

Alpcot Agro



Investor Presentation – February 2009

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Key Persons



Björn Lindström (CEO/Investment Manager)

Investment Manager at Alpcot Capital Management since 2006. Director at Alpcot Capital Management since 2005. Extensive experience gained in the financial services sector in Sweden. Was a co-founder of East Capital Asset Management AB and of Gustavia Capital Management AB. Was the Managing Director of Gustavia Capital Management AB, and the fund manager of Gustavia Balkan fund. Gustavia Balkan fund was rated by Morningstar as the best performing mutual fund in Europe in 2004. Has been both the Managing Director for East Capital Asset Management and the fund manager for East Capital Russia Fund. Is a board director of International Stock Exchange Saint-Petersburg. Holds a Master of Science in Business Administration and Economics from the Stockholm School of Economics. Graduated from the Language and Intelligence School of the Swedish Armed Forces in 1992.



Katre Saard (Investment Manager)

Investment Manager at Alpcot Capital Management since 2006. Director at Alpcot Capital Management since 2005. Has over ten years' experience in investment management and in working with East European equity markets. Was an Investment Professional at the European Investment Fund in Luxemburg, managing investments in leading private equity and venture capital funds in Europe and serving on advisory boards and investment committees of these funds. Was one of the Founding Partners at East Capital, involved in developing the asset management company and launching new funds. Was also the fund manager for East Capital Baltic Fund and a member of the supervisory board of East Capital Asset Management AB. Worked as an Equity Analyst at Enskilda Securities in Stockholm. Is a board director of Petrosibir AB, a Russian oil exploration company. Has a Master of Science in Business Administration and Economics from the Stockholm School of Economics and her language skills include English, Swedish, Estonian, Russian and French.



Peter Geijerman (Investment Manager)

Investment Manager at Alpcot Capital Management since 2006. Has been in business in Russia since 1997. Is the principal owner of a management company owning and managing an industrial group in Western Siberia. Has several years of Russian project coordination and management experience. Has an MBA degree from the French INSEAD institute as well as a Master of Science in Clinical Medicine from the Swedish Karolinska Medical Institute. Graduated from the Language and Intelligence School of the Swedish Armed Forces in 1992. Is a board director of Central Asia Gold, a Russian gold mining company listed on Nordic Growth Market, and Petrosibir AB, a Russian oil exploration company. Was born in 1972 and is a Swedish citizen. He is a fluent Russian speaker.



Alexey Mashchenkov (CFO/Investment Manager)

Investment Manager at Alpcot Capital Management since 2008. Prior to Alpcot Capital Management worked at Bain & Co in San Francisco and Moscow, where he was focused on strategy due diligence for private equity clients, strategy development and operations improvements. Alexey also worked 4 years as an auditor at PricewaterhouseCoopers based in St. Petersburg and 2 years in the finance team of the leading Russian telecommunication company - MegaFon - based in Moscow. While at PwC, Alexey supervised the audit of one of the Russia's largest agriculture group. Holds a BA degree with Honors in Economics and Business Administration from Saint-Petersburg State University and an MBA degree from INSEAD. Alexey is also a Chartered Accountant (ACCA).

Alpcot Agro – Agenda

■ Background

- Financial crisis in Russia
- Bumper harvest in 2008
- Domestic grain market

■ Operational update

- Sales and storage
- Planting 2008/2009
- Dairy business

■ Financial update

- Cash flow second half 2008
- Balance sheet

■ Strategic review

- Revised geographical structure
- Cash preservation measures
- New organisation
- Separation of Ukrainian operations
- Elimination of fund structure

■ Issue of convertible

- Terms and conditions
- Use of proceeds

Background – Financial Crisis in Russia

- Stock market tumbled by 72.4% in 2008 (RTS-index), and the slide has continued in 2009. RTS-index is down by a further 18.1% year-to-date (as of February 20)
- Credit crunch in Russia has worsened the prospects of access to credits
- Initial liquidity concerns, which commenced in mid-September, evolved into a credit crunch as the funding side, both deposits and wholesale, turned negative. The role of the state has been key; replacing deposits and wholesale funding in the short term in order to shelter the banking system from major crisis mode
- About 20 banking licences have been withdrawn since August 2008, but there are still more than 1,000 Russian banks
- Agriculture is one of the priority sectors to be supported by state-financed banks

