

Approved by the  
Annual General Meeting  
of Shareholders of  
AS Olainfarm on April 13, 2007

Amended by the  
Board of Directors of AS Olainfarm  
On May 02, 2007 (minutes No.V-5/2007)

Amendments approved by the  
Supervisory Council of AS Olainfarm  
On May 02, 2007 (minutes No.P-4/2007)

## **AS Olainfarm**

registration No. 40003007246  
registered address: Rūpnīcu iela 5  
Olaine, LV-2114, Latvia

### **Terms of Increase of the Share Capital** (hereafter the "Terms")

#### **1. PURPOSE OF INCREASE OF SHARE CAPITAL**

1.1 The purpose of the share issue is to increase the share capital of the joint stock company Olainfarm (hereafter the "Company") in order to enhance development and competitiveness of the Company from the proceeds of share issue.

#### **2. THE EXISTING SHARE CAPITAL, CATEGORIES OF SHARES, TYPES, AMOUNT AND PAR VALUE OF SHARES**

2.1 The existing share capital of the Company on the date of approval of these Terms amounts to LVL 13'209'055 (thirteen million two hundred nine thousand fifty-five Latvian lats).

2.2 The share capital of the Company consists of 10'214'155 (ten million two hundred fourteen thousand one hundred fifty-five) regular dematerialized registered shares ("vārda akcijas") with a par value of LVL 1.00 (one Latvian lat) each and 2'994'900 (two million nine hundred ninety-four thousand nine hundred) regular dematerialized bearer shares ("uzrādītāja akcijas") with a par value for each share of LVL 1.00 (one Latvian lat).

2.3 In accordance with decision of the Annual General Meeting of Shareholders of the Company dated April 13, 2007, and pursuant to Article 224 Section 4 of the Commercial Law, as well as based on the Articles of Association of the Company, 10,214,155 (ten million two hundred fourteen thousand one hundred fifty-five) regular registered shares of the Company of the par value of LVL 1.00 (one lat) each shall be converted into regular bearer shares with the par value of LVL 1.00 (one lat) each. Pursuant to Article 12 of the Commercial Law the conversion of shares becomes effective with respect to the shareholders and third parties as of the date of publication of the respective entry with the commercial register. Based on decision by the Annual General Meeting of Shareholders of the Company dated April 13, 2007, on the conversion of shares, the Articles of Association of the Company

have been amended to reflect the share conversion, as well as an amendment with regard to increase of the share capital of the Company in accordance with these Terms was approved, and consequently, the share conversion shall be registered with the Commercial Register simultaneously with the new share issue under these Terms by submission of consolidated amendment to the Articles of Association of the Company.

2.4 The current share capital of the Company has been fully paid up.

### **3. INCREASE OF THE SHARE CAPITAL**

3.1. The share capital shall be increased by issuing a total of 4,000,000 (four million) one class regular dematerialized bearer shares with unrestricted voting rights, each share having a par value of LVL 1.00 (one Latvian lat).

3.2 The share capital of the Company shall be increased up to LVL 17'209'055 (seventeen million two hundred nine thousand fifty-five Latvian lats) (the announced share capital).

3.3 The new issue of shares is expected to be included on the regulated market of securities with the Main List of the Riga Stock Exchange immediately after settlement of accounts.

3.4 The new issue shares shall entitle its shareholder all rights attached to the shares of a joint stock company, including the right to participate in the management of the Company, to receive dividends, and in the event of winding-up of the Company, to receive the liquidation quota, as well as certain other rights in accordance with the Articles of Association of the Company and the Commercial Law of Latvia.

3.5 Acquirers of new issue shares shall be entitled to participate in receipt of dividends, if any, as of the moment of full payment of the purchase price for the shares.

3.6 The Board of Directors of the Company has instructed the Latvian Central Depository of Securities to prepare a complete list of shareholders on April 26<sup>th</sup>, 2007 (hereafter the "Allocation Time") and submit the list to the Board of Directors of the Company. In order for bearer share owners who exercise their shareholders' rights through nominee account holders, to use their preemptive right to the new issue shares, such shareholders should by the Allocation Time identify themselves with the nominee account holders and to the member of the Riga Stock Exchange which is the custodian of financial instrument account of such nominee in Latvia.

3.7 As of the Allocation Time the Board of Directors of the Company shall prepare a list of owners and beneficial holders of registered shares of the Company registered with the shareholders register of the Company. Investors may acquire the property right of registered shares until the Allocation Time (exclusive) in order to be included in the list of shareholders at the Allocation Time.

