

**OFFER DOCUMENT**

**TAKEOVER OFFER**

**by**

**KJK FUND SICAV-SIF (IN LIQUIDATION)**

an investment fund established under the laws of  
the Grand Duchy of Luxembourg

**for the acquisition of all shares of**

**AKTSIASELTS BALTIKA**

a public limited liability company established under the laws of the  
Republic of Estonia

**for the price of EUR 0.10 per share**

**16 AUGUST 2019**

## IMPORTANT INFORMATION

This document is an English language translation of the Estonian language prospectus (the "**Prospectus**") for the takeover offer (the "**Offer**") being made by KJK Fund SICAV-SIF (in liquidation) (the "**Bidder**") for the acquisition of the shares of Aktsiaselts BALTIKA ("**Baltika**").

The Offer is being made in accordance with the laws of the Republic of Estonia and will not be subject to any filing with, or approval by, any foreign regulatory authority. The Offer is not being made to persons whose participation in the Offer requires that an additional offer document is prepared or registration effected or that any other measures are taken in addition to those required under the laws of the Republic of Estonia. In the event of any inconsistency between the contents of the Estonian version and this translation, the provisions of the Estonian version shall prevail.

This Prospectus may not be published or distributed, and the contents of this Prospectus may not be regarded as an offer for acquisition of shares, in any jurisdiction where such offer would not be legal or where the publishing or distributing of this Prospectus would be subject to registration with or approval by any regulatory authority, or contacting any regulatory authority. Any person receiving this Prospectus must independently verify whether any restrictions apply to publishing or distributing of this Prospectus in such specific jurisdiction and fully comply with such restrictions, if any.

Neither this Prospectus nor any other information supplied in connection with the Offer may be considered as a recommendation by the Bidder or any other person to any recipient of this document (including any other information supplied in connection with the Offer) to sell any shares of Baltika (the "**Shares of Baltika**"). Each person contemplating selling any shares should make its own independent investigation of the economic activities, financial condition and affairs of Baltika and its subsidiaries, and its own appraisal of the merits of the Offer.

This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations concerning, amongst other things, activities, events or developments that are believed or anticipated to or may occur in the future, including statements relating to industry trends, business opportunities and on-going commercial arrangements and discussions, as well as any statements about future operating performance, results of operations, financial condition or financial results, prospects, growth and strategies. In some cases, these forward-looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions, although not all forward-looking statements are so identified. By their nature, forward-looking statements address matters that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and outcome, and the actual results of operations and financial condition, and the development of the business sector, may differ materially from those suggested by the forward-looking statements contained in this document for a variety of reasons, including, without limitation, changes in general industry and market conditions, increased competition, changes in customer preferences, legislative or regulatory changes. In addition, even if the results of operations and financial condition, and the development of the industry sector, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. The forward-looking statements contained in this document speak only as of the date of this announcement. The Bidder disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in its expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law.

Unless otherwise specified in this Prospectus, all information contained in this Prospectus is presented as at 16 August 2019 (the "**Filing Date**"), i.e. the date of submission of this Prospectus and the notice of the Offer to the Estonian Financial Supervision Authority (the "**EFSA**") for approval.

## TABLE OF CONTENTS

1	Procedure for Accepting the Offer and Other Terms of the Offer .....	5
1.1	Procedure for Accepting the Offer .....	5
1.2	Shareholder's Right to Withdraw its Acceptance (to Withdraw from the Sales Agreement) ...	7
1.3	Procedure for the Transfer of Shares and Payment of the Purchase Price .....	8
1.4	Other Terms of the Offer .....	8
2	Information on the Bidder .....	9
2.1	General Information .....	9
2.2	Financial Information .....	9
3	Information on the Target Issuer .....	9
3.1	General Information .....	9
3.1.1	Number of employees employed by Baltika Group .....	9
3.1.2	Historical background .....	9
3.2	Corporate Governance .....	10
3.2.1	General Meeting of Shareholders.....	10
3.2.2	Supervisory Board .....	11
3.2.3	Management Board .....	12
3.2.1	Good Corporate Governance .....	13
3.3	Agreements Containing Change of Control Provisions or Other Conditions Triggered by Takeover Bid.....	13
3.4	Financial Information .....	13
4	Background of the Offer .....	14
4.1	Reasons and Purposes of the Offer .....	14
4.2	The Bidder and Persons Acting in Concert with the Bidder .....	15
4.3	Shareholding of the Bidder and Persons Acting in Concert with the Bidder prior to the Offer	15
4.4	The Bidder's Intentions with respect to Baltika.....	15
4.4.1	The Bidder's Intentions with respect to business and structure of Baltika .....	15
4.4.2	Intention to take over the remaining Shares of Baltika and to delist the Shares of Baltika in the future .....	16
4.4.3	Intentions in relation to Registered office of Baltika .....	16
4.4.4	Intentions in relation to changes in the Management Board and Supervisory Board .....	16
4.4.5	Intentions in relation to Employees.....	16
4.5	Description of Shares Constituting the Object of the Offer .....	17
4.6	Restrictions and Special Rights Attaching to the Shares of Baltika .....	17
4.7	Share Options.....	17
4.8	Convertible Bonds .....	18
5	Purchase Price .....	18
5.1	Purchase Price .....	18
5.2	Data Considered for the Determination of the Purchase Price .....	18
5.3	Information on the Financing of the Offer .....	19
6	Publication of Information and the Bidder's Confirmation .....	19
6.1	Publication of Information .....	19
6.2	The Bidder's Confirmation .....	19

## SUMMARY OF THE OFFER

In accordance with the Estonian Rules of Takeover Bids (the "**Rules**"), the Estonian Securities Market Act ("**SMA**") and other laws of the Republic of Estonia, KJK Fund SICAV-SIF (in liquidation) (the "**Bidder**") is offering to acquire all shares (the "**Shares of Baltika**") of Aktsiaselts BALTIKA ("**Target Issuer**" or "**Baltika**") not owned by the Bidder, for the purchase price of EUR 0.10 (ten cents) per share on the following terms and conditions (the "**Offer**"):

<b>Bidder</b>	<p>The Bidder is KJK Fund SICAV-SIF (in liquidation), an investment fund established under the laws of the Grand Duchy of Luxembourg, registration number in the Luxembourg Trade and Company Register B 86 729, having its registered address at 412F, route d'Esch L-1030, the Grand Duchy of Luxembourg.</p> <p>The Bidder is an investment fund managed by KJK Management SA, a public limited company (<i>Société anonyme</i>) established under the laws of the Grand Duchy of Luxembourg, registration number in the Luxembourg Trade and Company Register B-156 627, having its registered address at 9, rue Jean-Pierre Sauvage, L-2514, the Grand Duchy of Luxembourg.</p> <p>On the Filing Date, the Bidder acquired 46,919,146 of new Shares of Baltika as a result of its participation in the recently completed public offering of Shares of Baltika and registration of increase of the share capital of Baltika with the Commercial Register and Estonian Register of Securities ("<b>ERS</b>"). Together with 1,586,845 Shares of Baltika already held by the Bidder prior to such date, representing 38.8982% of all Shares of Baltika, the shareholding held by the Bidder in Baltika increased on the Filing Date to total of 48,505,991 Baltika Shares that grant the Bidder approximately 89,69% of all issued and outstanding Shares of Baltika and of all votes represented by the Baltika Shares at the general meeting of Baltika.</p> <p>The Shares of Baltika which the Bidder holds are held on a nominee account of ING Luxembourg SA (a public limited company (<i>Société anonyme</i>) established under the laws of the Grand Duchy of Luxembourg, registration number in the Luxembourg Trade and Company Register B 6041, having its registered address at 26, Place de la Gare, L-1616, the Grand Duchy of Luxembourg) in Swedbank named "ING Luxembourg S.A. AIF Account". The Shares of Baltika which the Bidder intends to acquire under the Offer shall also be acquired to "ING Luxembourg S.A. AIF Account".</p>
<b>Persons acting in concert with the Bidder</b>	There are no persons acting in concert with the Bidder in relation to this Offer.
<b>Target Issuer</b>	The target issuer is Aktsiaselts BALTIKA, a public limited liability company established under the laws of the Republic of Estonia, registration number in the Estonian Commercial Register 10144415, having its registered address at Veerenni street 24, Kesklinna district, Tallinn, 10135, Harju county, the Republic of Estonia (" <b>Target Issuer</b> " or " <b>Baltika</b> ").
<b>Shares being the object of the Offer</b>	<p>As at the Filing Date, Baltika had issued a total of 54,079,485 registered common shares, each with a nominal value (par value) of EUR 0.10 (ten cents) (the "<b>Shares of Baltika</b>"). All Shares of Baltika are freely transferable. All Shares of Baltika are listed on the Baltic Main List of Nasdaq Tallinn Stock Exchange ("<b>Nasdaq Tallinn</b>") and are registered in the ERS under ISIN EE3100145616. Each Share of Baltika grants the shareholder one vote at the general meeting of shareholders of Baltika (the "<b>General Meeting of Shareholders</b>").</p> <p>The Offer is made in respect of all Shares of Baltika, not held by the Bidder.</p>
<b>Recipients of the Offer</b>	All shareholders of Baltika, other than the Bidder.
<b>Purchase Price</b>	EUR 0.10 per share (the " <b>Purchase Price</b> ").
<b>Offer Acceptance Period</b>	<p>The time period for accepting the Offer shall commence on 3 September 2019 and shall end at 14:00 (Eastern European Summer Time - Estonian time) on 2 October 2019 (the "<b>Acceptance Period</b>").</p> <p>Shareholders wishing to accept the Offer must submit transaction instructions to their securities account operators by such time on 2 October 2019 as specified by the account operators which will enable the account operators to register the instructions in the Nasdaq CSD SE, the registrar of the ERS, by 14:00 (Eastern European Summer Time - Estonian time) on 2 October 2019 at the latest.</p>

<b>Procedure for acceptance of the Offer</b>	Each shareholder wishing to accept the Offer and sell its Shares of Baltika (the " <b>Accepting Shareholder</b> ") must contact the operator of its ERS securities account who operates the securities account on which the Shares of Baltika belonging to such shareholder are held and submit to the account operator a transaction instruction for the sale of its Shares of Baltika in accordance with the terms set forth in the Prospectus.												
<b>Payment of the Purchase Price and transfer of the Shares</b>	<p>Payment of the Purchase Price and transfer of the Shares of Baltika shall be executed on 4 October 2019 (the "<b>Value Date</b>").</p> <p>On the Value Date, the Bidder shall pay to each Accepting Shareholder the Purchase Price for the number of Shares of Baltika sold by such shareholder against the transfer of such relevant Shares of Baltika.</p>												
<b>Offer Timetable</b>	<p>The indicative timetable set forth below provides certain key dates for the Offer:</p> <table border="1"> <tr> <td>2 September 2019</td> <td>Approval of the Offer documents by EFSA</td> </tr> <tr> <td>3 September 2019</td> <td>Publication of Offer documents; Acceptance Period commences</td> </tr> <tr> <td>17 September 2019 at the latest</td> <td>Publication of the Baltika's Supervisory Board opinion on the Offer</td> </tr> <tr> <td>at 14:00 on 2 October 2019</td> <td>End of the Acceptance Period</td> </tr> <tr> <td>4 October 2019</td> <td>Publication of the results of the Offer</td> </tr> <tr> <td>11 October 2019</td> <td>Value Date (settlement of the Offer)</td> </tr> </table>	2 September 2019	Approval of the Offer documents by EFSA	3 September 2019	Publication of Offer documents; Acceptance Period commences	17 September 2019 at the latest	Publication of the Baltika's Supervisory Board opinion on the Offer	at 14:00 on 2 October 2019	End of the Acceptance Period	4 October 2019	Publication of the results of the Offer	11 October 2019	Value Date (settlement of the Offer)
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4 October 2019	Publication of the results of the Offer												
11 October 2019	Value Date (settlement of the Offer)												
<b>Intention to take over the remaining Shares of Baltika and to delist the Shares of Baltika in the future</b>	<p>Provided that the Bidder holds at least 90% of the Shares of Baltika, the Bidder may decide to apply to take over the remaining Shares of Baltika in accordance with § 182<sup>1</sup> of the SMA.</p> <p>If the above referred threshold is not met as a result of the Offer, but is subsequently met due to the acquisition by the Bidder of additional shares by way of purchase, share issue or otherwise after the completion of the Offer, the Bidder may consider pursuing the takeover of the remaining Shares of Baltika in accordance with applicable laws of Estonia, including pursuant to chapter 29<sup>1</sup> of the Estonian Commercial Code.</p> <p>Given the shareholding already held by the Bidder at the Filing Date and assuming that such shareholding will further increase as a result of the Offer and possible subsequent takeover of the remaining Shares of Baltika, the Bidder may decide to seek to have the Shares of Baltika delisted from Nasdaq Tallinn (to be resolved in an Extraordinary General Meeting of Baltika), since the costs and administrative burden relating to the status of Baltika as listed company may no longer be commercially justified. In such case, shareholders still holding Shares of Baltika after delisting will no longer have liquid Shares of Baltika.</p>												
<b>Publication and places of distribution of the Prospectus</b>	<p>The Prospectus has been published on 3 September 2019 in electronic form:</p> <ul style="list-style-type: none"> <li>• on the web page of Nasdaq Tallinn (<a href="http://www.nasdaqbaltic.com">www.nasdaqbaltic.com</a>); and</li> <li>• on the web page of Estonian Financial Supervision Authority (<a href="http://www.fi.ee">www.fi.ee</a>).</li> </ul> <p>The Prospectus and the Notice of the Offer are available on paper at the head office of Baltika at Veerenni street 24, Tallinn, 10135, Estonia.</p>												
<b>Approval by the EFSA</b>	The Prospectus and the Notice of the Offer was submitted to the EFSA for approval on 16 August 2019 (the " <b>Filing Date</b> "). The Prospectus and the terms of the Offer have been approved by the EFSA on 2 September 2019.												