Retail deposit flows	September	October	November*
Sector	-1.5%	-6.0%	-0.2%
Sberbank	0.4%	-2.5%	0.4%
VTB	6.6%	1.0%	4.5%
Vozrozhdenie	-2.8%	-10.5%	0.0%
Bank Saint-Petersburg	2.2%	-4.0%	0.0%
URSA Bank	-0.8%	-10.0%	-2.3%

Source: Renaissance Capital

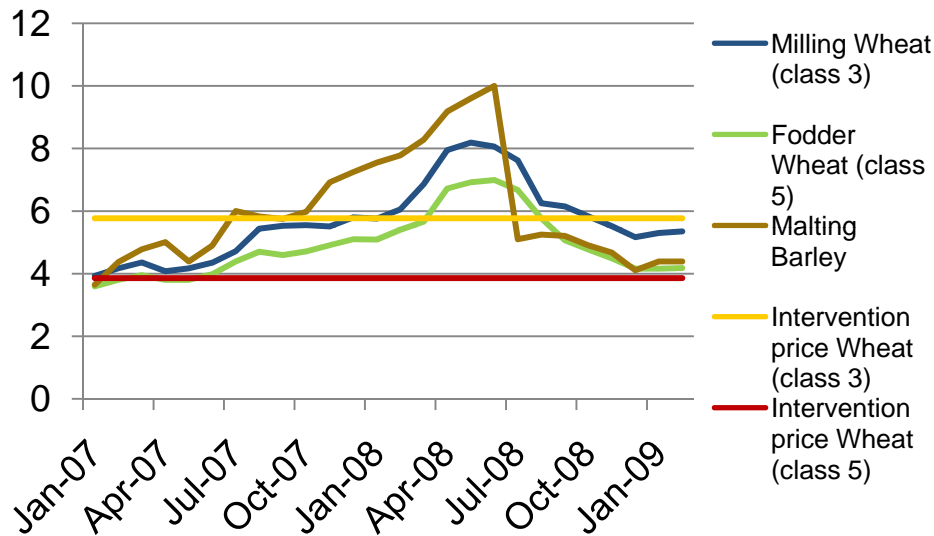
Background – Bumper Harvest in 2008

- Russia has harvested more than 108 million tonnes of grain in net weight in 2008 compared to 82 million tonnes of grain in 2007
- Bumper harvest was due to a number of factors:
 - Favourable weather
 - Introduction of modern technologies
 - Area planted expanded by 2 million hectares
 - Favourable financing conditions in 2007/2008
- The supply shock in wake of the harvest and the tough financing conditions have led to historically low prices
 - Analysts estimate Russia has a surplus of about 30 million tonnes
- Government is supporting the agricultural sector
 - A grain intervention programme was launched on August 19, 2008. RUR 34 billion (USD 950 million) had been spent on buying 7.2 million tonnes until February 20, 2009. The government has allocated RUR 81 billion (USD 2.8 billion) in total
 - 939 agricultural producers are accredited for exchange trading on National Commodities Exchange
 - The government has set a target to export 20-25 million tonnes in 2008/2009
 - Russian First Deputy Prime Minister Viktor Zubkov has agreed to various measures aimed at supporting Russian grain exports for marketing year 2008
- Milk production is lagging behind the targets set out in the government's agricultural development program and is expected to grow only by 1% in 2008
 - The former minister of agriculture, Gordeyev, has promised an additional RUR 20 billion (USD 700 million) in subsidies to develop dairy cattle breeding

