

ANNEX
to the decision of the ordinary
general meeting of shareholders on 08.05.2017
under item 3 on the agenda

TERMS AND CONDITIONS OF ISSUE OF CONVERTIBLE BONDS
(K-BONDS)

To issue **nine hundred (900) convertible bonds** (hereinafter: **K-Bonds**) of AS Baltika (hereinafter: the **Company**) under the terms and conditions as follows:

1. The issuance of K-Bonds is part of the financing plan of the Company and part of K-Bond issuance covers the Company's obligation to return the amounts paid for J-Bonds (the aim of the conditional increase of the share capital).
2. The total offer for K-Bonds is nine hundred (900) K-Bonds, which shall be publicly offered to the existing shareholders and to the Estonian public (hereinafter: **Investor**).
3. The total issuance of K-Bonds shall be nine hundred (900) K-Bonds and the nominal value of each K-Bond will be three thousand one hundred and twenty five (3,125) euros.
4. K-Bonds shall be issued with the total price of four million and five hundred thousand (4,500,000) euros. The issuance price of each K-Bond is five thousand (5,000) euros (hereinafter: **the Issuance Price of K-Bonds**). For each K-Bond **five thousand (5,000)** euros shall be paid to the Company.
5. The list of shareholders, who are entitled to the pre-emptive subscription of K-Bonds, shall be determined on 14 July 2017 at 08.00 a.m. (GMT+2).
6. K-Bonds shall be subscribed during the time period starting from 14 July 2017 at 10.00 a.m. and ending 16 August 2017 at 2.00 p.m. (GMT +2) (hereinafter: **K-Bond Subscription Period**).
7. The subscription of K-Bonds will take place with the signing of the respective subscription order by the Investor and the acceptance of the order by the Management Board of the Company (hereinafter: **Board**).
8. If during the K-Bond Subscription Period not all of K-Bonds are subscribed for, the Board may prolong the subscription period or cancel K-Bonds that have not been subscribed for during the K-Bond Subscription Period.
9. K-Bonds shall be issued by the Company following the maturity of K-Bond Subscription Period provided that Investors have made payments or settled the payment in accordance with the present terms and conditions (hereinafter: **K-Bond Issue Date**).
10. KJK Fund Sicav-Sif has let the Company know that they do not want to subscribe shares under J-Bonds, thus the Company has an obligation to return the amounts paid for the J-Bonds together with accrued interest to KJK Fund Sicav-Sif on 31st of August 2017 at the latest. The Company and KJK Fund Sicav-Sif can offset the amounts payable for J-Bonds and the amounts receivable for K-Bonds. With the settlement KJK Fund Sicav-Sif has offset the payment obligation for K-Bonds in the amount of the settlement. If other J-Bond owners do not want to subscribe shares under J-

Bonds and would like to subscribe K-Bonds instead the Company has a right to settle the J-Bond repayment with accrued interests in the amount that equals to the K-Bonds subscribed by such a J-Bond owner.

11. K-Bonds shall be issued pursuant to present Terms and conditions of issue of convertible bonds on the K-Bond Issue Date. K-Bonds are registered bonds.
12. K-Bonds shall be registered with the Estonian Central Registry of Securities (Eesti Väärtpaberite Keskreister). The Board shall deliver the respective application within three (3) business days to the Estonian Central Registry of Securities from the K-Bond Issue Date.
13. K-Bonds are securities, representing the Company's debtual obligation in the amount of the Issuance Price of the K-Bonds.
14. The owner of K-Bond (the Investor) has the right to transfer K-Bonds to third parties.
15. K-Bonds shall bear interest 6.0% per annum. Calculation of interest for the total amount paid for the K-Bonds shall be based on the actual number of days during the period interest is calculated. The interest period shall commence on the K-Bond Issue Date and shall end on the maturity date of K-Bonds. The interest is paid once after the maturity date of K-Bonds (compound interest) within one (1) month after the Share subscription period.
16. During the period from 15 July 2019 at 10.00 a.m. until 18 August 2019 at 02.00 p.m. (GMT +2) (hereinafter: **the Share Subscription Period**) each owner of the K-Bond has the right to require from the Company that K-Bonds be exchanged against the shares of the Company pursuant to the present Terms and conditions of issue of convertible bonds.
17. Each K-Bond gives to its owner the right to subscribe for fifteen thousand six hundred and twenty five (15,625) shares of the Company with the nominal value of 0.2 euros (hereinafter: **Shares**).
18. Investors shall deliver the applications to subscribe for the shares to the Board in writing and with the delivery of such applications the Shares are subscribed for and Investors may request from the Board to issue the certificate of subscription.
19. The share subscription price is 0.32 euros (hereinafter: **Share Subscription Price**). The Issuance price of the K-Bond shall be calculated as payment for the Share Subscription Price. The amount between Share Subscription Price and nominal value of the share is premium, which is 0.12 euros.
20. After the subscription of Shares, the share capital of the Company may be increased by two million eight hundred and twelve thousand five hundred (2,812,500) euros, meaning by 14,062,500 shares. The Board shall register the conditional increase of the share capital with the commercial register in the amount which equals to the K-Bonds, issued pursuant to the present terms and conditions of the K-Bonds.
21. The Board shall issue the shares and shall deliver to the commercial registry an application in which amount the shares have been issued and share capital increased.

22. In case the Investors do not subscribe for the Shares during the Share Subscription Period, the Investors shall lose the right to acquire Shares and the amount paid for the K-Bonds (5,000 euros for each bond) shall be returned to the Investors within one (1) month after the expiry of the Share Subscription Period. The investors may also decide to convert only some of the bonds they hold in which case the Company shall buy back the bonds not converted for 5,000 euros one (1) month after the expiry of the Share Subscription Period.
23. K-Bond holders are entitled to subscribe for the Shares by themselves. Investors shall notify the Board of the securities account number where the issued and paid Shares should be transferred.
24. Shares subscribed by K-Bond holders (Investors) shall give to each Investor all rights of the shareholder of the Company as of the date of issuance of the Shares.
25. The terms and conditions of the issuance of K-Bonds may be changed by the decision of the general meeting of the shareholders of the Company and upon the consent of the all K-Bond holders (Investors).
26. Other matters related to the K-Bonds are decided by the Council of the Company. The Council and/or the Board shall make all respective decisions in order to register the K-Bonds in the Estonian Central Registry of Securities and Shares in the Estonian Central Registry of Securities and the amount of new share capital in the Commercial Registry.