## 1 PROCEDURE FOR ACCEPTING THE OFFER AND OTHER TERMS OF THE OFFER

### 1.1 Procedure for Accepting the Offer

Each shareholder of Baltika (a "**shareholder**") wishing to accept the Offer should contact the securities account operator who operates the Estonian Register of Securities ("**ERS**") securities account on which the Shares of Baltika belonging to such shareholder are held. If the person wishing to accept the Offer

holds Shares of Baltika through a nominee account, it should contact the relevant account operator operating the relevant nominee account.

In order to accept the Offer, the shareholder is required to submit to the account operator a transaction instruction for the sale of shares of Shares of Baltika (the “**Sale Instruction**”) in the form set out below. The period during which shareholders of Baltika may submit Sale Instructions will start at 10:00 am (Eastern European Summer Time - Estonian time) on 3 September 2019 and will end at 14:00 (Eastern European Summer Time - Estonian time) on 2 October 2019 (the “**Acceptance Period**”). The shareholder may use any method that such shareholder’s account operator offers to submit the Sale Instruction (e.g. physically at the client service venue of the account operator, over the internet or by other means). The Sale Instruction must include at least the following information:

Owner of the securities account:	name of the shareholder
Securities account:	number of the shareholder’s securities account
Securities account operator:	name of the shareholder’s securities account operator
Security:	Baltika common share
ISIN code:	EE3100145616
Number of securities:	the number of Shares of Baltika which the shareholder wishes to sell (to be determined by the shareholder)
Price per share:	EUR 0.10
Transaction amount:	the number of Shares of Baltika which the shareholder wishes to sell multiplied by the Price per share
Counterparty:	ING Luxembourg S.A. AIF Account
Counterparty’s securities account operator:	Swedbank AS
Counterparty’s securities account number:	99100459960
Value date:	11 October 2019
Type of transaction:	sale

The Shares of Baltika which the Bidder intends to acquire under the Offer shall be acquired to a nominee account of ING Luxembourg SA in Swedbank named “ING Luxembourg S.A. AIF Account”, which is also the account on which the Bidder holds the Shares of Baltika owned by it prior to the announcement of the Offer. Accordingly, ING Luxembourg S.A. AIF Account shall be indicated on the Sale Instruction as the counterparty receiving the Shares of Baltika.

Each shareholder who wishes to accept the Offer is required to submit the Sale Instruction specified above by such deadline on 2 October 2019 as specified by the account operator who operates the ERS securities account on which the Shares of Baltika belonging to such shareholder are held that will enable the account operator to register the instructions in ERS by the end of the Acceptance Period, i.e. 14:00 (Eastern European Summer Time - Estonian time) on 2 October 2019 at the latest.

The acceptance by the shareholder to sell the Shares of Baltika to the Bidder, as specified in the Sale Instruction, shall be deemed to have been given and taken effect from the moment the registrar of the

ERS has registered the transaction instruction of the relevant shareholder (the “**Accepting Shareholder**”) submitted by its respective securities account operator. From that moment an agreement for the sale of Shares of Baltika specified in the transaction instruction is deemed to have been entered into between the Bidder and the Accepting Shareholder on the terms and conditions specified in the Offer (the “**Sales Agreement**”).

If the person accepting the Offer is acting in a fiduciary, agency or other capacity as an intermediary, then by registering the transaction instruction pursuant to the terms of the Offer it is further deemed to represent and warrant that it has full investment discretion with respect to the shares covered by the acceptance, including to accept the Offer, to submit the Sale Instruction and to enter into the Sales Agreement.

Each shareholder of Baltika submitting the Sale Instruction must ensure that all information contained in the Sale Instruction is correct, complete and legible. The Bidder reserves the right to reject any Sale Instructions which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Acceptance Period in accordance with all requirements set out in this Section 1 (Procedure for Accepting the Offer and Other Terms of the Offer).

By registering a Sale Instruction every Accepting Shareholder:

- confirms that he/she/it has read the Prospectus;
- accepts the terms and conditions of the Offer set out in Section 1 of the Prospectus and agrees that such terms will be applicable to the sale of Shares of Baltika by the Accepting Shareholder's to the Bidder;
- undertakes to transfer the number of shares of Baltika he/she/it has noted in the Sale Instruction to the Bidder in accordance with the terms and conditions of the Offer, in exchange for the Purchase Price;
- confirms that the Shares of Baltika that the Accepting Shareholder wishes to sell to the Bidder will be transferred to the Bidder free and clear of any pledges, encumbrances, restrictions and any other rights of third persons that could be exercised with respect to the Bidder, and free and clear of any other claims of any third persons which could be submitted against the Bidder.
- authorises and instructs his/her/its securities account operator to forward the investor's Sale Instruction to the registrar of the ERS;
- confirms, that he/she/it is not subject to the laws of any jurisdiction which would prohibit the placing of the Sale Instruction and entering into the Sales Agreement, and represents that it is authorised to place a Sale Instruction and enter into the Sales Agreement in accordance with the Prospectus;
- confirms that the Sale Instruction shall be unconditional, shall not include any reservations, and shall be irrevocable from the time when the Sale Instruction are binding on the Accepting Shareholder, subject to the provisions of the Prospectus;
- shall be deemed to have accepted any lawful extension of the Acceptance Period and any new Value Date for the transfer of Shares of Baltika and payment of the Purchase Price that the Bidder may determine and announce in connection with a competing offer made in respect of the Shares of Baltika, as well as any increase of the Purchase Price that the Bidder may determine and announce. The aforesaid does not exclude or restrict in any way the right of any shareholder to withdraw from the Sales Agreement in accordance with the terms of the Offer (including with Section 1.2 of the Prospectus) and applicable law.

## **1.2 Shareholder's Right to Withdraw its Acceptance (to Withdraw from the Sales Agreement)**

Should any other bidder announce a takeover bid with respect to the Shares of Baltika during the term of the Offer (the “**Competing Offer**”), each shareholder shall have the right to choose between the offers as set forth in § 181 of the SMA and, in order to do so, each Accepting Shareholder shall have the right

to withdraw from the Sale Instruction submitted in the course of this Offer and the Sales Agreement entered into in the course of this Offer until the end of the Acceptance Period.

If a Competing Offer is made, the term of this Offer and the Acceptance Period shall automatically extend until expiry of the term of the Competing Offer and, if necessary, the Bidder shall announce a new Value Date for the transfer of Shares of Baltika and payment of the Purchase Price.

If the Bidder increases the Purchase Price after the Offer has been made public, then pursuant to § 7(3) of the Estonian Takeover Bid Rules (the “**Rules**”), such increase shall also retroactively apply to the Accepting Shareholder that accepted the Offer before the increase of the Purchase Price. Pursuant to § 7(5) of the Rules, the Accepting Shareholder having submitted the Sale Instruction has a right to withdraw from the aforementioned act in the event of retroactive legal acts, i.e. such shareholders have a right to withdraw from the Sales Agreement concluded prior to the increase of the Purchase Price and consider accepting the Offer with the increased Purchase Price pursuant to the Prospectus.

Each Accepting Shareholder wishing to withdraw from the Sales Agreement on the grounds set forth above will have to revoke the Sale Instruction submitted to its securities account operator before the end of the Acceptance Period, i.e. by 14:00 (Eastern European Summer Time - Estonian time) on 2 October 2019 at the latest. The withdrawal by the Accepting Shareholder from the Sales Agreement is deemed to have taken effect from the moment when the registrar of ERS has annulled the Sale Instruction of the respective Accepting Shareholder based on the annulment instruction received from such shareholder’s securities account operator by the above-mentioned time.

### **1.3 Procedure for the Transfer of Shares and Payment of the Purchase Price**

The Shares of Baltika sold by each Accepting Shareholder to the Bidder on the basis of this Offer shall be transferred from each Accepting Shareholder to the Bidder on the Value Date simultaneously with and against transfer of the Purchase Price for such Shares of Baltika to the cash account of such Accepting Shareholder.

The above-referenced procedure for the transfer of Shares of Baltika and payment of the Purchase Price satisfies the requirements of § 17(2) of the Estonian Takeover Bid Rules, stipulating that the shares to be acquired by the Bidder may not be transferred to the securities account of the Bidder before the Purchase Price has been paid for such shares.

### **1.4 Other Terms of the Offer**

The Bidder has agreed to acquire Shares of Baltika in the course of the Offer and pay the Purchase Price for the relevant Shares of Baltika on the condition that the relevant Shares of Baltika will be transferred to the Bidder free and clear of any pledges, encumbrances, restrictions and any other rights of third persons that could be exercised with respect to the Bidder, and free and clear of any other claims of any third persons which could be submitted against the Bidder.

All rights to and arising from the Shares of Baltika transferred by each Accepting Shareholder to the Bidder in the course of the Offer shall transfer from such Accepting Shareholder to the Bidder from the moment of payment of the Purchase Price for the respective Shares of Baltika by the Bidder to such Accepting Shareholder in accordance with the terms of the Offer. All Shares of Baltika will transfer to the Bidder in the course of the Offer together with all rights attaching thereto whether exist at the time of transfer or arise in the future.

If the Bidder acquires Shares of Baltika after this Offer has been made public and before the results of this Offer have been made public at a price higher than the Purchase Price, or if the Bidder otherwise decides to increase the Purchase Price in accordance with the Rules, then such higher price shall be retroactively extended to this Offer. In this case the terms of the Offer shall be changed and the change published in accordance with the Rules.

This Offer and all acceptances given and transactions entered into in the course thereof shall be governed by the laws of the Republic of Estonia. Any disputes arising in connection with the Offer and/or



the acceptances given and transactions entered into in the course thereof shall be settled in the competent court of the Republic of Estonia.

## 2 INFORMATION ON THE BIDDER

### 2.1 General Information

The Bidder, KJK Fund SICAV-SIF (in liquidation), is a closed-end investment fund established under the laws of the Grand Duchy of Luxembourg. The objective of the Bidder is to build a diversified portfolio of equity investments principally in Estonia, Latvia and Lithuania.