Background – Domestic Grain Market

Grain

Grain prices, RUR/kg

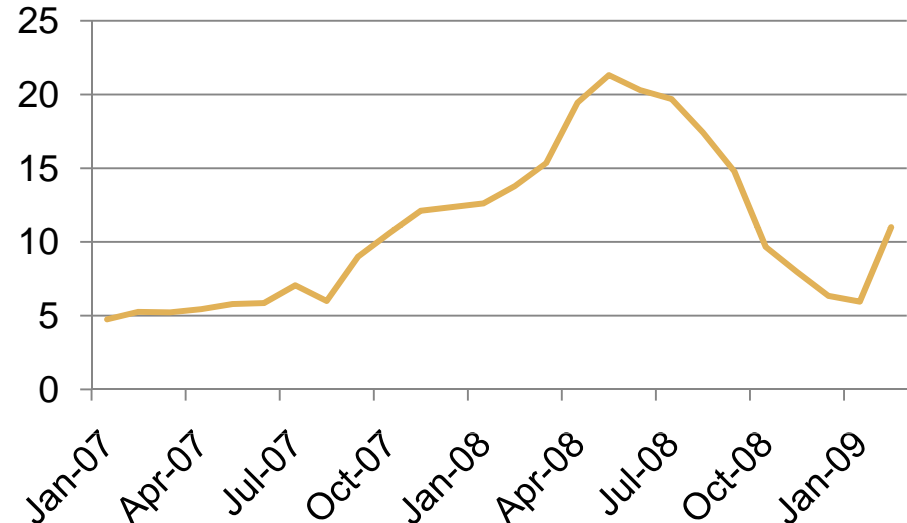


- Prices have started to recover and will stabilise or continue to rise according to Sovekon
 - State interventions prevented the prices from dropping during Nov-Dec 2008
 - Rouble devaluation increased the export profitability and supported the demand in Jan-Feb 2009

Source: Ministry of Agriculture Russia, Sovecon

Sunflower

Sunflower price, RUR/kg

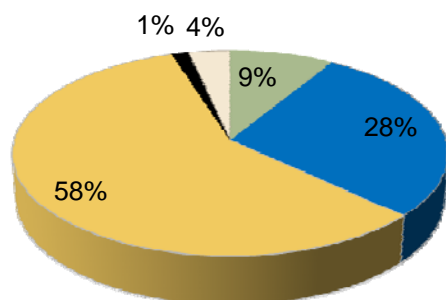


- Sunflower harvest up 28% in 2008
 - Harvest increased to 6.8 in 2008 from 5.3 million tonnes in 2007
- Bunge opened sunflower seed crushing and refining plant, whereby increasing the demand in Voronezh region
 - Annual crushing capacity of 500,000 tonnes

Operational Update – Sales and Storage

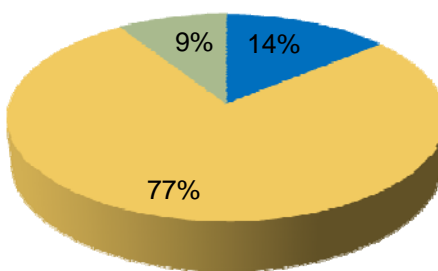
Winter wheat

■ Class 3 ■ Class 4 ■ Class 5 ■ forage ■ seeds



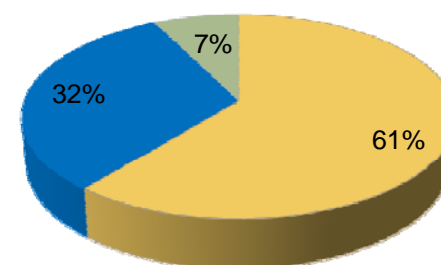
Spring wheat

■ Class 3 ■ Class 4 ■ Class 5



Barley

■ feed ■ malt ■ seeds



■ Sale to the State intervention program

- Average price achieved for fodder wheat in 2008 is close to RUR 4,000 per tonne (USD 130) excluding transportation costs, compared to RUR 2,200 (USD 75) on the market from flatbed storage
- State provide a guaranteed payment compared to other market players who are exposed to liquidity risk

■ Alpcot Agro has own storage capacity of an estimated 155,000 tonnes

- A grain silo with a capacity of 10,000 tonnes is under construction in Ertil
- 10 airtight tents with a aggregated capacity of 35,000 tonnes will be used during next harvesting season
- The Company controls flatbed capacity of 110,000 tonnes

Operational Update –Planting 2008/2009 Russia

Winter planting 2008

Region	Winter wheat (ha)	Winter rye (ha)	Winter rape (ha)	Total (ha)
Voronezh	17,400	3,300	400	21,100
Volgograd	6,200			6,200
Tambov	5,800			5,800
Kursk	9,700	1,500		11,200
Kurgan				
Lipetsk	6,500			6,500
Russia total	45,600	4,800	400	50,800

- Winter planting completed according to plan
 - Condition of winter crops is better than last season

Spring planting 2009 considerations

- 46,000 ha have been prepared for spring crops
- A minimum plan for spring planting has been prepared to avoid jeopardising Alpcot Agro's financial stability
- Spring planting in non-core areas are scaled down to an absolute minimum
- Spring planting investments to range from RUR 230 million (USD 7 million) to RUR 470 million (USD 14 million)

Minimum plan for spring planting 2009

Region	Winter crops (ha)	Spring crops (ha)	Total (ha)
Voronezh	21,100	9,911	31,011
Volgograd	6,200	36	6,236
Tambov	5,800	2,244	8,044
Kursk	0	0	0
Kurgan	0	0	0
Lipetsk	6,500	5,217	11,717
Russia total	39,600	17,408	57,008

