

ANNEX
to the decision of the ordinary
general meeting of shareholders on 20.04.2012
under item 4 on the agenda

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

To issue **5 000 000 (five million) convertible bonds of AS Baltika** (hereinafter: the **Company**) with the nominal value of 0.30 euros each (**hereinafter: H-Bonds**) with the total value of 1 500 000 euros under the terms and conditions as follows:

1. The entire issue (100%) of the H-Bonds shall, with deviation from the shareholders' pre-emptive rights to subscription, be offered for subscription to **KJK Fund, Sicav-SIF**, registry number B-86729, address 412F, route d'Esch, Luxembourg (via account holderi ING Luxembourg S.A.) (hereinafter: **Investor**).
2. The issuance of H-Bonds is part of the financing plan of the Company (the aim of the conditional increase of the share capital).
3. The total issuance of H-Bonds is 5 000 000 and the nominal value of each H-Bond is 0.30 euros.
4. H-Bonds shall be issued with the total price of 1 500 000 euros in total. The issuance price of each H-Bond is 0.30 euros.
5. H-Bonds have to be paid or settled with the existing Company obligations to the Investor at the time of the subscription to the account of the Company no 221001129507 in AS Swedbank (time and place of payment for H-Bonds and Shares).
6. H-Bonds shall be subscribed with signing the subscription agreement during the time period from 23 April 2012 until 10 May 2012 (hereinafter: **H-Bond Subscription Date**).
7. The subscription of H-Bonds shall take place with the signing of the subscription application by the Investor and the subscriptions are accepted by the Management Board of the Company (hereinafter: the **Board**).
8. H-Bonds shall be issued by the Company following the maturity of H-Bond Subscription Date provided all payments are made in accordance with the present terms and conditions (hereinafter: **H-Bond Issue Date**). Bonds shall be in registered form.
9. H-Bonds are securities, representing the Company's debtual obligation in the amount of the nominal value of the H-Bonds. H-Bonds shall bear 7.5% interest per annum. Calculation of interest shall be based on the actual number of days during the period. The interest period shall commence on the H-Bond Issue Date and shall end on Share subscription date or latest on the maturity date 10 May 2014. Interest payment day shall be on 11 May 2013 and the day after subscription date or on 11 May 2014. Shall the interest not be paid by 11 May 2013, the Company has to pay fine for the delay in the amount of 7.5% per annum.
10. H-Bonds shall constitute direct, unconditional and (subject to the provisions of the terms and conditions of the H-Bonds) unsecured obligation of the Company and

(subject to the provisions of the terms and conditions of the H-Bonds) shall rank with all other outstanding unsecured and unsubordinated obligations of the Company, as of the Issue Date and as of any subsequent date.

11. H-Bonds shall be issued in accordance with these terms and condition of issue of H-Bonds on the H-Bonds Issue Date. Information on the rights and obligations related to H-Bonds (including the names of the H-Bond holders, payments made for H-Bonds or related to H-Bonds) shall be held by the Board.
12. During the period of 11 May 2013 until 10 May 2014 (hereinafter: **Share Subscription Period**) the Investor is entitled to require from the Company that H-Bonds be exchanged against the shares of the Company. Each H-Bond gives the right to be exchanged against one (1) share of the Company with the nominal value of 0.20 euros (hereinafter: the **Shares**).
13. Investor shall deliver the application to subscribe for the shares to the Board in writing and with the delivery of such application the Shares are subscribed for and Investor may request from the Board to issue the certificate of subscription. Investor shall subscribe for the Shares during the Share Subscription Period once for the total amount of H-Bonds.
14. The share subscription price is 0.30 euros (hereinafter: **Share Subscription Price**). The price of the H-Bond paid as the loan 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 0.10 euros.
15. After the subscription of Shares, the share capital of the Company may be increased by 1 000 000 euros, meaning by 5 000 000 shares. The Board shall issue the Shares pursuant to the terms and conditions of H-Bonds and delivers to the registrar of the commercial registry an application in which amount the shares have been issued and share capital increased based on this decision on the conditional increase of the share capital.
16. H-Bonds will be effective until the maturity of the Share Subscription Period. In case the Investor do not subscribe for the Shares during the Share Subscription Period, the Investor shall lose the right to acquire Shares and the amount paid with accrued interests for the H-Bonds shall be returned to the Investor within three (3) months after the maturity of the Share Subscription Period.
17. H-Bond holder is entitled to subscribe for the Shares during the Share Subscription Period only by itself. H-Bond holder (Investor) does not have the right to transfer H-Bonds or the right to subscribe for Shares to third parties. Shares shall be subscribed for only by the Investor. Investor will notify the Board of it's securities account number where the subscribed and paid Shares are to be delivered.
18. Shares subscribed by H-Bond holder (Investor) shall give to the Investor all rights of the shareholder of the Company as of the date of issuance of the Shares.
19. All disputes arising in connection with the H-Bonds are settled in Harju County Court.
20. The terms and conditions of the issuance of H-Bonds may be changed by the decision of the general meeting and upon the consent of the Investor.
21. Other matters related to the H-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 H-Bonds and Shares in the Estonian Central Registry of Securities.