3.8 In order to determine the scope of persons holding the pre-emptive rights to purchase new issue shares, only the shareholder lists prepared at the Allocation Time shall be used prepared in accordance with the procedure described in Articles 3.6 and 3.7 of these Terms.

3.9 The existing shareholders of the Company - the owners and beneficial holders of registered and bearer shares have the right to subscribe for and to purchase the new issue shares in proportion to the total then-existing shareholding of such existing shareholders as

per the Allocation Time calculated as the aggregate of par value of the number of shares owned by such existing shareholder. The registered share owners and bearer share owners shall have equal preemptive right to subscribe for the new issue shares.

3.10 A mandate to distribute the new issue shares of the Company has been given to the manager joint stock company Parex Banka, registered address: Smilšu iela 3, LV-1522, Riga, Latvia, registration No. 40003074590 (hereafter the "Manager").

#### **4. PAR VALUE, SHARE PREMIUM AND PURCHASE PRICE OF NEW ISSUE SHARES**

4.1. The par value of each new issue share shall be LVL 1.00 (one lat).

4.2 The purchase price of the new issue share shall consist of the par value per share and the share premium.

4.3 The share premium has been approved in the range of LVL 1,95 to LVL 2,70. The premium shall be determined in the fixed final amount by the Board of Directors of the Company within the said range. Thus, the purchase price for each new issue share shall be within the price range of LVL 2,95 to LVL 3,70.

4.4 The purchase price of the new issue shares shall be established by the Board of Directors of the Company within the Third Stage of the subscription period in accordance with Article 4.5 of these Terms and in accordance with the results of the Third Stage. All new issue shares shall have equal purchase price per share, and this price shall be attributable equally to all shareholders who have used the pre-emptive rights, as well as towards other investors who are eligible to purchase such shares.

4.5 The purchase price shall be calculated based on the results of demand within the Third stage of the subscription, presenting the demand ratio among the Retail Offering participants and Institutional Offering investors in accordance with the book-building method. Within the Third Stage of the Subscription Period, all results of orders from the preemptive rights holders, the Retail Offering as well as the bids submitted by the institutional investors shall be summarized. The price per share shall be determined in accordance with the submitted subscription applications based on the book-building register containing, among other items, the following criteria and data:

- Total amount of demand;
- Overall elasticity of demand
- Total quality of demand, i.e. by taking into account the information possessed by the Manager and by the Board of Directors of the Company by which demand from short-term and long term investors is to be presented.

4.6 In order to allocate the new issue shares and to determine the purchase price per share, the Board of Directors of the Company has the mandate of calculating the purchase price per share which provides for the maximum allocation of all new issue shares with sufficient liquidity of the marker while obtaining the maximum possible purchase price subscription for the share issue.

#### **5. SUBSCRIPTION FOR SHARES**

5.1 The subscription for the new issue shares shall be organized in three stages as described by these Terms:

5.1.1 In the First Stage the existing shareholders of the Company as determined at the Allocation Time shall pursuant to the pre-emptive rights established in accordance with Article 251 of the Commercial Law of Latvia submit orders for subscription of new issue shares in proportion to their aggregate individual par value of shares owned in the Company at the Allocation Time. Simultaneously with the First Stage applications, a public retail offering (hereafter the "Retail Offering") shall commence in Latvia, as well as an institutional offering in a limited number of countries outside Latvia (hereafter the "Institutional Offering"), and such Retail Offering and Institutional Offering shall last until completion of the Third Stage.

5.1.2 In the Second Stage the existing shareholders determined at the Allocation Time which have submitted their orders for the use of preemptive rights shall be entitled in proportion to their total par value of shareholding in shares at the Allocation Time to apply additionally for the new issue shares not applied for by the other entitled existing shareholders based on their preemptive right. The application to use the additional subscription right to unsubscribed new issue shares in the First Stage shall be submitted simultaneously with the First Stage application, by indicating the maximum purchase price per share they are willing to pay within the purchase price range, and the maximum number of shares such shareholders are willing to subscribe for.

If all new issue shares are subscribed for by the existing shareholders of the Company for the maximum purchase price within the purchase price range in the First and Second Stage which is sufficient to distribute the new issue shares among the existing shareholders, the Board of Directors shall announce the Third Stage cancelled, and the purchase price per new issue share calculated based on the maximum price as determined pursuant to these Terms, and such price shall be applied towards all shareholders who submitted pre-emptive rights applications thus allocating to the shareholder a number of shares in accordance with the application and in proportion to the pro rata right for the new issue shares.

