

QUARTERLY REPORT Q3 2013

QUARTER IN BRIEF

- Harvest delayed due to heavy rains during September
- Wheat harvest concluded from 4 261 hectares with an average yield of 4.6 tons per ha
- Seeds and soy calibration officially opened
- Construction of additional 48 000 tons of storage in two different locations
- Net loss for the period 26 084 KSEK

FINANCIAL INDICATORS

	3Q 2013	2012
Total revenue and gains	72 410	358 644
Gross profit	7 324	69 503
EBITDA	9 957	96 360
EBITDA margin	14%	27%
Net profit/loss	-26 084	43 403
Net margin	n.a.	12%
Total assets	445 862	346 140
Total equity	240 580	269 936
Total liabilities	205 282	76 204
Profit/loss per share	-3,3	5,6



The Swedish Ambassador Andreas von Beckerath, Anatoly Prisyazhnyuk, Head of Kyiv Oblast State Administration, and Toichi Sakata, Ambassador of Japan are greeted with salt and bread at the opening of the soybean calibration factory in Baryshevka

OPERATIONAL SUMMARY

Summer weather was favorable for the spring crops with temperatures under the average and cloudy skies. In the end of July the board of directors took the decision to expand the existing storage facilities in Berezan and Yagotyn, by adding 2 steel bins on each location, in total 48 000 additional tons of corn storage. Expansion of existing storage facilities is very cost efficient, approximately 75 USD/ton of storage. KMZ supplied the equipment and the construction started immediately in order to have the bins functional by the end of October.

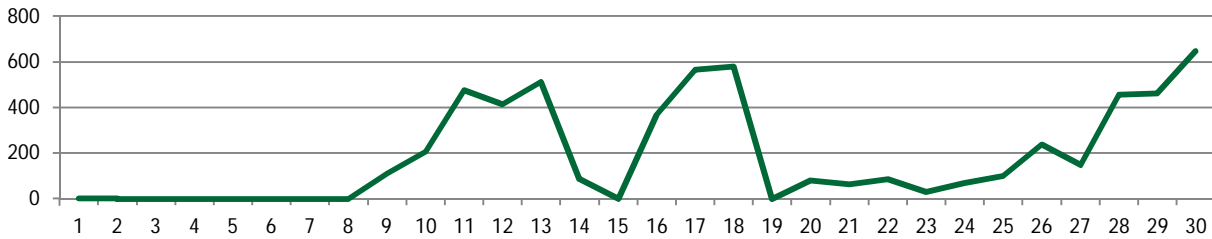
On September 26 Grain Alliance formally opened the soybean calibration factory in Baryshevka with the participation of the Swedish ambassador, Japanese ambassador and the governor of the Kiev region. The factory was provided by the leading Japanese producer Harada Corporation. "Japan has excellent technologies in agricultural production and I believe that the Harada Corporation's facility will contribute to improve the quality of production for Grain Alliance", said Toichi Sakata, Ambassador of Japan. The Swedish Ambassador Andreas von Beckerath concluded that "this factory shows how much Ukraine has to gain from foreign investments". Representatives from potential buyers of the end product in Korea and Japan were also present at the opening ceremony and the first larger shipment of soybeans to Yokohama is planned for October.



HARVEST Q3 2013

The winter wheat was harvested between July 4 and 18 with an average yield of 4,6 tons per hectare, slightly lower than expected, but the result was in par with previous year's. Despite the cool temperatures the precipitation levels was lower than the average during August. This changed dramatically with heavy rains in September, for example in one of Grain Alliance areas of operation Yagotin in the Kiev region got 145 mm of rain, average 40 mm, in September with 21 days of rain fall compared to 10 days a normal year. The situation was similar in all areas of Grain Alliance's operations. Speed of harvest was greatly reduced as a result of the wet weather. On the days without rain it was still difficult to get the heavy machinery out in the fields. The weather also pushed moisture levels in the crops upward and for example the whole sunflower harvest had to be dried. Grain Alliance has the capacity to dry 3300 tons per day and because of the rains all the dryers were working at maximum levels. Crops like sunflower with a high fat content can only be dried at low temperatures very slowly, which could cause queues and halt the harvest. Nevertheless the Company managed to cope with the delays and harvest maximum the days when the weather allowed it.