Table excludes winter planting in Kursk

Normal plan for spring planting 2009

Region	Winter crops (ha)	Spring crops (ha)	Total (ha)
Voronezh	21,100	25,306	46,406
Volgograd	6,200	3,076	9,276
Tambov	5,800	7,010	12,810
Kursk	0	0	0
Kurgan	0	0	0
Lipetsk	6,500	7,669	14,169
Russia total	39,600	43,061	82,661

Table excludes winter planting in Kursk

Operational Update – Dairy Business

- Investments in dairy business is a key to sustain good political relations
- Alpcot Agro has three dairy farms in Lipetsk and Voronezh
 - Berezovskoe in Vorobyevka, Voronezh
 - Yacheika in Ertil, Voronezh
 - Kolebelskoe in Lev Tolstoy, Lipetsk (50% ownership)
- Synergies between dairy farms and crop production
 - Fodder for the dairy farms can be grown on Alpcot Agro's land
 - The manure is a highly efficient and ecologically friendly fertiliser
 - Disposal of by-products and low quality products
- Subsidised sector
 - Subsidies for new equipment and new livestock
 - Interest rate subsidies
 - New federal subsidies discussed under 2009 to support sector further
- Dairy farm facts (including 100% of Kolebelskoe)
 - 5,100 dairy animals, 2,500 of which dairy cows. The plan is through organic growth to expand to 5,400 and 3,200 respectively by the year end
 - Currently close to 300 employees, but staff reduction already underway
 - Potential for Yacheika and Kolebelskoe to receive breeder status during 2009, which would increase profitability
 - Dairy business expected to be cash flow positive during 2009 (internal pricing at market prices)

Financial Update – Cash flow Second Half of 2008

	kSEK
Cash balance as of 01/07/08	523,866
Operations inflows	29,652
Revenues from grain sale	4,981
Revenues from dairy business	5,705
Other revenues	1,521
Governmental grants	6,537
Reimbursed VAT	10,908
Operations outflows	(171,950)
Payments for inputs	(74,802)
Labour costs and related taxes	(30,899)
Use of contractors	(21,936)
Overheads	(17,325)
Equipment maintenance	(7,142)
Others	(19,847)
Investment outflows	(276,286)
CAPEX	(177,316)
Land acquisitions	(59,116)
Ukrainian operations	(39,854)
Cash balance as of 31/12/08	105,281

Cash flow statement is preliminary.

- Cash balance as of December 31 about SEK 100 million
 - Due to historically weak grain market, 8% of the harvest was sold and paid for in 2008. The majority of the cash will be generated in February to May 2009
- Operations in connection with harvesting and winter planting drained cash further
 - Prices for inputs (fertiliser, plant protection and diesel) for the winter planting started to fall after purchase of inputs
 - External services for harvesting were expensive due to big demand in connection with the bumper harvest
- Major investments in M&E and land
 - Cash outflow during the period was a result of investment commitments made before August 2008
 - Investments after August have been kept at an absolute minimum
- Ukrainian expansion was put on hold in August
 - Future expansion to be financed by external investors

Financial Update – Balance Sheet

- Alpcot Agro has a strong balance sheet
 - Total liabilities as of 31 December 2008 amount to SEK 120 million
 - Long-term credits are currently not available in Russia
- Cash management is difficult in current environment
 - Short-term credits would normally finance current assets
 - Russian tax authorities are slow in repaying VAT, SEK 69 million tax claims outstanding
 - The harvest from 2008 has not been turned into cash yet due to historically weak market in 2008

Assets as of 31/12/08		Shareholders' equity and liabilities as of 31/12/08	
Non-current assets		Shareholders' equity	
Tangible fixed assets	401,495	Share capital	146,903
Construction in progress	25,129	Share premium reserve	1,181,373
Intangible fixed assets	30,183	Retained profit or loss	-17,348
Goodwill	8,407	Loss for the 2008	-96,479
Biological assets	14,514	Total shareholders' equity ex minority	1,214,449
Securities and other financial assets	307,369	Minority share	12,677
Deferred tax assets	15,791	Total shareholders' equity	1,227,126
Total non-current assets	802,887	Total long-term liabilities	50,950
Current assets		Current liabilities	
Inventories	164,705	Other long-term liabilities	43,575
Biological assets	83,622	Deferred tax liabilities	7,374
Account receivables	74,676	Total long-term liabilities	50,950
Tax assets	69,283	Current liabilities	
Other receivables	46,294	Short-term loans	15,047
Short-term loans	83	Accounts payables	41,536
Cash and cash equivalents	105,281	Tax liabilities	2,882
Total current assets	543,945	Other liabilities	6,184
		Accrued expenses	3,107
		Total current liabilities	68,756
Total assets	1,346,832	Total liabilities and shareholders' equity	1,346,832

Balance sheet is preliminary.

