

MERGER REPORT ON AS BALTIKA AND AS VIRULANE

The Management boards of AS Baltika and AS Virulane hereby submit a merger report in accordance with the Commercial Code § 393. The merger and merger agreement, which was concluded between AS Baltika and AS Virulane on 21 June 2012, are legally and economically justified below.

MERGER AGREEMENT

On 21 June 2012, AS Baltika and AS Virulane executed a merger agreement according to which AS Baltika is the acquiring company and AS Virulane the company being merged. Pursuant to the merger agreement AS Virulane, transfers all its assets, rights and obligations to AS Baltika and AS Virulane as the company being merged is considered to be ended in accordance with Section 403(2) of the Commercial Code upon registration of the merger in the Commercial Registry.

The rights and obligations from merger arise as stated in merger agreement.

The merger will have no economic effect on the other subsidiaries of the Group.

ECONOMIC AND LEGAL JUSTIFICATION OF THE MERGER, JUSTIFICATION OF THE CHOICE OF THE MERGER TYPE

The objective of the merger of AS Baltika with its 100% subsidiary AS Virulane is to minimise the administrative management costs of the company being acquired. AS Virulane is dormant entity.

The contemplated merger is an intra-group merger and in the course of the latter, the volume, content and nature of the assets of Baltika group will not be altered. The financial results of the companies involved in the merger are being consolidated in the level of AS Baltika and all the referred financial results have been made available to all the investors of AS Baltika via the information system of NASDAQ OMX Tallinn Stock Exchange.

Due to the fact that AS Baltika holds 100% of the shares in AS Virulane, the management boards have approved such type of a merger stipulated in the Commercial Code, according to which AS Virulane as the company being acquired is merged with AS Baltika as the acquiring company so that the assets (rights and obligations) of AS Virulane shall be transferred to the acquiring company.

INCREASE OF SHARE CAPITAL UPON THE MERGER, SHARE EXCHANGE RATIO

After the merger the acquiring company, will continue under the business name AS Baltika. Upon the merger, share capital of the acquiring company shall not be changed and shares of the company being merged shall become invalid as of making a merger entry in the commercial register.

Maigi Pärnik-Pernik
AS Baltika
Member of the Management Board

Merike Saks
AS Virulane
Member of the Management Board