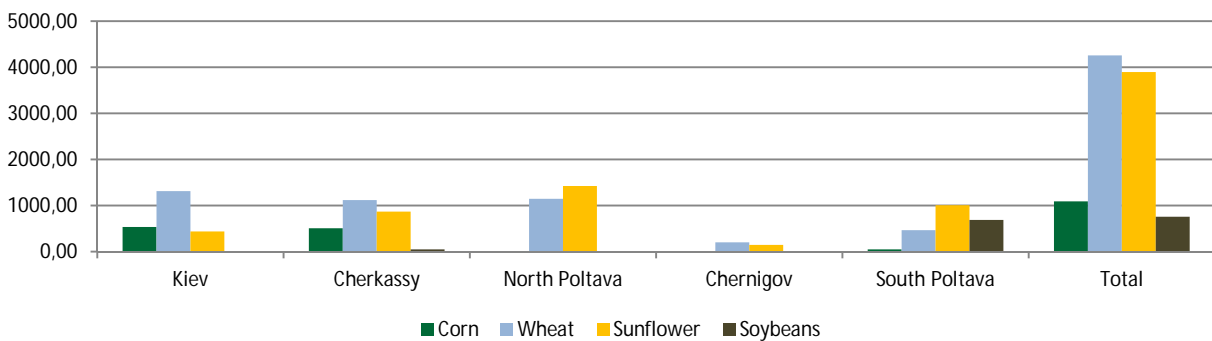
Harvested hectares per day September 2013



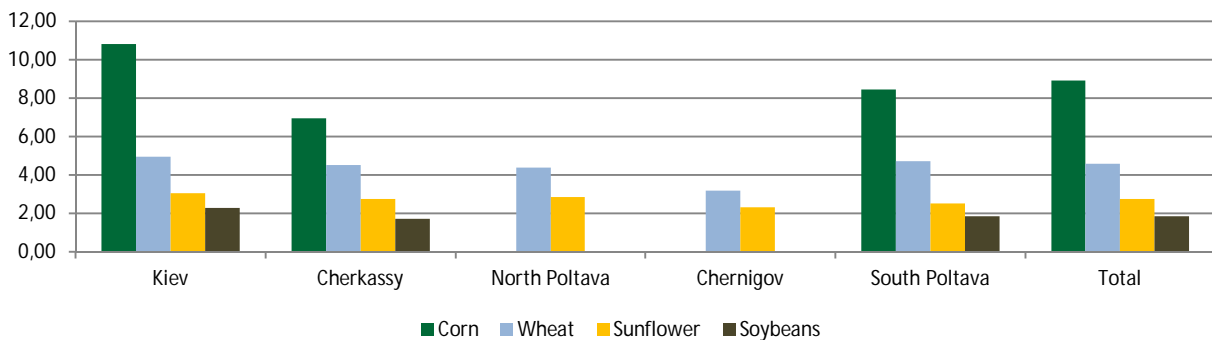
The graph above illustrates the difficulties Grain Alliance faced during September. Grain Alliance was only capable for 8 days to harvest more than 400 hectares per day; at the same time the company has a capacity to harvest over 800 hectares per day.

HARVEST PER REGION

Harvested hectares per region, September 30 2013:



Average gross yield per region per September 30 2013:





GLOBAL AGRICULTURAL COMMODITIES MARKET

The weather conditions have been mostly favorable for all the main agricultural areas in the world, especially in the U.S. All forecast improved global supply of corn and significantly reduced prices. Wheat and barley have also seen a sharp down turn and we expect prices for most crops to remain on a low level. The exception from this trend is the sunflower, even if we have seen deteriorating prices on oilseeds; we still believe that prices will improve by the end of the year. Ukraine is the world leader in sunflower oil production with a crushing capacity of 12 million tons of seeds per year. Domestic production is estimated at 10.1 tons, but given the poor harvesting conditions and the lack of drying and storage in the country we estimate that the Ukraine will produce a smaller volume. The heavy rainfall and the high moisture content will affect both quantity and quality of the harvested sunflower seeds and push prices upward.