Strategic Review – Revised Geographical Structure

- Change in investor sentiment and scarcity of liquidity
 - Focus has shifted from rapid expansion to consolidation
- Consequences for Alpcot Agro
 - Alpcot Agro stopped all new investments early August 2008
 - Certain investment requirements to optimise M&E
 - Partially suboptimal geographical structure
- Criteria for evaluating land bank
 - Geographical stretch from South to North
 - Sunk cost considerations
 - Expansion options
 - Profitability considerations
 - Burn rate (Kurgan)
 - Political considerations
 - Location of dairy farms
- Long-term implications
 - Reduction of long-term land bank target from 200,000 to 120,000 – 150,000
 - Improve geographical structure of land bank including sale of land in Kursk and some other non-core land plots
 - Controlled expansion in Alpcot Agro's defined core areas when cash is made available from creditors or sale of non-core land

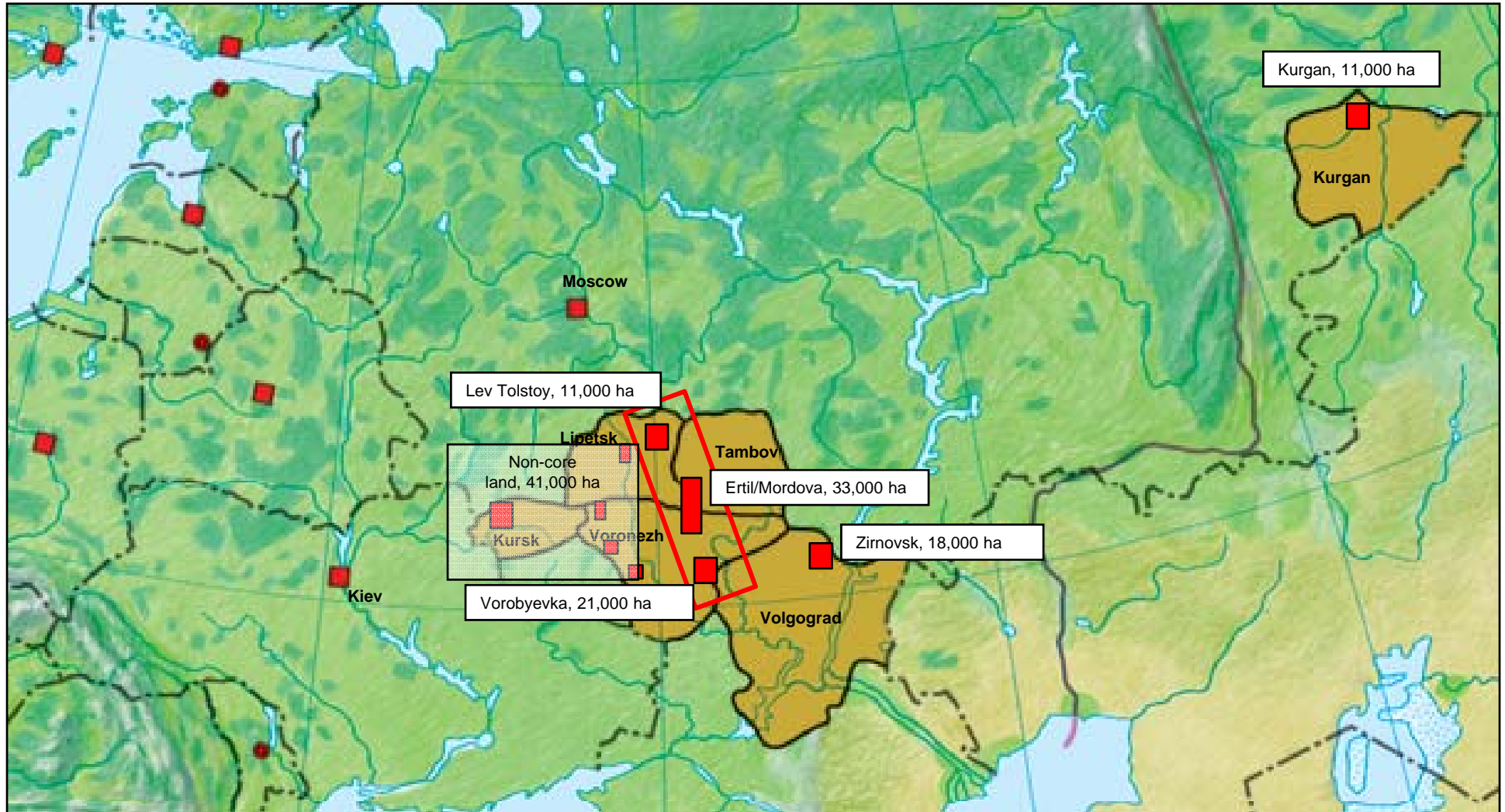
Breakdown of land in February 2009

Region	Land in control (ha)	Land in ownership (ha)	Registered (ha)
Voronezh	61,000	32,000	6,600
Volgograd	18,000	3,000	
Tambov	12,000	8,000	1,000
Kursk	20,000	23,000	2,200
Kurgan	11,000	8,000	
Lipetsk	13,000	10,000	2,300
Russia total	135,000	84,000	12,100

Effect of land restructuring

Region	Current land (ha)	Non-core land (ha)	Core land (ha)
Voronezh	61,000	19,000	42,000
Volgograd	18,000	0	18,000
Tambov	12,000	0	12,000
Kursk	20,000	20,000	0
Kurgan	11,000	0	11,000
Lipetsk	13,000	2,000	11,000
Russia total	135,000	41,000	94,000

Strategic Review – Revised Geographical Structure



Strategic Review – Cash Preservation Measures

- Close-down of Alpcot Agro's office in Stockholm estimated to annually reduce cost by SEK 6-8 million
 - Most functions now carried out by Alpcot Capital Management Ltd ("ACM")
- Staff reduction plan is being implemented
 - The aim to reduce staff by 400 to below 1,000 during first half 2009
 - Labor costs budgeted below 15% of net revenue in 2009