### 2.2 Financial Information

Annual reports of the Bidder for the financial years ended on 31 December 2016, 2017 and 2018 are attached hereto as Annex 1.

## 3 INFORMATION ON THE TARGET ISSUER

### 3.1 General Information

The Target Issuer is Aktsiaselts BALTIKA, a public limited liability company established under the laws of the Republic of Estonia, registration number in the Estonian Commercial Register 10144415, having its registered address at Veerenni street 24, Kesklinna district, Tallinn, 10135, Harju county, the Republic of Estonia ("**Baltika**" and together with its direct and indirect subsidiaries, the "**Baltika Group**").

According to the information published by Baltika, Baltika Group, headquartered in Tallinn and founded in 1928, is a Baltic fashion brand house. Baltika Group operates under five fashion brands: Monton, Mosaic, Baltman, Bastion and Ivo Nikkolo. Baltika Group employs a vertically integrated business model, which means that it controls the design, manufacturing and retail sale stages of its business processes.

Baltika is the ultimate holding company of Baltika Group and is listed on Nasdaq Tallinn. Baltika Group further includes OÜ Baltika Retail, OÜ Baltman, SIA Baltika Latvija, UAB Baltika Lietuva, OY Baltinia AB and Baltika Sweden AB, which are all directly or indirectly fully owned by Baltika.

#### 3.1.1 Number of employees employed by Baltika Group

According to the annual reports of Baltika for the financial years ended on 31 December 2016, 2017 and 2018 (the "**Annual Reports**"), the number of employees employed by Baltika Group as at the end of each financial year covered by the Annual Reports was as follows:

	As at 31.12.2018	As at 31.12.2017	As at 31.12.2016
Number of employees	1,049	1,026	975

#### 3.1.2 Historical background

According to the information provided in the prospectus prepared and published by Baltika in relation to the public offering of shares of Baltika issued as part of the share capital increase (the "**Baltika 2019 Public Offering**"), published on 15 July 2019 (the "**Public Offering Prospectus**"), the key historical milestones of Baltika are the following:

1928	Gentleman established in Tallinn as producer of raincoats
1959	Company is restructured and renamed Baltika, producing formal menswear

1988	Production of ladies' wear begins
1991	Baltika Group is privatised
1993	First store opened in Lithuania
1994	First store opened in Russia
1996	First store opened in Latvia
1997	Baltika listed on the Nasdaq Tallinn
2000	First stores opened in Ukraine and Poland
2002	Strategic turnaround into vertically integrated fashion retailer begins
2006	Baltika acquires Estonian well-known designer brand Ivo Nikkolo
2008	Baltika celebrates its 80 <sup>th</sup> anniversary
2012	Baltika opens the online store AndMoreFashion Baltika acquires the brand Bastion Baltika sells the Baltika quarter and terminates its real estate management activities
2014	Baltika carries out a public offering of bonds, in relation to which 600 bonds with the aggregate nominal value of 3,000,000 were offered.
2017	Baltika opens its first retail store in Finland, in the Iso Omena shopping mall
2019	Baltika's Supervisory Board approves Baltika's action plan for 2019 and 2020. The main parts of the action plan are the optimisation of the Group's brand portfolio and sales channels, digitisation and change of the Group's supply base. The optimisation of the Group's brand portfolio, simplification of business processes and cessation of production in Estonian production units is planned to decrease the Group's fixed costs by 2 mEUR during the next 12 months.  Baltika prematurely terminates its franchise agreements with Ukrainian and Belarussian partners and exit the said markets, due to the declining sales volume on those markets, caused by the complex political and economic situation in Ukraine and Belarus.

### 3.2 Corporate Governance

The governing bodies of Baltika are:

- the General Meeting of Shareholders of Baltika (the "**General Meeting of Shareholders**");
- the supervisory board of Baltika (the "**Supervisory Board**"); and
- the management board of Baltika (the "**Management Board**").

#### 3.2.1 General Meeting of Shareholders

The General Meeting of Shareholders is the highest managing body of the Baltika. General Meetings are ordinary and extraordinary. An ordinary General Meeting of Shareholders shall be held once a year, within six months after the end of the financial year, at the time and place determined by the management board. The management board shall call an extraordinary General Meeting if:

- the net assets of the Baltika are less than the amount permitted by law; or

- this is demanded by shareholders whose shares represent at least one-tenth of the share capital; or
- this is demanded by the supervisory board or the auditor.

The Management Board shall, at least three (3) weeks prior to the day of the ordinary General Meeting of Shareholders and at least one (1) week prior to the day of the extraordinary General Meeting of Shareholders, publish a notice of the General Meeting of Shareholders through the web sites of Nasdaq Tallinn and Baltika, as well as in one national daily newspaper.

The General Meeting of Shareholders has a quorum if at least over one-half of the votes represented by shares are present at the meeting, unless the law prescribes a greater majority. Resolutions are adopted if over one-half of the votes represented at the General Meeting of Shareholders are in favour, unless the law or the articles of association of Baltika prescribe a greater majority.

### 3.2.2 Supervisory Board

The Supervisory Board is responsible for the strategic planning of the activities of Baltika and focuses on supervising the activities of the Management Board. The Supervisory Board informs the General Meeting of Shareholders of the results of its supervision. According to the articles of association of Baltika, the Supervisory Board determines the agenda of General Meetings of Shareholders, presents to the General Meeting of Shareholders written opinions on the annual accounts prepared by the Management Board, reviews once every four months the overviews prepared by the Management Board regarding the economic activities and financial condition of Baltika, makes proposals to the General Meeting regarding each item on the agenda of the General Meeting, elects and recalls members of the Management Board, determines the amount of remuneration of the Management Board members and relevant payment terms, appoints and recalls procurators, approves the budget of Baltika and decides making transactions (including terms of such transactions) with members of the Management Board or holding disputes against members of the Management Board and appointing of a representative of Baltika in such transaction or dispute.

According to the articles of association of Baltika, the Supervisory Board of Baltika comprises three to seven members elected by the General Meeting of Shareholders of Baltika for the term of three years.

Currently the Supervisory Board consists of the following four members:

**Jaakko Sakari Mikael Salmelin (chairman)** – a member of the Supervisory Board since 21 June 2010 and the chairman of the Supervisory Board since 23 May 2012. Mr Salmelin is a Partner at KJK Capital Oy and has a Master of Science degree in finance from the Helsinki School of Economics. According to the Public Offering Prospectus, as at 15 July 2019, Mr Salmelin did not hold any Shares of Baltika and as confirmed by Baltika, to the knowledge of Baltika, Mr Salmelin also did not hold any Shares of Baltika as at Filing Date.

**Lauri Kustaa Äimä** – a member of the Supervisory Board since 18 June 2009. Mr Äimä is the Managing Director of Kaima Capital Oy and has a Master's degree in economics from the University of Helsinki. According to the Public Offering Prospectus, as at 15 July 2019, Mr Äimä held 2,459 Shares of Baltika (on Kaima Capital Eesti OÜ's account). As confirmed by Baltika, to the knowledge of Baltika, Mr Äimä held 231,578 Shares of Baltika (on Kaima Capital Eesti OÜ's account) as at Filing Date.

**Reet Saks** – a member of the Supervisory Board since 25 March 1997. Mrs Saks is an attorney at Ellex Raidla Advokaadibüroo OÜ and has a degree in law from the University of Tartu. According to the Public Offering Prospectus, as at 15 July 2019, Mrs Saks did not hold any Shares of Baltika and as confirmed by Baltika, to the knowledge of Baltika, Mrs Saks also did not hold any Shares of Baltika as at Filing Date.

**Tiina Mõis** – a member of the Supervisory Board since 3 May 2006. Mrs Mõis is the Chairman of the management board of AS Genteel and has a degree in economical engineering from Tallinn University of Technology. According to the Public Offering Prospectus, as at 15 July 2019, Mrs Mõis held 97,784 Shares of Baltika (on AS Genteel's account). As confirmed by Baltika, to the knowledge of Baltika, Mrs Mõis held 1,297,641 Shares of Baltika (on AS Genteel's account) as at Filing Date.

### 3.2.3 Management Board

The Management Board is responsible for everyday management of Baltika. The key obligations of Management Board members include representing and directing Baltika, adhering to the lawful instructions (resolutions) of the Supervisory Board and obtaining the consent (resolution) of the Supervisory Board for matters exceeding the scope of day-to-day business activities, submitting to the Supervisory Board a review of the Baltika's business activities and economic situation at least once every four months as well as notifying immediately of the material deterioration of the economic situation of Baltika and other similar circumstances relating to Baltika (regular reporting requirements). In addition, the Management Board is responsible for organising the accounting and compiling the annual accounts of Baltika and calling and preparing meetings of shareholders. The Management Board is also required to ensure the implementation of the resolutions of the higher managing bodies (the Supervisory Board and the General Meeting of Shareholders).

Upon performance of their duties, the Management Board members are required to act with due diligence, performing their duties with sufficient skill and in a manner commensurate with their knowledge and abilities. The Management Board members must act to maximise the benefits to Baltika and to prevent any losses. Transactions that are beyond the day-to-day business of Baltika require the consent of the Supervisory Board or, in exceptional cases set forth in applicable law or stock exchange regulations, the General Meeting of Shareholders.

To the knowledge of the Bidder, the Management Board has been authorised by the resolutions of the General Meeting of Shareholders of Baltika to increase the share capital of Baltika as follows:

- According to the resolutions of the General Meeting of Shareholders from 27 April 2015, the Management Board has been authorised to increase the share capital of Baltika by up to EUR 200,000, to up the maximum amount of EUR 8,358,970, to carry out the share option program approved by the said General Meeting of Shareholders. In the event new shares are issued in full on the basis of previous resolutions on conditional increase of the share capital, the new amount of the share capital may be up to EUR 10,028,970.
- According to the resolutions of the General Meeting of Shareholders from 8 May 2017, the Management Board has been authorised to increase the share capital of Baltika, upon subscription of shares in connection with the issue of convertible bonds approved by the said General Meeting of Shareholders, by up to EUR 2,812,500, by issuing up to 14,062,500 new shares. The new amount of the share capital may be up to EUR 10,971,470.
- According to the resolutions of the General Meeting of Shareholders from 16 May 2018, the Management Board has been authorised to increase the share capital of Baltika by up to EUR 100,000, to up to the maximum amount of EUR 7,157,610, to carry out the share option program approved by the said General Meeting of Shareholders.

To the knowledge of the Bidder, the Management Board has not been authorised to repurchase Shares of Baltika.

According to the articles of association of Baltika, the Management Board of Baltika comprises of two to five members elected by the Supervisory Board for the term of three years. Any member of the Management Board may be recalled by the Supervisory Board at any time, irrespective of the reason thereto. Any member of the Management Board may resign from his office, irrespective of the reason thereto, by giving respective notice to the Supervisory Board.

Currently, the Management Board consists of the following two members:

**Mae Leyrer** – a member of the Management Board since 22 March 2019. Mrs Leyrer acts as the chief executive officer of Baltika and is responsible for the sales, marketing and retail business processes in Baltika. Mrs Leyrer has a Global Executive Master of Business Administration degree from the University of Vienna and Carlson School of Management of the University of Minnesota. According to the Public Offering Prospectus, as at 15 July 2019, Mrs Hansen did not hold any Shares of Baltika and as confirmed

by Baltika, to the knowledge of Baltika, Mrs Leyrer also did not hold any Shares of Baltika as at Filing Date.

**Maigi Pärnik-Pernik** – member of the Management Board since 30 March 2011. Mrs Pernik is responsible for product development and support functions in Baltika. Mrs Pernik has a degree in economics from Tallinn University of Technology. According to the Public Offering Prospectus, as at 15 July 2019, Mrs Pernik did not hold any Shares of Baltika and as confirmed by Baltika, to the knowledge of Baltika, Mrs Pernik also did not hold any Shares of Baltika as at Filing Date.

