3
JPM Chase NA	19,262,067	13.9
Tredje AP-fonden	9,874,993	7.1
Pareto Securities OY	8,214,766	5.9

Semerca Investments SA	5,250,000	3.8
Others	72,381,847	52.0
Total number of shares	139,008,658	100.0

Since the period end, there have been material changes to the shareholder structure. Refer to the section “Management and Ownership Changes” for more information.

13. Risks, risk management and ongoing disputes

Agrokultura’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 and Ukrainian real estate law and ways to legally acquire agricultural land, politics, crime and corruption, corporate governance, 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 32 (Risk management) in the Annual report for 2013 the Group’s risks relating to foreign exchange, liquidity, interest, financing and legal risks are presented.

The ongoing conflict in the east of Ukraine has not led to any material disruption to the Groups operations although disruption to the Ukrainian financial system and devaluation of the Ukrainian hryvnia delayed and reduced the Groups ability to draw down short term working capital bank debt. The Group compensated for this reduced cash availability by reducing planting and redeploying resources from other areas of the Group. As the Groups products are valued in USD or Euros devaluation of Ukrainian hryvnia does not have a material negative impact on operational performance.

The recently announced two way sanctions between Russia and countries deemed to be supportive of the Kiev government in Ukraine, have to date had no material impact on the Group’s business in either Ukraine or Russia. Unless economic sanctions accelerate significantly, the Group does not expect to be impacted in a material way.

14. Subsequent events

After the period end there have been a material change in the ownership of the Company. Steenord, which is registered in the British Virgin Islands, has become a major shareholder with approximately 47 per cent of the outstanding shares. Steenord is an investment company controlled by Mr Nikolay Fartushnyak.

15. Parent company

The profit for the parent company during the period amounted to KSEK 162,776 (2013: profit of KSEK 19,133). As of 30 June 2014, cash and cash equivalents in the parent company amounted to KSEK 613 (2013: KSEK 59).

STATEMENT OF COMPREHENSIVE INCOME OF PARENT COMPANY SEK thousands	6M	6M
	Jun-14	Jun-13
Revenue	2,370	3,405
Operating costs		
Cost of sales	(2,252)	(4,845)
Administrative expenses	(4,211)	(19,076)
Operating result	(4,093)	(20,516)
Income from Group companies	167,878	-
Finance income	1,038	43,907
Finance expense	(2,047)	(929)
Result before tax	162,776	22,462
Income tax	-	(3,329)
Result for the period	162,776	19,133
Total comprehensive result		
Result for period	162,776	19,133
Translation difference on loans to subsidiaries	577	674
Total comprehensive result for the period	163,353	19,807

Parent company statement of financial position SEK thousands	6M Jun-14	6M Jun-13
ASSETS		
Non-current assets		
Investment in Group companies	982,665	563,895
Receivables from Group companies ¹	153,879	501,695
Total non-current assets	1,136,544	1,065,590
<i>Current assets</i>		
Receivables from Group companies	4,042	221,417
Other receivables	7,198	268
Prepaid expenses and accrued income	442	298
Cash and cash equivalents	613	59
Total current assets	12,295	222,042
TOTAL ASSETS	1,148,839	1,287,632
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity share capital	695,043	695,043
Free reserves		
Other paid in capital	1,461,126	1,461,126
Reserve for fair value	(779)	(779)
Retained earnings	(1,258,640)	(943,538)
Result for the period	163,353	19,807
Total shareholders' equity	1,060,103	1,231,659
Non-current liabilities		
Other long term debts	-	43,100
Total long term liabilities	-	43,100
Current liabilities		
Accounts payable	1,679	4,982
Payables to Group companies	38,317	-
Other liabilities	46,979	-
Accrued expenses and deferred income	1,761	7,891
Total current liabilities	88,736	12,873
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,148,839	1,287,632