5.1.3 Provided that the Board of Directors of the Company has not cancelled the Third Stage due to completion of the new share issue allocation among existing shareholders, in the Third Stage results of submissions by the existing shareholders, participants of the Retail Offering in Latvia qualified investors within the Institutional Offering shall be processed. The subscription commitment with regard to the new issue shares of the Company shall take effect upon completion of the Third Stage when the Board of Directors of the Company together with the Manager announce successful completion of allocation for subscription for the new issue shares.

5.2 The submission of applications by the existing shareholders within the First Stage and Second Stage shall be performed by using the application form attached as Exhibit 1 to these Terms, except that the custodians servicing the securities accounts of the existing shareholders may determine a different procedure of submitting applications for subscription to the offer shares in accordance with the regulations of the Riga Stock Exchange. The applications should be submitted through members of the Riga Stock Exchange.

5.3 The submission of applications for the purchase of new issue shares of the Company within the Retail Offering and within the Institutional Offering among qualified investors shall be performed through the trading system of the Riga Stock Exchange by submitting the

share purchase orders for matching by participants of the Retail Offering and the Institutional Offering with members of the Riga Stock Exchange before 14:00 local time by the end date of Third Stage.

5.4 The Manager retains the right to cancel any applications if they do not comply with the subscription terms. The Company retains the right to declare the entire new share offering cancelled prior to completion of subscription and prior to settlement in case demand within the Third Stage for the new issue shares does not significantly exceed in accordance with the accepted market practices the number of new offer shares available.

5.5 The results of subscription shall be announced within the Riga Stock Exchange trading system no later than two days after the end of Third Stage.

## **6. SUBSCRIPTION PERIOD**

Subscription for the new issue shares shall be performed within the following time schedule:

### **6.1 First Stage:**

6.1.1 The First Stage subscription shall commence on the date when the official notice to all existing shareholders of the Company on their pre-emptive right to subscribe for the offer shares is published in the newspaper Latvijas Vestnesis in accordance with the consent by the Finance and Capital Markets Commission to conduct a public offering regarding the new offer shares. In addition to announcement to the existing shareholders determined at the Allocation Time, publication shall be made to announce the public offering of new offer shares within the Retail Offering in Latvia.

6.1.2 The First Stage subscription application term shall be 1 (one) month from subscription commencement day. In case that the last day of the First Stage is a weekend or holiday, the subscription application shall be completed on the next business day.

### **6.2 Second Stage:**

6.2.1 The Second Stage subscription, based on the applications already submitted by the existing shareholders of the Company, shall be conducted on the next business day after completion of the First Stage. The term of subscription application within Second Stage is 1 (one) business day between 9:00 am and 10:00 am local time.

6.2.2 For the Second Stage subscription application, the existing shareholders of the Company shall not be required to submit an additional application after the completion of the First Stage, provided that such existing shareholder has submitted through a member of the Riga Stock Exchange an application for the additional subscription which exceeds the total number of shares such shareholder would be entitled to purchase in the First Stage. Existing shareholders who have not submitted applications for subscription to the new issue shares in the First Stage shall not have the right to submit an application in the Second Stage, but this shall not preclude these shareholders from participating in the Retail Offering without any preemptive rights.

### **6.3 Third Stage:**

6.3.1 The Third Stage subscription shall commence immediately after completion of the Second Stage on the same business day, and it will last for 4 (four) hours until 14:00 local time, enabling the Riga Stock Exchange to pass the application results of the Retail Offering and the Institutional Offering to the Company. The Company has the right to commence the Retail Offering and the Institutional Offering, and the Manager has the right to distribute information on the new issue shares to investors before the completion of subscription of the First Stage and Second Stage and to collect application forms before the expiration of the term of the Third Stage. Before completion of the Third Stage, all subscription orders by investors may be revoked according to common security trade rules of the corresponding Riga Stock Exchange member.

6.3.2 The application forms submitted within the Retail Offering and the Institutional Offering shall not constitute subscription for the new issue shares until the Board of Directors of the Company has announced successful completion of the offering and allocation and has declared the purchase price for the new offer shares as well as called for commencement of the settlement.

6.4 The Board of Directors of the Company shall adopt a decision on successful completion of the subscription. If pursuant to the opinion of the Board of Directors the Third Stage applications have not produced sufficient interest for subscription, the Board of Directors shall have the right to suspend continuation of the Offering and to decide on the completion of the offering partially, or to cancel the new issue of shares entirely.