FINANCIAL REVIEW

The outlook for 2013 is more negative than at the end of the second quarter. The valuation of the biological assets, crops in field has been reduced further due to the further reduction of crop prices. The consolidated loss of the period amounts to 29 357KSEK. The inherent seasonality of agriculture and the emphasis on spring crops in Grain Alliance's crop rotation still affects the result of the period. Due to the late harvest a majority of the crops is still in the fields. The Company's financial position is still strong with an equity ratio of 54% before any major sale of crops. The seasonal liabilities continued to increase from 157 999 KSEK in Q1 to 205 282 KSEK. Liabilities will continue to increase during fall as the Company aims not sell any substantial amount of grain before February.

KEY RATIOS

	Q3 2013	2Q 2013	1Q 2013	2012
Total revenue and gains	72 410	42 070	31 097	358 644
Gross profit	7 324	4 535	4 049	69 503
EBITDA	9 957	24 235	11 925	96 360
EBITDA margin	14%	58%	38%	27%
Net profit/loss	-26 084	-17 177	-7 224	43 403
Net margin	n.a.	n.a.	n.a.	12%
Total assets	445 862	420 231	379 580	346 140
Total equity	240 580	262 232	263 741	269 936
Total liabilities	205 282	157 999	115 839	76 204
No of shares	7 807 775	7 807 775	7 807 775	7 807 775
Profit/loss per share	-3,3	-2,2	-0,9	5,6
Equity per share	30,8	33,6	33,8	34,6
Equity ratio	54%	62%	69%	78%





Consolidated and Parent Company's statements of comprehensive income
In thousands of SEK

Notes	The Group		The Parent Company	
	2013-09-30	2012	2013-09-30	2012
Revenue from sales	51 276	315 738	-	-
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	21 134	42 906	-	-
Cost of sales	(65 086)	(289 141)	-	-
Gross profit	7 324	69 503		
Other operating income	3 926	33 961	-	-
Selling, general and administrative expenses	(29 146)	(38 465)	(6 360)	(7 201)
Other operating expenses	(2 989)	(8 452)	-	-
Operating profit / (loss)	(20 885)	56 547	(6 630)	(7 201)
Finance costs	(7 701)	(8 274)	(2 775)	(3 983)
Finance income	1 842	2 076	1 791	1
Foreign exchange gain/loss	660	(6 946)	(833)	(4 025)
Profit / (loss) before tax	(26 084)	43 403	(8 177)	(15 208)
Income tax expense	-	-	-	-
Profit / (loss) for the year	(26 084)	43 403	(8 177)	(15 208)
Whereof attributed to equity holders of the company	(26 084)	43 403		
Other comprehensive income:				
Foreign exchange differences	(3 273)	(16 888)	-	-
Tax effect	-	-	-	-
Total comprehensive income for the year	(29 357)	26 515	(8 177)	(15 208)
Whereof attributed to equity holders of the company	(29 357)	26 515		





Consolidated and Parent Company's statements of financial position
In thousands of SEK

Notes	The Group		The Parent Company	
	2013-09-30	2012	2013-09-30	2012
Non-current assets				
Intangible assets	7 899	24 557	-	-
Property, plant and equipment	213 502	174 934	-	-
Shares in subsidiaries	-	-	256 616	256 616
Biological assets	3 634	3 403	-	-
Other non-current assets	778	788	-	-
	225 813	203 682	256 616	256 616
Current assets				
Inventories	60 984	60 452	-	-
Biological assets	105 345	8 193	-	-
Trade and other receivables	1 123	2 344	-	-
Receivable subsidiary	-	-	54 652	11 763
Other current assets	50 173	16 058	1 916	1 691
Cash and cash equivalents	2 424	55 412	1 520	47 085
	220 049	142 459	58 088	60 539
Total assets	445 862	346 140	314 704	317 155
Equity				
Issued capital	11 556	11 556	11 556	11 556
Other contributed capital	278 295	278 295	-	-
Retained earnings	(13 518)	12 565	232 584	240 761
Foreign currency translation reserve	(35 753)	(32 480)	-	-
	240 580	269 936	244 140	252 317
Non-current liabilities				
Liability to non-controlling interests	3 671	3 444	-	-
Loans and borrowings	98 918	52 161	55 522	55 755
	102 589	55 605	55 522	55 755
Current liabilities				
Loans and borrowings	67 687	8 847	14 577	8 847
Trade and other liabilities	33 652	10 816	435	205
Other current liabilities	1 354	936	30	32
	102 693	20 599	15 042	9 084
Total liabilities	205 282	76 204	70 564	64 839
Total equity and liabilities	445 862	346 140	314 704	317 156