To the knowledge of the Bidder, the service agreements concluded between Baltika and the members of the Management Board prescribe for severance pay to the members of the Management Board, ranging from 3-18 month's salary, depending on the period of being a member of the Management Board. To the knowledge of the Bidder, there are no statutory provisions and rules for termination of service relationships of the members of the Management Board as a result of this Offer.

### 3.2.1 Good Corporate Governance

Baltika is required to generally observe the principles of the Estonian Corporate Governance Recommendations (available at: [https://www.fi.ee/failid/HYT\\_eng.pdf](https://www.fi.ee/failid/HYT_eng.pdf)) and disclose any non-compliances from such principles in its annual Corporate Governance Recommendations Report. The Corporate Governance Recommendations Reports are included in the Management Report section of Baltika's annual reports.

### 3.3 Agreements Containing Change of Control Provisions or Other Conditions Triggered by Takeover Bid

As at the time of launching the Offer, the Bidder already holds dominant influence over Baltika and thus, the Offer shall not result in the Bidder gaining of a dominant influence over Baltika. The Bidder has not been made aware by Baltika of any material agreements to which Baltika is a party and which would change or terminate upon the Bidder increasing its shareholding in Baltika as a result of a takeover bid.

### 3.4 Financial Information

According to the Public Offering Prospectus, at 31 March 2019, the total assets of Baltika Group amounted to 31,353 TEUR (thousand euros). Current assets totalled 12,037 TEUR and non-current assets 19,316 TEUR. The liabilities amounted to 32,728 TEUR and equity to -1,375 TEUR. All amounts brought out in this paragraph are based on unaudited, consolidated financial information of Baltika.

Key financials in comparative table for past 3 years, according to the Public Offering Prospectus:

TEUR	31.12.2018, audited, consolidated	31.12.2017, audited, consolidated	31.12.2016, audited, consolidated
Total assets of Baltika Group	14,995	17,842	18,919
<i>Current assets</i>	12,001	13,258	13,471
<i>Non-current Assets</i>	2,994	4,584	5,448
Liabilities	14,928	12,656	13,954
Equity	67	5,186	4,965
Revenue from continuing operations	44,691	47,459	46,993

Net profit (loss)	-5,119	58	177
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The Bidder and Baltika have concluded two loan agreements which are valid at the date hereof: (i) a loan agreement under which the Bidder granted to Baltika a long-term loan referred to in Section 4.8 of this Prospectus, with the maturity date 20 May 2022, the principal sum of EUR 4,044,960 and with an interest rate of 6% per annum; and (ii) a loan agreement under which the Bidder granted to Baltika a short-term working capital loan, with the maturity date 16 August 2019, the principal sum of EUR 3,000,000 and with an interest rate of 6% per annum. In the opinion of the Bidder, these loans have no impact on the Offer. In the opinion of Baltika, these loans have a positive impact on Baltika as they help finance Baltika's working capital need and increase Baltika's liquidity.

Further financial information on Baltika is available on Nasdaq Tallinn (<https://www.nasdaqbaltic.com/market/?instrument=EE3100145616&list=2&currency=EUR&pg=details&tab=reports>) and on Baltika's web page (<http://www.baltikagroup.com/investors/reports/>).

## 4 BACKGROUND OF THE OFFER

### 4.1 Reasons and Purposes of the Offer

On the Filing Date, the Bidder acquired 46,919,146 of new Shares of Baltika as a result of its participation in the recently completed public offering of Shares of Baltika and registration of increase of the share capital of Baltika with the Commercial Register and ERS. Together with 1,586,845 Shares of Baltika already held by the Bidder prior to such date, the shareholding held by the Bidder in Baltika increased as at the Filing Date to total of 48,505,991 Baltika Shares that granted the Bidder approximately 89,69% of all issued and outstanding Shares of Baltika and of all votes represented by the Baltika Shares at the general meeting of Baltika. Based on the above, the Bidder have acquired as from the Filing Date dominant influence over Baltika within the meaning of § 167(1) of the SMA.

The Bidder agreed to participate in the share capital increase and public offering of Shares of Baltika and to subscribe for Shares of Baltika in excess of its pro rata shareholding in Baltika at the relevant time, in order to ensure that Baltika will be able to allocate and issue all new shares offered in the course of the relevant public offering and share capital increase. According to the information provided by Baltika in the Public Offering Prospectus, increasing the share capital of Baltika in the aforementioned amount was necessary in order to alleviate the liquidity problems and bring the net assets of Baltika in compliance with the Commercial Code. In the case of failure to increase the share capital as intended, the maintenance of solvency and business continuation of Baltika would have immediately become a major concern and Baltika might not be able to fulfil its obligations in the normal course of business.

Based on the Public Offering Prospectus of Baltika, the outcome of the public offering and the precise number of Shares of Baltika allocated to the Bidder depended on the number and size of the subscriptions from other investors of Baltika. The Bidder was allocated the above-mentioned number of Shares of Baltika, and accordingly gained dominant influence over Baltika, due to the fact that the interest from the other investors and shareholders of Baltika to subscribe for the Baltika Shares in the course of the Baltika 2019 Public Offering proved to be very low. If the other shareholders of Baltika had subscribed for the Baltika Shares pro rata with their existing shareholding in the Baltika, the Bidder's shareholding percentage would not have changed and the Bidder would not have gained the dominant influence over Baltika. Furthermore, the Bidder may not have gained dominant influence over Baltika either if there had been substantial oversubscriptions from other shareholders for Baltika Shares offered in the course of the Baltika 2019 Public Offering.

According to § 166(1) of the SMA, a person who has acquired dominant influence over the target issuer either directly or together with other persons acting in concert is required to make a takeover bid for all shares of the target issuer within 20 days as of acquiring the dominant influence.

The purpose of this Offer is to fulfil the Bidder's obligation deriving from the SMA, and to provide to the minority shareholders of Baltika an opportunity to dispose of their Shares of Baltika in a situation where the Bidder has acquired dominant influence over Baltika.

## **4.2 The Bidder and Persons Acting in Concert with the Bidder**

The Bidder is KJK Fund SICAV-SIF (in liquidation), an investment fund established under the laws of the Grand Duchy of Luxembourg, registration number in the Luxembourg Trade and Company Register B 86 729, having its registered address at 412F, route d'Esch L-1030, the Grand Duchy of Luxembourg.

The Bidder is an investment fund managed by KJK Management SA, a public limited company (*Société anonyme*) established under the laws of the Grand Duchy of Luxembourg, registration number in the Luxembourg Trade and Company Register B-156 627, having its registered address at 9, rue Jean-Pierre Sauvage, L-2514, the Grand Duchy of Luxembourg.

There are no persons acting in concert with the Bidder in relation to this Offer. More detailed information about the Bidder is provided in Section 2 above. Further information about the Bidder and its activities can also be obtained from the websites <https://www.kjkmanagement.com> and <https://www.kjkcapital.com/>.

The Bidder has not concluded with third persons any agreements for acquiring shares of Baltika, which would become enforceable upon the occurrence or non-occurrence of certain circumstances.

## **4.3 Shareholding of the Bidder and Persons Acting in Concert with the Bidder prior to the Offer**

As at Filing Date, the Bidder held total of 48,505,991 Baltika Shares that grant the Bidder approximately 89,69% of all issued and outstanding Shares of Baltika and of all votes represented by the Baltika Shares at the general meeting of Baltika.

The Shares of Baltika which the Bidder holds are held on a nominee account of ING Luxembourg SA (a public limited company (*Société anonyme*) established under the laws of the Grand Duchy of Luxembourg, registration number in the Luxembourg Trade and Company Register B 6041, having its registered address at 26, Place de la Gare, L-1616, the Grand Duchy of Luxembourg) in Swedbank named "ING Luxembourg S.A. AIF Account". The Shares of Baltika which the Bidder intends to acquire under the Offer shall also be acquired to "ING Luxembourg S.A. AIF Account".

## **4.4 The Bidder's Intentions with respect to Baltika**

### **4.4.1 The Bidder's Intentions with respect to business and structure of Baltika**

With the exception of measures described below, the Bidder intends to proceed with the ongoing restructuring plan of Baltika for the years 2019-2020 approved by the Supervisory Board of Baltika. The main objective of the restructuring plan is to reduce company's costs and to change its cost structure with a view to ensuring a sustainable business model for the company future operations. The main actions under the restructuring plan are the optimisation of the Group's brand portfolio and sales channels, digitisation and change of the Group's supply base. According to the Public Offering Prospectus, Baltika plans to use 2 million euros from the proceeds from the public issue to cover costs of closure of production in Estonia, K-bonds redemption, digitisation and optimization of the brand portfolio.

Other than as envisaged under the restructuring plan, the Bidder does not intend any other immediate change in the business and structure of Baltika Group. The Bidder intends to add value to Baltika Group by supporting Baltika Group to pursue organic growth to ensure the success of Baltika Group's restructuring.

#### **4.4.2 Intention to take over the remaining Shares of Baltika and to delist the Shares of Baltika in the future**

Provided the Bidder holds at least 90% of the Shares of Baltika following the completion of the Offer, the Bidder may decide to apply to take over the remaining Shares of Baltika for a price not lower than the Purchase Price in accordance with § 182<sup>1</sup> of the SMA, and respectively, hold an extraordinary General Meeting of Shareholders for that purpose. Such resolution of the extraordinary General Meeting of Shareholders may be made within 3 months after the expiry of the Acceptance Period. The resolution of the extraordinary General Meeting of Shareholders regarding the takeover of the remaining Shares of Baltika is adopted if at least 9/10 of the votes represented by the shares are in favour. If such resolution is adopted following the lapse of the 3-month period after the expiry of the Acceptance Period, 95/100 of the votes represented by shares shall be in favour of such resolution.

If the above referred threshold is not met as a result of the Offer, but is subsequently met due to the acquisition by the Bidder of additional shares by way of purchase of shares, share issues or otherwise after the completion of the Offer, the Bidder may consider pursuing the takeover of the remaining Shares of Baltika in accordance with applicable laws of Estonia, including pursuant to chapter 29<sup>1</sup> of the Estonian Commercial Code.

Given the shareholding already held by the Bidder at the Filing Date of the Prospectus and assuming that such shareholding will further increase as a result of the Offer and possible subsequent takeover of the remaining Shares of Baltika, the Bidder may decide to seek to have the Shares of Baltika delisted from Nasdaq Tallinn (to be resolved in an Extraordinary General Meeting of Baltika), since the costs and administrative burden relating to the status of Baltika as listed company may no longer be commercially justified. In such case, shareholders still holding Shares of Baltika after delisting will no longer have liquid Shares of Baltika.

In case there are still other shareholders in Baltika apart from the Bidder at the relevant time, the notice to convene the extraordinary General Meeting of Shareholders for deciding on delisting will be published on Nasdaq Tallinn and Baltika, as well as in one national daily newspaper, together with the resolution proposals. No higher quorum requirements for resolving delisting is set forth by the Rules, SMA or any other Estonian law or Nasdaq Tallinn rule. Thus, the extraordinary General Meeting of Shareholders is competent to adopt the delisting resolution if more than half of the votes represented by the shares at the extraordinary General Meeting of Shareholders vote in favour.

#### **4.4.3 Intentions in relation to Registered office of Baltika**

The Bidder does not intend to relocate Baltika's registered address or head office from Tallinn to another location, or to relocate or close key parts of Baltika's business.

#### **4.4.4 Intentions in relation to changes in the Management Board and Supervisory Board**

Currently, the Bidder does not envisage any changes in relation to the Management Board and Supervisory Board, other than that the Bidder is considering to propose to the General Meeting of Baltika a decision to increase the amount of members of the Supervisory Board and if approved, propose a candidate to such new position. At the same time, the Bidder does not exclude any future changes to the Management Board or Supervisory Board.

#### **4.4.5 Intentions in relation to Employees**

With the exception of proceeding with implementing the restructuring plan of Baltika, currently, the Bidder does not envisage any material changes in employment relationships for any employees of Baltika as a result of the Offer.