 - Staff will be reduced further if some legal entities will be sold
- Other cash preservation and cash generating measures are taken if they are sensible
 - Alpcot Agro is planning to rent storage capacity in Russian elevators for the harvest 2009
 - Contractors can be used for some steps in the production chain
 - Co-operation with other farming companies
 - Credits from Russian banks with subsidised interest. Alpcot Agro has capitalised two Russian subsidiaries by RUR 400 and 500 million respectively in order to enable loans from one of the major Russian banks
 - Reclaim Value Added Tax. The process is slow and unpredictable
 - The harvest from 2008 is being sold, but low prices during the autumn has lowered and delayed cash inflow
 - Non-core assets can be sold
 - Reduction of administration expenses, including limiting travelling and communication expenses

Strategic Review – New Organisation

- Headquarters moved from Stockholm to Moscow
 - Management functions will mainly be transferred to the new Moscow office (closer to operations)
- Alpcot Agro to rent new premises in Voronezh to concentrate production resources
 - Production centre in Voronezh
- ACM's responsibilities
 - ACM is taking a considerable operational responsibility
 - ACM manages the acquisition/divestment process
 - ACM is responsible for financing and Investor relations
- New treasury company in Luxembourg
 - Treasury company incorporated in December 2008 to avoid tax unrealised currency gains
 - The treasury company borrows from Alpcot Agro in SEK and lends to Russian companies in RUR

Strategic Review – Separation of Ukrainian Operations

- Alpcot Agro Ukraine's operations will be separated from Alpcot Agro
- Alpcot Agro will remain a large shareholder in Alpcot Agro Ukraine
- Alpcot Agro will attract investors to invest directly in Alpcot Agro Ukraine
 - Alpcot Agro has to date invested USD 6.4 million
 - New investors will invest along with Alpcot Agro
- ACM will have overall management responsibility
- Multiple and flexible exit options for new investors