Consolidated and Parent Company's statements of changes in equity

In thousands of SEK



The Group	Issued capital	Other contributed capital	Retained earnings	Foreign exchange differences	Total equity
Balance at 31 December 2011	11 556	278 295	(30 837)		43 402
Profit for the year				(16 888)	(16 888)
Loss for the year					
Other comprehensive income			43 403	(16 888)	26 514
<i>Total comprehensive income</i>					
<i>Transactions with owners</i>					
Balance at 31 December 2012	11 556	278 295	12 565	(32 480)	269 936
Profit for the year			(26 083)		(26 083)
Other comprehensive income				(3 273)	(3 273)
<i>Total comprehensive income</i>			(26 083)	(3 273)	(29 356)
<i>Transactions with owners</i>					
Balance at 30 Sept. 2013	11 556	278 295	(13 518)	(35 753)	240 580
The Parent Company	Issued capital	Other contributed capital	Retained earnings		Total equity
Balance at 31 December 2011	11 556	278 295	(22 326)		267 525
Loss for the year				(15 208)	(15 208)
<i>Total comprehensive income</i>				(15 208)	(15 208)
<i>Transactions with owners</i>					
Balance at 31 December 2012	11 556	278 295	(37 534)		252 317
Loss for the year				(8 177)	(8 177)
<i>Total comprehensive income</i>				(8 177)	(8 177)
<i>Transactions with owners</i>					
Balance at 30 Sept 2013	11 556	278 295	(45 711)		244 140





Consolidated and Parent Company's statements of changes in equity
In thousands of SEK

	The Group		The Parent Company	
	2013-09-30	2012	2013-09-30	2012
Operating activities				
Profit / (loss) before tax	(26 084)	43 402	(8 177)	(15 208)
Non-cash adjustments:				
Depreciation and amortisation	30 842	39 561	-	-
Finance income	(51)	(577)	(1 791)	(1)
Foreign exchange gain/loss	(660)	6 946	833	-
Finance costs	4 340	3 927	2 775	8 008
Non-controlling interests	227	(230)	-	-
Write down of property, plant and equipment	(73)	1 521	-	-
Working capital adjustments:				
Change in biological assets	(97 975)	(2 784)	-	-
Change in trade receivables and other current assets	(32 259)	(6 536)	(43 947)	55 575
Change in agricultural produce and other inventories	(532)	40 623	-	-
Change in trade and other payables and other current liabilities	23 254	(4 952)	5 725	2 640
	(98 971)	120 901	(44 582)	51 014
Interest received	51	577	1 793	1
Income tax paid	-	-	-	-
Net cash flows from operating activities	(98 920)	121 478	(42 789)	51 015
Investing activities				
Purchase of property, plant and equipment	(55 129)	(50 591)	-	-
Prepayments for land lease rights	(232)	7 304	-	-
Proceeds from (payments for) other non-current assets, net	10	1 592	-	-
Proceeds from sale of assets classified as held for sale	-	-	-	-
Purchase of financial assets	-	-	-	(65)
Net cash flows used in investing activities	(55 351)	(41 695)	-	(65)
Financing activity				
Proceeds from loans and borrowings	116 953	59 452	-	-
Repayment of loans and borrowings	(11 325)	(78 720)	-	-
Issue of capital	-	-	-	-
Interest paid	(3 711)	(3 927)	(2 776)	(3 983)
Net cash flows from financing activities	101 917	(23 105)	(2 776)	(3 983)
Net change in cash and cash equivalents	(52 354)	56 678	(45 565)	46 967
Foreign exchange difference cash	(634)	(3 608)	-	-
Cash and cash equivalents at 1 January	55 412	2 342	47 085	120
Cash and cash equivalents at end of period	2 424	55 412	1 520	47 087

