**Opinion of the supervisory board of Aktsiaselts BALTIKA on takeover offer**

This opinion of the supervisory board (the “**Supervisory Board**”) of Aktsiaselts BALTIKA (“**Baltika**”) has been issued on 16 September 2019, in accordance with subsection 171 (2) of the Estonian Securities Market Act and Chapter 9 of regulation No. 71 of the Estonian Minister of Finance, dated 28 May 2002, “The Rules of Takeover Bids” in connection with the mandatory takeover offer made by KJK Fund SICAV-SIF (in liquidation) (the “**Bidder**”) on 3 September 2019 for the acquisition of shares of Baltika (the “**Offer**”).

The members of the Supervisory Board are Jaakko Sakari Mikael Salmelin (the chairman of the Supervisory Board), Lauri Kustaa Äimä, Reet Saks and Tiina Mõis.

The Supervisory Board, having reviewed the prospectus and notice of the Offer, is of the following opinion:

1. **Contracts and other relationships between the Bidder and the members of the Supervisory Board and Management Board**

Of the members of the Supervisory Board, Jaakko Sakari Mikael Salmelin and Lauri Kustaa Äimä have relationships with the Bidder. Jaakko Sakari Mikael Salmelin and Lauri Kustaa Äimä are managers and partners of KJK Management SA, the fund manager of the Bidder. Jaakko Sakari Mikael Salmelin and Lauri Kustaa Äimä have not entered into any agreements with the Bidder.

There are no contracts or relationships between the Bidder and the members of the management board of Baltika (the “**Management Board**”), nor the other members of the Supervisory Board (Reet Saks and Tiina Mõis).

1. **The election or appointment of members of the Supervisory Board and Management Board**

The term of office of the members of the Supervisory Board Jaakko Sakari Mikael Salmelin, Lauri Kustaa Äimä, Reet Saks and Tiina Mõis was last extended by the general meeting of shareholders of Baltika on 16 May 2018. The proposal for the extension of the term of office of the members of the Supervisory Board was made jointly by the Management Board and Supervisory Board.

The term of office of the member of the Management Board Maigi Pärnik-Pernik was last extended by the Supervisory Board at the meeting of Supervisory Board on 22 March 2017, on the proposal of the chairman of the Supervisory Board, Jaakko Sakari Mikael Salmelin.

Member of the Management Board Mae Leyrer was appointed to the Management Board by the Supervisory Board at the meeting of Supervisory Board on 14 March 2019, on the proposal of the chairman of the Supervisory Board, Jaakko Sakari Mikael Salmelin, which the chairman of the Supervisory Board made on the recommendation of the Management Board.

1. **Conflicts of interests and measures for managing risks**

None of the members of the Supervisory Board or Management Board of Baltika are entitled to receive any benefits, the provision of which would depend on the Offer or the results thereof, and which could cause a conflict of interests for the members of the Supervisory Board or Management Board in connection with the Offer.

Despite the absence of benefits described above, due to the relationships between the Bidder and Jaakko Sakari Mikael Salmelin and Lauri Kustaa Äimä (which have been described in Section 1 above), the occurrence of a conflict of interests is possible for Jaakko Sakari Mikael Salmelin and Lauri Kustaa Äimä in a situation in which the Supervisory Board would adopt resolutions in connection with the Offer. Still, aside from issuing this opinion of the Supervisory Board (the issuing of which the Supervisory Board has unanimously approved), the Supervisory Board has not adopted any resolutions in connection with the Offer and does not foresee a need for adopting resolutions in connection with the Offer in the future. However, if it appears that any resolution in connection with the Offer need to be adopted by the Supervisory Board, the Supervisory Board will analyse the possible risk of a conflict of interests for Jaakko Sakari Mikael Salmelin and Lauri Kustaa Äimä. In case of risk of a conflict of interests, Jaakko Sakari Mikael Salmelin and Lauri Kustaa Äimä would abstain from voting on the relevant resolutions.