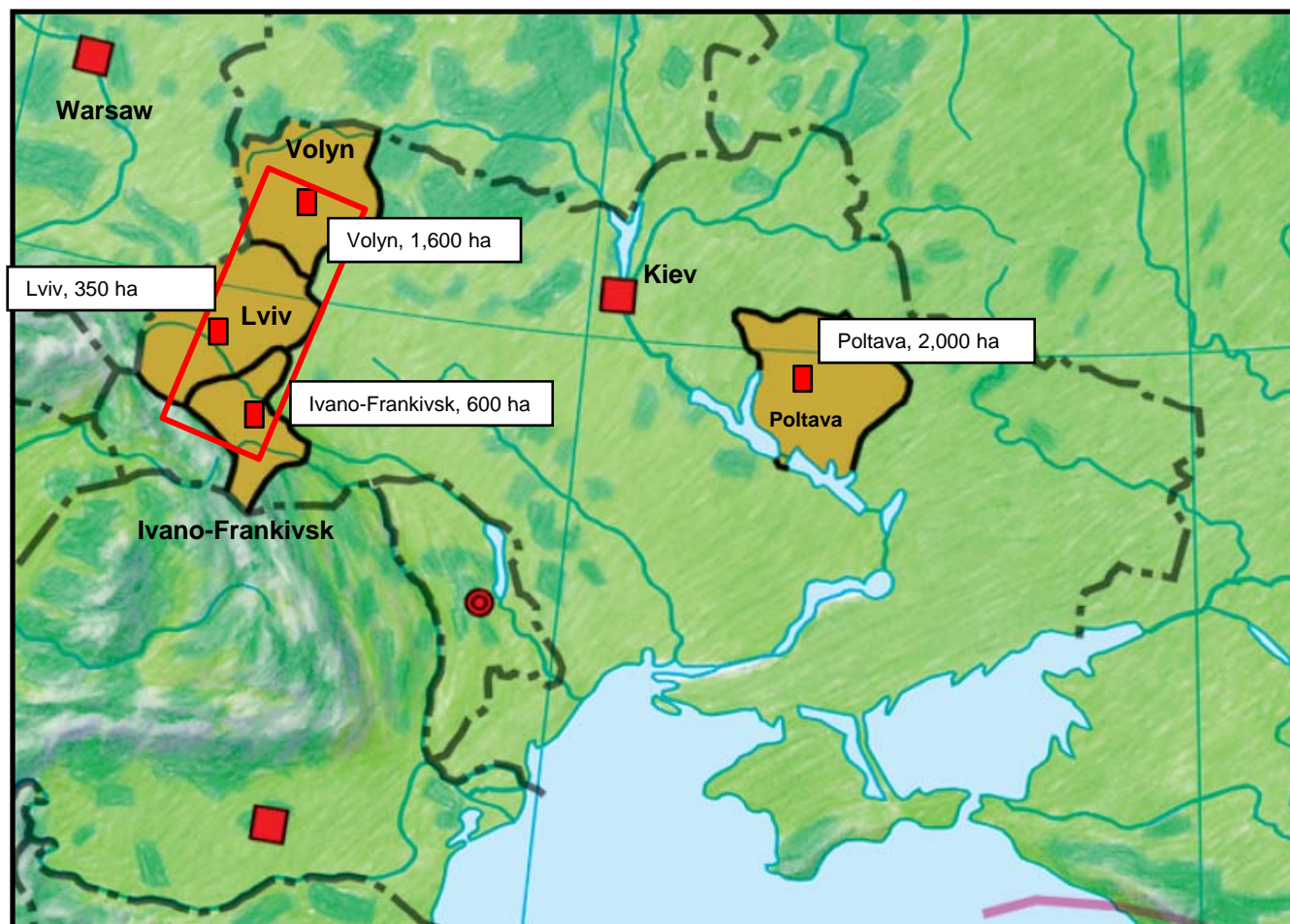
Strategic Review – Separation of Ukrainian Operations

- Valuable experience from Russia
 - Management of land acquisition process
 - Track record from managing operations
- Lean strong corporate structure
 - All companies newly incorporated under supervision of ACM
 - All team members are carefully selected by ACM
- Good match between land bank and operational capacity
 - Alpcot Agro Ukraine is able to grow with a good balance between operational capacity and size of land bank
 - A balanced expansion enables the company to be financed according to milestones
- Positioned to cost efficiently expand land bank and operations
 - Good value for money in today's market
- Cash flow generating in 2009
 - Substantial revenues expected to be generated from the harvest 2009



Picture : Agrokultura Volyn cultivating a field of 500 ha

Strategic Review – Separation of Ukrainian Operations



Picture 4: Alpcot Agro Ukraine has planted 4,500 ha in Western and Central Ukraine

Volyn	
Capital	Lutsk
population (m)	1.1
No. of land owners (m)	0.8
Agricultural land area (k ha)	1,086
avg. annual precipitation (mm)	600-700

Lviv	
Capital	Lviv
population (m)	2.6
No. of land owners (m)	1.4
Plough land area (k ha)	797
avg. annual precipitation (mm)	700-800