The Bidder is not aware of any agreements between Baltika and its employees providing for benefits for dismissal or dismissal without a valid reason and there is no legislation or regulation for the termination of an employment relationship as a result of this Offer.

#### **4.5 Description of Shares Constituting the Object of the Offer**

As at the Filing Date, i.e. 16 August 2019, the registered share capital of Baltika was EUR 5,407,949, which was made up of 54,079,485 registered common shares registered common shares, each with a nominal value (par value) of EUR 0.10 (ten cents).

All Shares of Baltika are freely transferable. All Shares of Baltika are listed in the Baltic Main List of Nasdaq Tallinn (with the ticker BLT1T) and are registered in the ERS under ISIN EE3100145616.

Each Share of Baltika gives the shareholder the right to participate in the General Meeting of Shareholders, in the distribution of profit, in the distribution of the remaining assets upon dissolution of Baltika, as well as other rights stipulated in the applicable law and the articles of association of Baltika. Each Share of Baltika grants the shareholder one vote at the General Meeting of Shareholders.

The Offer is made in respect of all Shares of Baltika, not held by the Bidder, being 5,573,494 Shares of Baltika representing approximately 10.31% of all Shares of Baltika, subject to the terms and conditions set forth in this Prospectus.

#### **4.6 Restrictions and Special Rights Attaching to the Shares of Baltika**

The articles of association of Baltika do not set forth restrictions to the transfer of Shares of Baltika.

The Bidder is not aware of agreements between Baltika and its shareholders or between the shareholders of Baltika that would restrict the transfer of Shares of Baltika.

Baltika has issued only one class of shares and all outstanding Shares of Baltika rank equally in all respects. Baltika has not issued any preferred shares.

The articles of association of Baltika do not provide for any special rights to any specific shareholder upon the election or removal of Supervisory Board members, or restrictions on any specific shareholder's voting rights.

The articles of association of Baltika may be amended by a resolution of shareholders approved by at least 2/3 of votes represented at the General Meeting of Shareholders of Baltika.

#### **4.7 Share Options**

On 27 April 2015, the General Meeting of Shareholders decided to approve Baltika's share option program and to conditionally increase the share capital of AS Baltika by issuing additionally up to one million (1,000,000) registered shares with the nominal value of 0,20 euros and with the issuance price of 0.20 euros per each share. The eligible persons of the respective share option program were the members of the Management Board of Baltika who were the members of the Management Board in 2015 – 2016. Under the relevant share option program, the options entitling to receive 900,000 Shares of Baltika were issued to members of the Management Board. As at the Filing Date all relevant options are outstanding and have not been converted into Shares of Baltika. The option holders have the right to exercise the issued option after three year period following the issue of the option (signing the relevant option agreement with Baltika), whereas the share options can be exercised within two years thereafter.

In addition, on 16 May 2018, the General Meeting of Shareholders decided to approve Baltika's new share option program and to conditionally increase the share capital of Baltika by issuing up to 1,000,000 Shares of Baltika with a nominal value of EUR 0.10 (ten cents), with a subscription price of EUR 0.10 (ten cents). The share options will be granted under the new share option program amongst others, to the members of the Management Board of Baltika and vest three years after signing the option agreement, subject to the fulfilment of the share price increase of the option agreement.

## 4.8 Convertible Bonds

Baltika has in August 2017 issued 889 convertible bonds (the “**Convertible Bonds**”), with issuance price of EUR 5,000 per Convertible Bond, i.e. in the aggregate amount of total of EUR 4,500,000. The Convertible Bonds carry an annual interest rate of 6% and the term of the Bonds is two years. Holders of Convertible Bonds have a right to exchange the Convertible Bonds for Shares of Baltika at the end of the term of the Convertible Bonds. Each Convertible Bond gives to its owner the right to subscribe for 15,625 Shares of Baltika with the subscription price of 0.32 euros. The Convertible Bonds were issued in the course of public offering to Baltika’s shareholders and to the public in Estonia.

On 20 May 2019, the Bidder and Baltika entered into an agreement to convert the 720 Convertible Bonds held by the Bidder (constituting 81% of all of Baltika’s Convertible Bonds) into a long-term loan from the Bidder to Baltika, which is due on 20 May 2022 and carries an annual interest rate of 6%.

The rest of the Convertible Bonds (i.e. 169 in total) are not held by the Bidder and will become redeemable on 16 August 2019 under the terms of the Convertible Bonds, unless the maturity of the Convertible Bonds is extended in accordance with their terms or by agreement with the holders of the relevant Convertible Bonds.

## 5 PURCHASE PRICE

### 5.1 Purchase Price

The Purchase Price offered by the Bidder to the shareholders of Baltika in this Offer is EUR 0.10 per Share of Baltika (the “**Purchase Price**”).

### 5.2 Data Considered for the Determination of the Purchase Price

The Purchase Price offered by the Bidder was determined in accordance with § 174 of the SMA, on the basis of subsection (2) of §174 if the SMA (which stipulates that the purchase price of a share which serves as the object of a mandatory takeover bid and is stated in the mandatory takeover bid shall be fair) and (3) of §174 if the SMA (which stipulates that the fair price payable for a share which serves as the object of a takeover bid within the framework of a mandatory takeover bid shall be the highest price that the offeror or persons acting in concert with the offeror have paid for such share within the six months prior to the offer).

Within six months prior to the Offer, the highest price at which the Bidder has acquired the Shares of Baltika is EUR 0.10 per Share, which is the price at which the Bidder subscribed for and was allocated the new Shares of Baltika in the Baltika 2019 Public Offering, as a result of which it acquired dominant influence over Baltika and which led to the obligation of the Bidder to make the Offer.

Apart from the subscription for the new Shares of Baltika at the price of EUR 0.10 per share in the Baltika 2019 Public Offering, the Bidder or persons acting in concert with the Bidder have not acquired any Shares of Baltika within the six months prior to the Offer. Thus, the Purchase Price is equal to the highest price that the Bidder and persons acting in concert with the Bidder have paid for Shares of Baltika within the six months prior to the Offer, and accordingly meets the conditions of subsection (2) and (3) of §174 of the SMA.

The Purchase Price is fair, and should not be adjusted based on any other criteria, also for the following reasons:

- The Purchase Price is equal to the subscription price of the new Shares of Baltika publicly offered by the Baltika to its existing shareholders and other retail and institutional investors in Estonia in the course of the Baltika 2019 Public Offering. The relevant subscription price was determined as the fair price for the new Shares of Baltika by the Management Board for the purposes of the relevant Baltika 2019 Public Offering and the share capital increase, and was approved by a vast majority of shareholders at the General Meeting of Shareholders held on 12 April 2019 (according to the market announcement by Baltika regarding the results of the

General Meeting of Shareholders, 99.27% of all shares present at the relevant General Meeting of Shareholders voted in favour of carrying out the share capital increase at the price of EUR 0.10 per Share of Baltika). Thus, the Purchase Price equal to the relevant subscription price satisfies the fair price criteria for the purposes of the SMA.

- Furthermore, the fact that demand for new Shares of Baltika at the price of EUR 0.10 per share in the Baltika 2019 Public Offering was very low and, according to the information disclosed in the 12 August 2019 market announcement by Baltika, in addition to the subscription from the Bidder, only 3,379,570 new Shares of Baltika (out of 50,000,000 new Shares of Baltika which were offered) were subscribed for, indicates that investors generally consider the price of EUR 0.10 per Share of Baltika to be currently even higher than the fair value.
- In addition to the above, the Purchase Price substantially exceeds the book value of the Shares of Baltika. According to the Baltika's unaudited financial results (second quarter and 6 months of 2019) published by Baltika by way of market announcement on 18 July 2019, as at 30 June 2019 the book value was negative and was equal to EUR -0.49 per Share of Baltika. According to the same market announcement, the book value of Shares of Baltika calculated based on the pro forma equity anticipated to be achieved following the full realisation of the share issue and public offering of Shares of Baltika is EUR 0.056 per Share of Baltika.

### **5.3 Information on the Financing of the Offer**

All Shares of Baltika acquired by the Bidder under the Offer will be paid for in cash. The Bidder will finance the Offer with own funds. The amount of EUR 557,349.4 necessary to pay the Purchase Price for all Baltika Shares not owned by the Bidder is deposited in the bank account of the Bidder with ING Luxembourg SA (a public limited company (*Société anonyme*) established under the laws of the Grand Duchy of Luxembourg, registration number in the Luxembourg Trade and Company Register B 6041, having its registered address at 26, Place de la Gare, L-1616, the Grand Duchy of Luxembourg).

Considering the existence of own funds mentioned above, the Bidder confirms that it will have sufficient funds to pay the Purchase Price for all shares at the completion of the Offer.

## **6 PUBLICATION OF INFORMATION AND THE BIDDER'S CONFIRMATION**

### **6.1 Publication of Information**

This Prospectus has been published in electronic form on the web pages of the Nasdaq Tallinn Stock Exchange (<http://www.nasdaqbaltic.com>) and the Estonian Financial Supervision Authority ([www.fi.ee](http://www.fi.ee)).

The Prospectus and the Notice of the Offer are available on paper at the head office of Baltika at Veerenni street 24, Tallinn, 10135, Estonia.

### **6.2 The Bidder's Confirmation**

The Bidder hereby confirms that, to the best of its knowledge, the information provided in the Prospectus is correct and accurate as at the Filing Date (or as at the dates specifically referred to in the Prospectus) and nothing of material importance has been omitted from the Prospectus that could affect the accuracy of the information provided.

**Annex 1**

**ANNUAL REPORTS OF THE BIDDER FOR THE FINANCIAL YEARS  
ENDED ON 31 DECEMBER 2016, 2017 AND 2018**

**KJK Fund S.A., SICAV-SIF**

**Société d'Investissement à Capital Variable  
Fonds d'Investissement Spécialisé**

**Luxembourg**

**Financial statements and independent auditor's report**

**For the year ended December 31, 2016**

No subscription can be received on the basis of the financial statements alone. Subscriptions are only valid if made on the basis of the current prospectus, accompanied by the latest annual report and the most recent semi-annual report, if published thereafter

The prospectus, the statutes, the annual report are made available to the shareholders at the custodian bank and at the Fund's registered office as well as at the financial servicing institutions identified in this report. They will also be sent free of charge to anyone who so requests.

The information given in this report is for reference purposes only. It is not a guide to future results.

Luxembourg B 86.729

## **TABLE OF CONTENTS**

<b>MANAGEMENT AND ADMINISTRATION</b>	<b>2-3</b>
<b>MANAGEMENT REPORT</b>	<b>4-5</b>
<b>ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND (UNAUDITED)</b>	<b>6-7</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>8-9</b>
<b>STATISTICAL INFORMATION</b>	<b>10</b>
<b>STATEMENT OF NET ASSETS</b>	<b>11</b>
<b>STATEMENT OF OPERATIONS</b>	<b>12</b>
<b>STATEMENT OF INVESTMENTS</b>	<b>13</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>14-20</b>

## **MANAGEMENT AND ADMINISTRATION**

### **Registered Office of the Fund**

KJK Fund S.A., SICAV-SIF  
412F, Route d'Esch  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

### **Management Board**

#### *Chairman*

Mr Kustaa Äimä  
CEO, partner  
KJK Capital Oy

#### *Members*

Mr. Kari Salonen  
Partner  
KJK Capital Oy

Mr. Jaakko Salmelin  
Partner  
KJK Capital Oy

### **Supervisory Board**

#### *Chairman*

Mr Leif Hasager  
Chief Investment Officer  
Formuepleje

#### *Members*

Mr. Karri Mäkitalo  
Director  
KJK Capital Oy

Mr. Antti Palkén  
Director  
OP Insurance & Pension Investments

### **Investment Manager and Alternative Investment Fund Manager**

KJK Management S.A.  
12F, rue Guillaume Kroll,  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

### **Investment Advisors**

KJK Capital Oy  
14C, Kalevankatu  
00100 Helsinki  
FINLAND

UAB Pro Finance  
Odminių Street, 8  
LT 01122 Vilnius  
LITHUANIA

### **Administrative, Domiciliary and Registrar**

SGG S.A.  
412F, Route d'Esch  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

## **MANAGEMENT AND ADMINISTRATION (continued)**

### **Depository and Transfer Agent**

ING Luxembourg S.A.  
52, route d'Ech  
L-2965 Luxembourg  
Grand-Duchy of Luxembourg

### **Independent Auditor**

Ernst & Young S.A.  
35E avenue John F Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

### **Legal Advisor**

Arendt & Medernach  
41A avenue John F Kennedy  
L-2082 Luxembourg  
Grand Duchy of Luxembourg



**KJK Fund - SICAV-SIF**  
*Société anonyme – Fonds d'investissement spécialisé*  
Registered office: 412F, Route d'Esch, L-2086 Luxembourg  
R.C.S. Luxembourg: B.86.729  
(the "Fund")

## MANAGEMENT REPORT

### KJK Fund SICAV – SIF

Year of 2016 was a good year for the Baltic equities. During the first five months of the year all three Baltic markets showed a positive trend. Over the summer, all Baltic markets went sideways as usual, but since October, the markets again performed strongly towards the year end closing 2016 on a very positive note. The Latvian OMX Riga index grew 23.5%, Estonian OMX Tallinn index advanced 19.6% and Lithuanian OMX Vilnius index 14.9%. The pan Baltic OMX Baltic General index was up 18.1% during the year. In comparison, KJK Fund Baltic States full year performance was somewhat lower with a 11.7% increase of the NAV for both B1 and B2 share classes.