1. **Assessment of impact of the Offer on interests of Baltika and employment relationships**

All the members of the Supervisory Board, including both independent members of the supervisory board[[1]](#footnote-1), Reet Saks and Tiina Mõis, are of the opinion that the Offer has no negative impact on Baltika. The Supervisory Board marks that the Offer is made by the Bidder due to its participation in the process of the increase of the share capital and public offering of shares of Baltika (the “**Baltika’s 2019 Public Offer**”) in the course of which the Bidder was issued 46,919,146 new shares of Baltika. As a result, the percentage of all votes represented by the shares of Baltika held by the Bidder at the general meeting of Baltika increased to approximately 89,6939% and, according to subsection 166 (1) of the Securities Market Act, the Bidder became obliged to make a takeover offer to the shareholders of Baltika for acquiring their shares.

Carrying out the Baltika’s 2019 Public Offer and granting new shares of Baltika to the Bidder in the aforementioned amount was necessary to alleviate Baltika’s liquidity problems and bring Baltika’s equity capital into compliance with the Estonia Commercial Code. As the investors’ demand for subscribing for new shares of Baltika in the Baltika’s 2019 Public Offer turned out to be insufficient, the increase of the share capital would have not succeeded to the extent necessary without the participation of the Bidder and issuing to the Bidder the shares in the aforementioned amount. As explained in the Baltika’s 2019 Public Offer prospectus, the failure to increase the share capital in the full amount would have caused issues with maintaining the solvency of Baltika and the business continuation of Baltika would have immediately become a major concern (which, in turn, would have had a negative impact on Baltika, its employees, creditors, and all the existing shareholders of Baltika).

The members of the Supervisory Board, including both independent members of the supervisory board, Reet Saks and Tiina Mõis, are of the opinion that the Offer is not expected to have an impact on the employment relationships of Baltika. According to the Offer documentation, the Bidder intends to continue with the ongoing restructuring plan of Baltika and does not plan to immediately implement other restructuring measures or other changes in the business model or structure of Baltika in addition to what is stated in the restructuring plan. In addition, it is noted in the prospectus of the Offer that the Bidder does not intend to relocate Baltika’s registered address or head office from Tallinn to another location.

1. **Intention of the members of the supervisory board and management board to accept the Offer**

Out of all members of the Management Board and Supervisory Board, only Tiina Mõis and Lauri Kustaa Äimä hold shares of Baltika. Tiina Mõis currently holds (through AS Genteel) 1,297,641 shares of Baltika, representing approximately 2.3995% of all the shares of Baltika. Lauri Kustaa Äimä currently holds (through Kaima Capital Eesti OÜ) 231,578 shares of Baltika, representing approximately 0.4282% of all the shares of Baltika. Tiina Mõis does not intend to sell the shares of Baltika indirectly held by her (through AS Genteel) and Lauri Kustaa Äimä does not intend to sell the shares of Baltika indirectly held by him (through Kaima Capital Eesti OÜ) at this time.

1. **Agreements of the members of the supervisory board and management board**

None of the agreements between Baltika and the members of the Supervisory Board and the Management Board provide for any remunerations or benefits to the members of the Supervisory Board and the Management Board in connection with the Offer or the results thereof.

**ORGANISATIONAL ISSUES**

This opinion of the Supervisory Board will be made available in writing and free of charge at the office of Baltika on business days between 9.00 AM and 5.00 PM at Veerenni street 24, Tallinn, 10135, Estonia, and will also be made available on the Nasdaq Tallinn Stock Exchange website [www.nasdaqbaltic.com](http://www.nasdaqbaltic.com) and on the website of Baltika <http://www.baltikagroup.com>.

**Jaakko Sakari Mikael Salmelin**

**Lauri Kustaa Äimä**

**Reet Saks**

**Tiina Mõis**

1. Independent members of the supervisory board are determined in accordance with regulation No. 71 of the Minister of Finance, dated 28 May 2002, “The Rules of Takeover Bids”. [↑](#footnote-ref-1)