6.5. In the event that the aggregate demand for the new issue shares exceeds the available number of new issue shares, confirmation on subscription to the new issue shares for each of the existing shareholders, the participants of the Retail Offering and the Institutional Offering shall be issued by the Board of Directors of the Company pursuant to its decision on an allocation list, and it shall distribute the shares under the following principles:

(i) first, the applications of the existing shareholders of the Company determined at the Allocation Time for the preemptive rights shall be satisfied within the limit of their subscription request, which is proportional to the total of the par value of shares owned by such shareholders at the Allocation Time, up to the number of shares indicated in the subscription application, and provided that the price per share indicated in the subscription request is equal to or higher than the purchase price of shares approved by the Board of Directors of the Company;

(ii) second, the applications for subscription from the existing shareholders of the company at the Allocation Time shall be reviewed in which the request for additional subscription is expressed, and such shareholders shall be allocated the maximum available number of shares for the purchase price approved by the Board of Directors of the Company, provided that the price indicated in the shareholder application is equal to or higher than the purchase price of the new issue shares. If the number of shares available is insufficient to satisfy all additional subscription applications of the existing shareholders, the said applications shall be satisfied in proportion to the total par value of shares owned by such applying shareholders at the Allocation Time.

(iii) third, the applications within the Retail Offering which contain the price indication that is equal to or higher than the purchase price for the new issue shares approved by the Board of Directors of the Company shall be satisfied. If the number of available shares is insufficient to satisfy the entire amount of shares for which the

applications have been made, the Board of Directors of the Company shall allocate the shares in proportion to the number of shares indicated in the investor's application form for which the investor would be willing to subscribe for and to purchase.

(iv) fourth, the applications within the Institutional Offering shall be satisfied in which the price indication is equal to or higher than the share purchase price approved by the Board of Directors of the Company. The Board of Directors of the Company reserves the right to allocate the new issue shares among the participants of the Institutional Offering at its own discretion.

## **7. MANNER AND TERM OF PAYMENT FOR THE SHARES**

7.1 All new issue shares of the Company must be paid up in immediately available funds. Pursuant to instructions of the Riga Stock Exchange members, the existing shareholders and participants of the Retail Offering who have applied for the Offer Shares must block the funds required for payment with the banks or broker companies with whom the securities account has been opened at the maximum rate of the purchase price range at which they have expressed their wish to subscribe the new issue shares.

7.2 The blocked amounts which exceed the pro rata preemptive right of the existing shareholders to acquire the new issue shares, as well as for those Retail Offering participants applications which may not be satisfied, shall be released without delay upon submission of the Riga Stock Exchange information concerning results of issue to its members. Simultaneously, all blocked funds of investors exceeding the total purchase price by incomplete price payment per one share to be purchased by the respective investor, shall be released.

7.3 Regarding all new issue shares of the Company the settlement shall be organized in accordance with the regulations of the Riga Stock Exchange. The transfer of the new issue shares and payments shall be organized by the Latvian Central Depository of Securities in accordance with the Delivery-Versus-Payment (DVP) rules. The new issue shares shall be considered paid-up once the funds required for commencement of the DVP process have been irrevocably blocked for settlement with the accounts of the participants of the LCD.

7.4 If the share issue and subscription pursuant to the decision of the Board of Directors is announced as cancelled, the corresponding Riga Stock Exchange members shall release all blocked amounts for the application to subscription upon receipt of the Riga Stock Exchange information concerning such decision.

## **8. PROCEDURES FOR RECEIPT OF INFORMATION**

8.1 The Riga Stock Exchange shall inform its members on the procedure of submission of the subscription applications (orders) and on the manner of exchange of information. All public announcements by the Company concerning the new issue shares shall be announced within the information exchange system of the Riga Stock Exchange. Additional information on the application of the terms and conditions of the share issue shall be available during business hours from 9:30 until 16:00 as of the first day of the subscription period at the Manager's premises: AS "Parex Banka", Smilšu iela 3, LV-1522, Riga.

8.2 In the case that any individual provision of these Terms becomes impossible to implement or would be found to be in contradiction with the applicable laws or regulations or requirements of the Finance and Capital Markets Commission, the Board of Directors of the Company shall be authorized to adjust the relevant provision in order to retain the effect of these Terms to the extent possible.

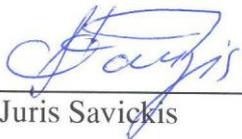
AS Olainfarm  
Chairman of the Board of Directors



---

Valerijs Maligins

AS Olainfarm  
Chairman of the Supervisory Council



---

Juris Savickis