Liquidity in the Baltic markets remained rather subdued last year. The combined average daily turnover decreased from EUR 1.1 million in 2015 to ca. EUR 1.0 million last year. Number of trades was also quite low, app. 450 trades a day. The markets saw one new listing as Estonian banking and fund management company LHV Group organized successful IPO on Tallinn Stock Exchange in May.

On the macroeconomic front, despite the slowdown in Russia, the Baltics continued rather decent economic performance thanks to exports and growth in retail sales. The quarterly GDP growth figures varied from 0.8% to 2.7% in Estonia, from 0.5% to 2.6% in Latvia and from 1.8% to 3.1% in Lithuania. In full year comparison, the Lithuanian economy expanded most with GDP growth of 2.2% in 2016. Latvia had 2.0% annual growth and Estonian economy grew 1.6% yoy.

In 2016, Estonian exports grew 2.7% yoy to EUR 11.9 billion while Latvian and Lithuanian exports declined somewhat compared to 2015. Last year Latvian exports declined 0.4% yoy to EUR 10.3 billion and Lithuania's exports fell 1.6% to EUR 22.6 billion. Retail sales grew in all three Baltic countries: average monthly yoy growth rates were 4.0% in Estonia, 1.9% in Latvia and 6.8% in Lithuania. Unemployment which peaked at an average 17.8% in 2010 continued to decline further during the year. The average unemployment rate was 6.8% in Estonia, 7.9% in Lithuania and 9.6% in Latvia last year. Fiscal discipline in the Baltic countries continued to be good and the general government budget balance for 2016 was 0.3% of the GDP positive both in Estonia and Lithuania while budget was in balanced in Latvia. The debt to GDP ratios continued to be among the lowest in European Union: 9.5% in Estonia, 40.1% in Latvia and 40.2% in Lithuania. During last year there were no major credit rating changes. The current sovereign ratings are (Moody's, S&P and Fitch) A1/AA-/A+ for Estonia, A3/A-/A- for Latvia and A3/a-/A- for Lithuania.

Within the portfolio, most of the companies showed decent sales and profit growth during the year. The Fund successfully made four different full exits; the Fund sold all its shares in Linas Agro Group, Baltic Property Trust Optima (pref shares), Utenos Trikotazas and Kitron ASA. In addition, the Fund made several other sale transactions in Olympic Entertainment Group and Amber Trust SCA shares. In addition to above sales, three different portfolio companies; Tallink Group, Harju Elekter and Nordecon, executed significant share capital reductions. Finally, the Fund received dividend income from 12 different portfolio companies over the year.

During the year, the Fund made three separate cash distributions to the shareholders as pro-rata redemptions. Total value of cash distributions was ca. EUR 15 million, which represented ca. 15.1% of year end 2015 NAV. The life of the fund is currently planned to end at the end December 2017 and the manager is actively looking to exit from the remaining holdings of the fund. We shall be updating the shareholders with progress on the exits during the year. Most recently, the Fund paid out an EUR 5.0 million pro rata distribution to shareholders at the end of May.

**KJK Fund - SICAV-SIF**  
*Société anonyme – Fonds d’investissement spécialisé*  
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(the “**Fund**”)

With continuing economic growth foreseen for 2017 and strengthening corporate fundamentals, the manager expects the year 2017 to be a successful year for the Fund.

On behalf of the KJK Fund SICAV-SIF

Kustaa Äimä  
Chairman of the Management Board

Luxembourg, 14 June, 2017

**KJK Fund - SICAV-SIF**  
*Société anonyme – Fonds d’investissement spécialisé*  
Registered office: 412F, Route d’Esch, L-2086 Luxembourg  
R.C.S. Luxembourg: B.86.729  
(the “Fund”)

**ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND (UNAUDITED)**

KJK Management S.A., “the Manager”, was approved as an AIFM on June 9, 2015. The Manager wishes to inform the Investors of certain additional information as required under the AIFMD.

1. Remuneration

The AIFMD requires certain qualitative and quantitative disclosures on remuneration to assist the understanding of the risk profile of KJK Fund SICAV-SIF (the “Fund”).

The primary aim of KJK Management S.A. (the “Manager”) is to achieve excellent investment returns for its clients and believes that this focus on asset performance has been a key contributor to its success in the past and will continue to be so in the future. The Manager believes that fund management organisations with strong alignment structures are going to be best placed to attract, retain and motivate key talent and hence have the greatest likelihood of generating long-term outperformance.

The Manager’s remuneration philosophy reflects this primary aim and is based on rewarding individual contribution whilst ensuring that its investment team remain a cohesive group that retains its team-based culture. The Manager’s goal has been to create a culture which is based upon performance rather than entitlement and long-term business viability rather than short-term personal gain.

The Manager’s remuneration arrangements need to promote effective risk management and be consistent with its risk profile, risk structure and risk strategy.

The table below shows the total remuneration paid to senior management of the Manager in relation to their management of the Fund’s activities. Fixed remuneration consists entirely of fees paid.

	<b>2016</b> €
Fixed remuneration	97.400,00
Variable remuneration	0,00
Total remuneration	97.400,00
Number of beneficiaries	2

The total fees paid to KJK Capital Oy in its capacity as delegated portfolio manager amounted to EUR 429.500,00 in 2016 and KJK Capital Oy is subject to regulatory requirements on remunerations that are equally as effective as those applicable to the Manager under the ESMA guidelines ESMA/2013/232 since KJK Capital Oy is authorised by the Finnish Financial Supervision Authority to provide investment advisory, management and related support services for investment funds and fund management companies in accordance with the MiFID.

The Manager’s remuneration policy is available on request to investors in the Fund and the Manager’s contact details are shown on the administration page at the back of the annual report.

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(the “Fund”)

**ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND (UNAUDITED)**  
**(Continued)**

2. Conflicts of Interest

The Manager has implemented a policy for managing conflicts of interest that is regularly reviewed. The policy identifies potential areas of conflict and seeks to prevent their occurrence and any harmful consequences.

3. Material Changes

The Manager would confirm that there have been no material changes to the items included in Art 21 of the Law of July 12, 2013

4. Risk Profile and the Risk Management Systems

The Manager confirms that the Fund's Risk Profile has not been changed. The risks associated with investment in the Fund are as stated in the Offering Memorandum.

The Manager has updated the Risk Management System in line with AIFMD and CSSF requirements. Details of the Risk Management System may be made available to investors on request at the Registered Office of the Manager.

In conjunction with this, the Manager confirms that no new arrangements have been made for managing the liquidity profile of the Fund. Additionally, there are no assets subject to any special arrangements arising from their illiquid nature.

5. Leverage

The Fund does not employ leverage.

6. Control of non-Listed Companies

The Fund has no controlling interest in any investments.

## Independent auditor's report

To the Shareholders of  
KJK Fund SICAV-SIF  
412F, route d'Esch  
L-2086 Luxembourg

We have audited the accompanying financial statements of KJK Fund SICAV-SIF (the "Fund"), which comprise the statement of net assets as at 31 December 2016 and the statement of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management Board of the Fund's responsibility for the financial statements*

The Management Board of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements and for such internal control as the Management Board determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of KJK Fund SICAV-SIF as of 31 December 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

*Emphasis of matter*

Without qualifying our opinion, we refer to Note 1, Note 2 and Note 11 to these financial statements which explain that the financial statements of KJK Fund SICAV-SIF as of 31 December 2016 have been prepared on a liquidation basis given that the Fund life is expected to end on December 2017. The carrying values of the assets as of 31 December 2016 are thus presented at estimated realisable values and all liabilities are presented at their estimated settlement amounts.

*Other matter*

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Ernst & Young  
Société Anonyme  
Cabinet de révision agréé

A blue ink signature of Alain Kinsch, consisting of stylized, overlapping lines that form a unique, abstract shape.

Alain Kinsch

Luxembourg, 14 June 2017

**KJK Fund, SICAV-SIF – Baltic States**

**STATISTICAL INFORMATION  
as at December 31, 2016**

<b>Total net assets</b>	- as at December 31, 2016	EUR	95,663,262
	- as at December 31, 2015	EUR	99,154,656
	- as at December 31, 2014	EUR	92,525,052

**Net asset value per share**

Capitalisation B1	- as at December 31, 2016	EUR	2,252.63
	- as at December 31, 2015	EUR	2,016.79
	- as at December 31, 2014	EUR	1,695.04

Capitalisation B2	- as at December 31, 2016	EUR	2,252.63
	- as at December 31, 2015	EUR	2,016.79
	- as at December 31, 2014	EUR	1,695.04

Participating share 1	- as at December 31, 2016	EUR	1.00
	- as at December 31, 2015	EUR	1.00
	- as at December 31, 2014	EUR	1.00

Participating share 2	- as at December 31, 2016	EUR	1.00
	- as at December 31, 2015	EUR	1.00
	- as at December 31, 2014	EUR	1.00

**Number of shares**

Capitalisation B1	- as at December 31, 2016	41,218
	- as at December 31, 2015	47,718
	- as at December 31, 2014	52,979

Capitalisation B2	- as at December 31, 2016	1,245
	- as at December 31, 2015	1,442
	- as at December 31, 2014	1,601

Participating share 1	- as at December 31, 2016	5,000
	- as at December 31, 2015	5,000
	- as at December 31, 2014	5,000

Participating share 2	- as at December 31, 2016	5,000
	- as at December 31, 2015	5,000
	- as at December 31, 2014	5,000

**KJK Fund, SICAV-SIF – Baltic States****STATEMENT OF NET ASSETS****as at December 31, 2016****(expressed in EUR)**

	<b>Notes</b>	<u>          </u>
<b>Total assets</b>		<b><u>97,532,234</u></b>
Investments		<u>95,995,877</u>
Securities portfolio		
Listed shares or shares and other variable-yield securities		91,186,121
Undertakings for collective investment		1,149,967
Unquoted shares		1,109,789
Bonds		2,550,000
Liquid assets		<u>951,955</u>
Cash and cash equivalent		951,955
Other assets	3	<u>584,402</u>
Receivables		584,402
<b>Total liabilities</b>		<b><u>(1,868,972)</u></b>
Payables	4	(166,619)
Provision for liquidation	11	(1,702,353)
<b>Net assets at the end of the financial year</b>		<b><u><u>95,663,262</u></u></b>

The accompanying notes are an integral part of these financial statements.



