

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
(I-BONDS)

To issue **2 350 000 (two million three hundred and fifty thousand) convertible bonds of AS Baltika** (hereinafter: the **Company**) with the nominal value of 0.01 euros each (**hereinafter: I-Bonds**) with the total value of 23 500 euros under the terms and conditions as follows:

1. The entire issue (100%) of the I-Bonds shall, with deviation from the shareholders' pre-emptive rights to subscription, be offered for subscription to management of Baltika's group of companies (hereinafter: **Managers**). The persons to whom the subscription is offered and the amount of I-Bonds to be offered to the groups of persons, shall be approved by the Supervisory Council (hereinafter: **Council**).
2. The issuance of I-Bonds is part of the motivation scheme of the management of Baltika's group of companies (the aim of the conditional increase of the share capital).
3. I-Bonds shall be issued with the total sales price of 23 500 euros in total. The issuance price of each I-Bond is 0.01 euros.
4. The Council shall determine the persons to whom the subscription is offered and their participation in the total amount of I-Bonds and the Management Board of the Company (hereinafter: the **Board**) shall decide the number of I-Bonds to be offered to each Manager and shall inform the Council about that (persons entitled to participate in the conditional increase of share capital).
5. I-Bonds shall be subscribed with signing the subscription agreements during the time period from 1 June 2012 until 30 June 2012 (hereinafter: **I-Bond Subscription Date**).
6. I-Bonds have to be paid within two (2) weeks from the maturity of I-Bond Subscription Date to the account of the Company no 221001129507 in AS Swedbank, e.g. by 14 July 2012.
7. I-Bonds shall be issued by the Company by the end of maturity of I-Bond Subscription Date. (hereinafter: **I-Bond Issue Date**). I-Bonds shall be in registered form.
8. I-Bonds are securities, representing the Company's debtual obligation in the amount of the nominal value of the I-Bonds.
9. I-Bonds shall not bear any interest.
10. I-Bonds shall constitute direct, unconditional and (subject to the provisions of the terms and conditions of the I-Bonds) unsecured obligation of the Company and (subject to the provisions of the terms and conditions of the I-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. I-Bonds shall be issued in accordance with these terms of issuance of I-Bonds. Information on the rights and obligations related to I-Bonds (including the names of

the I-Bond holders, payments made for I-Bonds or related to I-Bonds) shall be held by the Board. I-Bonds shall be registered to the securities accounts of the Managers in the Estonian Central Registry of Securities before the Subscription Date for the Shares.

12. Each holder of I- Bond shall have the right to demand from the Company that each I-Bond shall be exchanged against one (1) share of the Company.
13. The share subscription period will be 1 July 2015 until 31 December 2015 (hereinafter: **Share Subscription Period**) and during that period the I-Bonds holders are entitled to require from the Company that I-Bonds be exchanged against the shares of the Company. Each I-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**).
14. Should the Managers terminate the employment or resign from the service of a company belonging to the Baltika's group of companies before the Share Subscription Period starts on his /her own initiative, the Manager has to transfer the I-Bonds to the Company and shall receive the amount paid for I-Bonds.
15. The Company has the right to propose to the Manager within 1.5 year to transfer I-Bonds up to 50% to the Company and the Manager has the obligation to transfer I-Bonds to the Company in return for the amount paid for I-Bonds. The Company has such right as indicated in the present clause until 2 January 2014 and thereafter the obligation to transfer I-Bonds to the Company derives only from clause 14 of the present terms and conditions.
16. The Board decides to whom to offer the I-Bonds transferred to the Company pursuant to clauses 14 and 15 in accordance with the decision of the Council on the group of persons and decides the new payment date for the I-Bonds for the Manager and notifies the Council about that.
17. I-Bond holders shall deliver the application to subscribe for the shares to the Board in writing and with the delivery of such request the Shares are subscribed for and I-Bond holders may request from the Board to issue the certificate of subscription.
18. During the Share Subscription Period the I-Bond holders have the right to subscribe for the Shares only by themselves. I-Bonds are not transferable. Shares can be subscribed only by the holders of I-Bonds. The holder of the I-Bond shall inform the Board of the numbers of his/her securities account, where the subscribed and paid in Shares are to be transferred.
19. The share subscription price is the average sales price for the preceding three (3) months from 19.01.2012 -19.04.2012 (hereinafter: **Share Subscription Price**). The average price for the preceding three (3) months means the weighted average price of Baltika share on NASDAQ OMX Tallinn Stock Exchange. The difference between Share Subscription Price and nominal value of I-Bond shall be paid in cash. The price of the I-Bond paid as the loan shall be calculated as part of the payment for the Share Subscription Price. The amount between Share Subscription Price and nominal value of the share is premium.
20. The Share Subscription Price has to be paid in cash at the latest by 31 May 2015 to the bank account of the Company no 221001129507 at AS Swedbank (hereinafter: **Share Payment Time and Place**). The Company shall issue the Shares within five (5) working days after the payment for the Shares.

21. After the subscription of Shares, the share capital of the Company may be increased by 470 000 euros, meaning by issuing two million three hundred fifty thousand (2 350 000) shares. The Board shall issue the Shares pursuant to the terms and conditions of I-Bonds and shall deliver to the registrar of the commercial registry an application in which amount the shares have been issued and share capital increased based on the present decision on the conditional increase of the share capital.
22. I-Bonds will be effective until the maturity of the Share Subscription Period. I-Bond holders who do not subscribe for the Shares during the Share Subscription Period shall lose the right to acquire Shares and the amount paid for the I-Bonds shall be returned to the holder of I-Bond.
23. Shares subscribed by I-Bond holders shall give to the I-Bond holder all rights of the shareholder of the Company as of the date of issuance of the Shares.
24. All disputes arising in connection with the I-Bonds are settled in Harju County Court.
25. The terms and conditions of the issuance of I-Bonds may be changed by the decision of the general meeting and upon the consent of the majority of I-Bonds.
26. Other matters related to the I-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 I-Bonds and Shares in the Estonian Central Registry of Securities.