Ivano-Frankivsk	
Capital	Ivano-Frankivsk
population (m)	1.4
No. of land owners (m)	n/a
Agricultural land area (k ha)	500
avg. annual precipitation (mm)	700-800

Poltava	
Capital	Poltava
population (m)	1.6
No. of land owners (m)	0.80
Plough land area (k ha)	1,770
avg. annual precipitation (mm)	550-650

Strategic Review – Separation of Ukrainian Operations

Winter planting 2008

Region	Winter wheat (ha)	Total land under control (ha)
Poltava	2,000	2,000
Volyn	1,600	1,600
Ivano-Frankivsk	600	600
Lviv	350	350
Ukraine total	4,550	4,550



Picture :First day of winter seeding in Volyn in autumn 2008

- All lease agreements are signed directly with the land owners
 - Lease agreements are currently being finalised or are already under registration
- Alpcot Agro Ukraine has planted winter wheat on all its controlled land in Ukraine
 - Based on historical yields in these regions and on current climate conditions, Alpcot Agro is expecting to harvest at least 4 – 5 tons per ha during its first year of operations. Due to good quality of seeds and fertilisers which have been applied, good quality crop can be expected
 - Soil moisture and temperatures through the Ukraine has favored winter wheat this season

Strategic Review – Elimination of Fund Structure

Terms

- Fixed term of seven years and became effective on February 1, 2007
- The Investment Manager will receive an annual compensation of 2.25 per cent for its services. The compensation is based on the total equity raised by Alpcot Agro
- The Investment Manager is also entitled to a performance fee. The performance fee equals 15 per cent of the excess return. The performance fee is calculated in January 2012
- The excess return is calculated as the value of Alpcot Agro as of 31 January 2012 less the total equity raised by Alpcot Agro and less the hurdle amount based on the hurdle rate of 8 per cent p.a.
- If Alpcot Agro is listed on an authorised market place in January 2012, the average of the last price on each banking day during January 2012 on the market place is used to calculate the value of Alpcot Agro
- Alpcot Agro can decide to pay up to two thirds of the performance fee in newly issued shares to the Investment Manager. At least one third of the performance fee shall always be paid in cash

Preliminary agreement between Alpcot Agro and ACM

- Elimination of the perceived “fund status” to be achieved through a change in the Investment Management Agreement and create a win-win solution for investors and ACM
- The amended agreement to reflect the de-facto situation, where ACM is taking a considerable operational responsibility, not only managing financial and land acquisition issues
- ACM would reduce the annual compensation of 2.25 per cent (approximately SEK 31 million annually) to an annual fixed fee of SEK 20 million and give up its right to the performance fee in return for shares, warrants or a combination of both at market terms
- The fixed fee would remain the same regardless of amount of equity or debt raised in the future
- The proposed change would result in an accumulated cost reduction for Alpcot Agro of SEK 53.5 million until February 1, 2014
- The proposed start date for the proposed amended management agreement is April 1, 2009

Issue of Convertible – Preliminary Terms and Conditions

- Terms and conditions are preliminary until after EGM
 - The proposed size is SEK 75 million
 - The term is 2 years
 - Annual interest of 10%
 - Conversion price is SEK 20 per share (compared to an assumed price of SEK 16.72 in January)
 - The issue is open both to existing shareholders in Alpcot Agro as well as new investors
 - An issue of SEK 75 million would result in a dilution of 12.8% (calculated as shares created by convertible divided by existing shares outstanding)
 - Terms and conditions are derived from a yield requirement of 25%
- Strong support from major long-term shareholders to subscribe for the convertible
 - Alpcot Agro major long-term shareholders have expressed interest in subscribing for close to 70% of the total issue
- Other details
 - The subscription period will be communicated later
 - Minimum subscription is SEK 600,000
 - Convertibles will be registered in Euroclear (previously VPC)

Issue of Convertible – Use of Proceeds

- Spring planting
 - Alpcot Agro needs additional liquidity to utilise its M&E and fully benefit from the spring planting
 - Good profitability expected from the spring planting
- Minor investments in M&E
 - Harvesting and transportation capacity needs to be added
- Strategic review
 - Further liquidity is required to complete the actions that the strategic review points to
 - Some non-core assets require further investments before they can be divested or swapped
- Listing in autumn 2009
 - Following completion of the action programme in the strategic review, Alpcot Agro is planning to list its share in the autumn 2009 subject to market conditions