**KJK Fund, SICAV-SIF – Baltic States**  
**STATEMENT OF OPERATIONS**  
**as at December 31, 2016**  
**(expressed in EUR)**

	<b>Notes</b>	
<b>Total income</b>		<b>3,726,238</b>
Investment income		3,725,381
Dividends (net of withholding taxes)		3,556,868
Interest on bonds and loan receivable		168,513
Other income		857
Bank interest		11
Other sundry income		846
<b>Total charges</b>		<b>(2,619,364)</b>
Commission paid		(475,659)
Management fees	5	(425,000)
Custodian fees	6	(50,659)
Administrative expenses		(52,097)
Central administration costs		(52,097)
Taxes		(12,820)
Subscription tax	7	(10,297)
Other taxes		(2,523)
Other expenses	8	(376,435)
Provision for liquidation	11	(1,702,353)
<b>Net investment income</b>		<b>1,106,874</b>
Net realised gain on securities portfolio	9	459,080
Net realised gain on foreign exchange		7,775
Changes in net unrealised gains on securities portfolio	9	9,934,873
<b>Net increase/(decrease) in Net Assets as result of operations of the year</b>		<b>11,508,602</b>
Subscriptions		-
Redemptions		(14,999,996)
Net Assets at the beginning of the year		99,154,656
<b>Net Assets at the end of the year</b>		<b>95,663,262</b>

The accompanying notes are an integral part of these financial statements.

**KJK Fund, SICAV-SIF – Baltic States**

**STATEMENT OF INVESTMENTS**

**as at December 31, 2016**

<b>Listed shares and other variable-yield securities</b>	<b>Quantity</b>	<b>Currency</b>	<b>Acquisition cost</b>	<b>Net realizable value</b>	<b>% Net assets</b>
			<b>EUR</b>	<b>EUR</b>	
<b><u>Estonia</u></b>					
AS Baltika	12,590,914	EUR	6,888,611	3,563,229	3,72%
AS Harju Elekter	1,899,768	EUR	4,491,857	7,223,950	7,55%
As Merko Ehitus	974,126	EUR	6,342,681	6,005,423	6,28%
Ekspress Grupp	4,002,052	EUR	6,530,093	7,305,930	7,64%
Nordecon	2,007,949	EUR	4,675,083	2,670,572	2,79%
Olympic Entertainment Group	1,204,342	EUR	2,222,314	2,143,729	2,24%
PRFoods	4,063,456	EUR	2,483,584	2,655,127	2,78%
Tallink Group Ltd	24,829,806	EUR	7,098,736	22,669,613	23,70%
Tallinna Kaubamaja AS	2,819,980	EUR	17,222,402	23,208,435	24,26%
			<b>57,955,361</b>	<b>77,446,008</b>	<b>80,96%</b>
<b><u>Lithuania</u></b>					
Klaipedos Nafta PVA	8,873,101	EUR	2,461,449	5,552,518	5,80%
Siauliu Bankas	8,494,961	EUR	3,291,636	3,814,237	3,99%
			<b>5,753,085</b>	<b>9,366,755</b>	<b>9,79%</b>
<b><u>Latvia</u></b>					
Latvian Shipping CO	5,000,000	EUR	3,404,274	4,373,358	4,57%
			<b>3,404,274</b>	<b>4,373,358</b>	<b>4,57%</b>
<b>Total listed shares and other variable- yield securities</b>			<b>67,112,720</b>	<b>91,186,121</b>	<b>95,32%</b>
<b>Undertakings for Collective Investments</b>					
<b><u>Luxembourg</u></b>					
Amber Trust SCA- ordinary share	485	EUR	577,218	1,149,967	1,20%
			<b>577,218</b>	<b>1,149,967</b>	<b>1,20%</b>
<b>Total Undertakings for Collective Investments</b>			<b>577,218</b>	<b>1,149,967</b>	<b>1,20%</b>
<b>Unquoted shares</b>					
<b><u>Estonia</u></b>					
Teede Rev- 2	1,800,595	EUR	1,017,004	1,109,789	1,16%
			<b>1,017,004</b>	<b>1,109,789</b>	<b>1,16%</b>
<b><u>Latvia</u></b>					
Reverta (with voting right)	13,545	EUR	50,009	-	0,00%
Reverta (without voting right)	282,980	EUR	950,191	-	0,00%
			<b>1,000,200</b>	<b>-</b>	<b>0,00%</b>
<b>Total Unquoted shares</b>			<b>2,017,204</b>	<b>1,109,789</b>	<b>1,16%</b>
<b>Bonds</b>					
	<b>Maturity</b>	<b>Interest rate</b>	<b>Acquisition cost</b>	<b>Carrying value</b>	<b>% net assets</b>
			<b>EUR</b>	<b>EUR</b>	
AS Baltika	28/07/2017	6,50%	2,550,000	2,550,000	2,67%
			<b>2,550,000</b>	<b>2,550,000</b>	<b>2,67%</b>
<b>Total Bonds</b>			<b>2,550,000</b>	<b>2,550,000</b>	<b>2,67%</b>
<b>Total securities portfolio</b>			<b>72,257,142</b>	<b>95,995,877</b>	<b>100,35%</b>

The accompanying notes are an integral part of these financial statements.

**KJK Fund, SICAV-SIF – Baltic States**  
**NOTES TO FINANCIAL STATEMENTS**  
**as at December 31, 2016 (expressed in EUR)**

**NOTE 1 – GENERAL**

KJK FUND SICAV - SIF (the "Fund" or the "SICAV") is a "*Société d'Investissement à Capital Variable*" ("SICAV") incorporated on March 27, 2002 for an unlimited period as a *société anonyme* (public limited company) in accordance with the Luxembourg law of August 10, 1915 as amended, and is organized since February 22, 2008 in accordance with the Luxembourg law dated February 13, 2007 relating to specialized investment funds ("2007 Law"). The Fund was governed by Part II of the Law of December 20, 2002 until that date. The Fund is considered as an alternative investment Fund ("AIF") within the meaning of the law of July 12, 2013 on alternative investment Fund managers, as amended from time to time (the "AIFM Law").

The Memorandum and Articles of Association of the Fund were published in the *Mémorial, Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg* and filed with the Registry of the Luxembourg District Court where they may be consulted and copies may be obtained upon payment of Registry fees.

The Fund is registered with the Luxembourg Register of Companies under number B 86 729.

The Fund has only one Sub-Fund "KJK Fund, SICAV-SIF – Baltic States" (the "Sub-Fund").

The Sub-Fund is established for a limited period expiring by the end of December 2017, including the two year extension approved by the Supervisory Board on July 6, 2015.

At the expiry of the first year extension in December 2016, the Supervisory Board resolved to decide to continue the Sub-Fund until December, 2017. Accordingly, the Fund will be automatically put into liquidation at that date. Therefore the financial statements of KJK Fund SICAV-SIF as of 31 December 2016 have been prepared on a liquidation basis.

KJK Management S.A. (the "Investment Manager") is responsible for and has authority over all aspects of the Fund's business and investments. The Investment Manager has been incorporated in Luxembourg on October 27, 2010 and is registered with the *Registre de Commerce de Luxembourg* under Number B 156 627. The Investment Manager is also authorized under article 5 of the law of July 12, 2013 on Alternative Investment Fund Managers, with the Commission de Surveillance du Secteur Financier ("CSSF") as an Alternative Investment Fund Manager since June 9, 2015.

The Fund offered the following share classes to the investors:

<b>Shares Name</b>	<b>Description</b>
Capitalisation B1 (EUR)	Capitalisation shares dedicated linked to participating shares 1
Capitalisation B2 (EUR)	Capitalisation shares dedicated linked to participating shares 2
Participating Shares 1 (EUR)	Reserved to the Investment Manager; and or its designees
Participating Shares 2 (EUR)	Reserved to the Investment Manager; and or its designees

The Net Asset Value ("NAV") of the Sub-Fund is calculated on the last business day of each month.

**KJK Fund, SICAV-SIF – Baltic States**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**as at December 31, 2016 (expressed in EUR)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The financial statements have been prepared in accordance with the Luxembourg legal and regulatory requirements (“Luxembourg GAAP”), notably with Title II of the law of December 19, 2002 relating to the register of commerce and companies, bookkeeping, annual company accounts and modification of certain other legal dispositions (the “Accounting Law”), as well as in compliance with valuation principles as per article 28(4) and the reporting principles of articles 52 and 53 and the relating reporting schedule in the Annex of the SIF Law.

As mentioned in Note 1, Since the Fund’s life will end on December 2017 and it is expected that no further extension of life would be decided by the shareholders, the financial statements as at 31 December 2016 have been prepared on a liquidation basis. As such, assets are recorded at net realizable value and liabilities at estimated settlement amounts. Therefore, the Fund has accrued for all expected costs that were not already recorded, provided it has a reasonable basis for estimating those amounts.

**Currency conversion**

The financial statements have been drawn up in Euro (“EUR”) which is the accounting currency of the Sub-Fund. Assets and liabilities expressed in currencies other than EUR are converted into EUR at the exchange rate prevailing as at December 31, 2016.

**Securities valuation**

The securities which are admitted to official stock exchange listing or dealt in on another regulated market or quoted on market characterised by quoted prices that are readily available from an exchange, broker, dealer, industry group, pricing services or regulatory agency, and if those prices represent actual and regularly occurring market transactions on arm’s length basis are valued on the basis of the last available bid price prevailing on the valuation date. If securities are listed on several stock exchanges or markets, the last known bid price on the principal market will be applied.

Investments in open-ended investment funds, either listed or not, are valued on the basis of their last available Net Asset Value per share.

Other securities not listed or not traded on a stock exchange or on any other regulated market and securities listed or traded on such a market but whose last known price is not representative, are valued with prudence and in good faith on the basis of their probable realisation value, using the following guidelines:

- Unquoted securities will be valued based on the realisation value, which will be estimated with prudence and good faith. For private equity investments the guidelines and principles for valuation of portfolio companies set out by Invest Europe (formerly the European Venture Capital Association (“EVCA”)) will be taken into account, with particular consideration of the following factors: investment in companies acquired in the 12 month period prior to the valuation date will be valued at cost, in absence of any events that may result in the acquisition price no longer being representative of the investment’s net realizable value;
- Where a significant transaction, which establishes an arm’s length price has been effected, this transaction will form the basis of valuation;
- Otherwise, unquoted companies will normally be valued by reference to their profits and relevant financial multiples (P/E, P/CF, EV/EBIT, EV/EBITDA) applicable to comparable quoted companies less a suitable discount to reflect the lack of liquidity of the shares. Profits for the purpose of the valuations will be those disclosed in the latest audited accounts taking into consideration subsequent management accounts. In the event that there do not exist appropriate comparable companies, the following methods of valuation will be used:
  - By reference to the relevant and applicable sub-sector average multiple;
  - The Management Board of the SICAV may apply the actual entry multiple paid for the investment to the investments last trading figures;
  - Consideration, if applicable, will also be given to other factors including the asset backing, current year budgeted profits and any other short-term prospects of the sale of shares of the portfolio Fund

**KJK Fund, SICAV-SIF – Baltic States**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**as at December 31, 2016 (expressed in EUR)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)**

**Securities valuation (continued)**

Due to the inherent uncertainty of valuation, the estimated net realizable values of private equity investments may differ significantly from the market values that would have been used had a ready market existed for the investments and these differences could be material.

As at December 31, 2016, the investments held are valued as follows:

<b>Name of investment</b>	<b>Listing status</b>	<b>Basis of valuation</b>
AS BALTIKA	Listed	Market price
AS HARJU ELEKTER	Listed	Market multiples
AS MERKO EHITUS	Listed	Market multiples
EKSPRESS GRUPP	Listed	Market multiples
KLAIPEDOS NAFTA PVA	Listed	Market multiples
LATVIAN SHIPPING CO (LATVIJAS KUGNIECIBA)	Listed	Market multiples
NORDECON	Listed	Market price
OLYMPIC ENTERTAINMENT GROUP	Listed	Market price
PRFOODS	Listed	Market multiples
SIAULIU BANKAS	Listed	Market price
TALLINK GROUP LTD	Listed	Market price
TALLINNA KAUBAMAJA AS	Listed	Market price
AMBER TRUST SCA - Ordinary share	Unlisted	NAV/share
TEEDE REV-2	Unlisted	Market multiples
REVERTA (with voting right)	Unlisted	Net Assets
REVERTA (without voting right)	Unlisted	Net Assets

**Income**

Dividends are accounted for on the ex-date.

Interest is accrued on a daily basis.

**NOTE 3 – OTHER ASSETS**

As at December 31, 2016, other assets are composed of:

	EUR
Interest to be received	408,390
Harju Elekter receivable	132,984
Kitron receivable	34,754
Other receivables	8,274
<b>Total Other Assets</b>	<b>584,402</b>

**KJK Fund, SICAV-SIF – Baltic States**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**as at December 31, 2016 (expressed in EUR)**

**NOTE 3 – OTHER ASSETS (continued)**

The Fund has interest receivable of EUR 408,390 from AS Baltika bonds.

The Harju Elekter receivable, amounting to EUR 132,984 is due to a capital reduction from Harju Elekter.

The Kitron receivable, amounting to EUR 34,754 is relating to a dividend due from Kitron.

**NOTE 4 – PAYABLES**

As at December 31, 2016, payables are composed of:

	EUR
Audit Fees	75,449
SGG Fees	44,597
Management Fees	29,167
Administration Fees	7,500
Custody Fees	4,679
Other payables	2,604
AIFM Fee payable	2,500
VAT payable	123
<b>Total payables</b>	<b>166,619</b>

**NOTE 5 – MANAGEMENT FEES**

In 2015 the Sub-Fund paid a fixed fee of EUR 700,000 per annum to KJK Management SA, the Investment Manager.

On July 31, 2015, the ordinary general meeting of the shareholders resolved to amend section 9 “Management Fee” of Appendix A “KJK Fund SICAV-SIF Baltic States” of the Placement Memorandum as follows:

“In consideration for the management services performed for the benefit of the Sub-Fund, the Investment Manager or its designee is entitled to receive from the Sub-Fund a fixed management fee of three hundred and fifty thousand euros (EUR 350,000.-) per annum, payable monthly in advance in equal portion/amount (excluding transaction and other non-investment management related operating costs and taxes).

Such annual management fee will be paid monthly in advance by the Sub-Fund to the Investment Manager or its designee, as from January 1, 2016. This fixed management fee will be payable whether or not the management of the Sub-Fund is profitable.

An exit complementary management fee of zero point five percent (0.5%) will be added to the fixed management fee on all distributions made / monies returned to shareholders holding Investors Shares B. In 2016, the exit complementary management fee represented EUR 75,000.

In case where the net assets value has decreased substantially and as a result the management fee becomes higher than two percent (2%) of net assets, the Management Board would have to submit the issue to the knowledge of the Supervisory Board prior to convening a general meeting of shareholders to decide on the continuation of the activities of the Sub-Fund and/or revisit the management fee structure.”

**KJK Fund, SICAV-SIF – Baltic States**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**as at December 31, 2016 (expressed in EUR)**

**NOTE 6 – CUSTODIAN FEES**

The depositary bank is remunerated in accordance with the agreement between ING Luxembourg, acting as the custodian, and the SICAV.

**NOTE 7 – SUBSCRIPTION TAX**

The Fund is liable in Luxembourg to a subscription tax (*“taxe d’abonnement”*) of 0.01% per annum. The subscription tax is paid quarterly and calculated on the Net Asset Value at the end of the relevant calendar quarter.

No subscription tax is paid on the Net Assets held by the Fund in other UCIs already subject to that tax in Luxembourg.

**NOTE 8 – OTHER EXPENSES**

As at December 31, 2016, other expenses are mainly composed of

	EUR
Audit Fees	130,024
AIFM expenses	85,994
Extraordinary charges	58,333
Reimbursement of KJK Management S.A. expenses	32,834
Transaction bank charges	31,043
Legal Fees	19,833
Director Fees	9,600
Other Fees	8,774
<b>Total other expenses</b>	<b><u>376,435</u></b>

The AIFM expenses correspond to recharged costs incurred by KJK Management S.A. in its capacity of AIFM of the Fund. These costs consist mainly of internal audit, independent director, legal and compliance expenses, professional insurance and sundry expenses.

The “Reimbursement of KJK Management S.A. expenses” consist of expenses incurred by KJK Management S.A. in its capacity of Investment Manager of the Fund. These expenses relate to portfolio prospection costs and audit related travel expenses.

The caption “Extraordinary charges” refer to the reversal of an undue receivable recorded in 2014.

**KJK Fund, SICAV-SIF – Baltic States**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**as at December 31, 2016 (expressed in EUR)**

**NOTE 9 – REALISED AND UNREALISED GAINS AND LOSSES**

	EUR
<u>Net realised gains on securities portfolio</u>	
Gains	1,929,238
Losses	(1,470,158)
<b>Net realised gains/losses on securities portfolio</b>	<b>459,080</b>
<u>Change in net unrealised gain or (losses) on securities portfolio</u>	
Change in unrealised gains	14,411,711
Change in unrealised losses	(4,476,838)
<b>Net change in unrealised gains/losses on securities portfolio</b>	<b>9,934,873</b>

**NOTE 10 – PERFORMANCE FEES**

Unrealised profits attached to, and proceeds deriving from income from and/or disposals of, Portfolio Investments will be apportioned amongst Investors Shares and Participating Shares, as follows, in order for the Participating Shares to support an incentive/performance compensation benefiting to the holders thereof:

Participating Shares (1). With respect to each Valuation Day after the beginning of the Additional Offering Period, Participating Shares 1 shall be allocated twelve and one half percent (12,5%) of the return of Investors Shares A1 and Investors Shares B1 in excess of the greater of the (i) return of Baltic equity market index and (ii) cumulative 12% p.a., with high watermark and performance assessment starting as at the first day of the Additional Offering Period.

Participating Shares (2). Likewise, with respect to each Valuation Day after the beginning of the Additional Offering Period, Participating Shares 2 shall be allocated twelve and one half percent (12,5%) of the return of Investors Shares A2 and Investors Shares B2 in excess of the greater of the (i) return of 50/50 hybrid of Baltic equity market index and cumulative 12% p.a. and (ii) cumulative 12% p.a.; with high watermark and performance assessment starting as at the first day of the Additional Offering Period.

Participating Shares shall be issued as capitalisation shares, i.e. they will never pay out any dividend. Participating Shares shall never be redeemed by the Sub-Fund, either at the request of Special Investors or otherwise, before December 31, 2011 (the “Participating Shares Lock-Up). After the Participating Shares Lock-Up, Participating Shares shall be redeemed at the request of Special Investors and/or upon decision of the Board with an absolute limit applicable to each Special Investor of fifty percent (50%) of the shareholding position of each Special Investor until the date of the payment of the liquidation proceeds of the Sub-Fund.

The total Net Asset Value of Participating Shares 1 and Participating Shares 2 shall be subject to an overall cap of EUR 3,500,000, Participating Shares 1 and Participating Shares 2 that may have been previously redeemed included.



**KJK Fund, SICAV-SIF – Baltic States**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**as at December 31, 2016 (expressed in EUR)**

**Note 11 – PROVISION FOR LIQUIDATION**

The Manager estimates that the liquidation period will last until December 31, 2018. Accordingly, the Fund accrued all anticipated expenses for the period of liquidation.

The expenses include audit fees, legal fees, management fees / liquidator fees, administration fees, custody fees, publication fees for anticipated period of liquidation and estimated transaction costs linked to the liquidation.

The total liquidation accruals, as of December 31, 2016, amounts to EUR 1,702,353.

**NOTE 12 – CHANGES IN THE COMPOSITION OF THE SECURITIES PORTFOLIO**

These changes are made available to the shareholders at the custodian bank and at the Fund's registered office as well as at the financial servicing institutions identified in this report. They will also be sent free of charge to anyone who so requests.

**NOTE 13 – SUBSEQUENT EVENTS**

There are no material transactions subsequent to the year end.



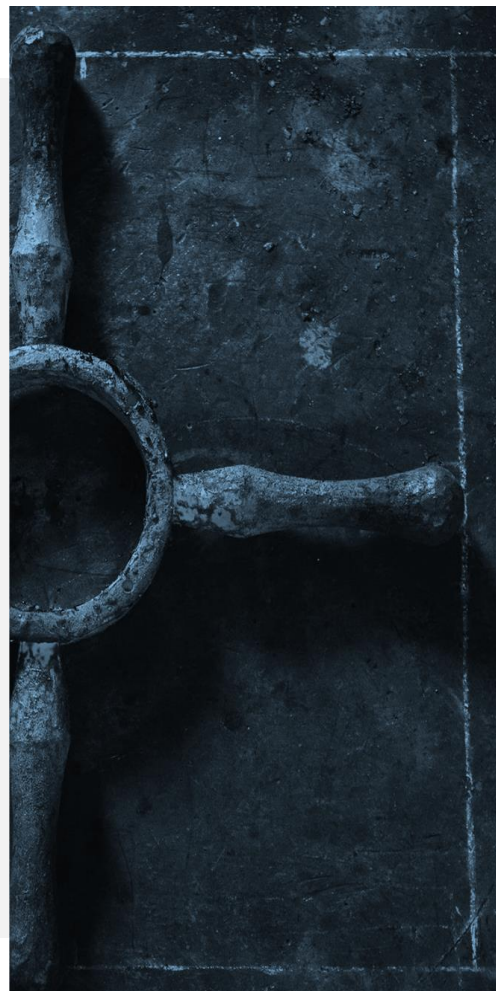
# KJK Fund S.A., SICAV-SIF (in liquidation)

Société d'Investissement à Capital Variable  
Fonds d'Investissement Spécialisé

Luxembourg

Financial statements and independent auditor's report

For the year ended December 31, 2017



*No subscription can be received on the basis of the financial statements alone. Subscriptions are only valid if made on the basis of the current prospectus, accompanied by the latest annual report and the most recent semi-annual report, if published thereafter*

*The prospectus, the statutes, the annual report are made available to the shareholders at the custodian bank and at the Fund's registered office as well as at the financial servicing institutions identified in this report. They will also be sent free of charge to anyone who so requests.*

*The information given in this report is for reference purposes only. It is not a guide to future results.*

Luxembourg B 86.729





## Table of Contents

<b>MANAGEMENT AND ADMINISTRATION .....</b>	<b>2</b>
<b>MANAGEMENT AND LIQUIDATOR'S REPORT .....</b>	<b>3</b>
<b>ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND (UNAUDITED) .....</b>	<b>5</b>
<b>INDEPENDENT AUDITOR'S REPORT.....</b>	<b>7</b>
<b>STATISTICAL INFORMATION .....</b>	<b>10</b>
<b>STATEMENT OF NET ASSETS.....</b>	<b>11</b>
<b>STATEMENT OF OPERATIONS.....</b>	<b>12</b>
<b>STATEMENT OF INVESTMENTS .....</b>	<b>13</b>
<b>NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>14</b>





## MANAGEMENT AND ADMINISTRATION

### REGISTERED OFFICE OF THE FUND

KJK Fund S.A., SICAV-SIF.  
412F, Route d'Esch  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

### MANAGEMENT BOARD (until December 31, 2017)

#### CHAIRMAN

Mr Kustaa Äimä  
CEO, partner  
KJK Capital Oy

#### MEMBERS

Mr. Kari Salonen  
Partner  
KJK Capital Oy

Mr. Jaakko Salmelin  
Partner  
KJK Capital Oy

### SUPERVISORY BOARD (until December 31, 2017)

#### CHAIRMAN

Mr Leif Hasager  
Chief Investment Officer  
Formuepleje

#### MEMBERS

Mr. Karri Mäkitalo  
Director  
KJK Capital Oy

Mr. Antti Palkén  
Director  
OP Insurance &  
Pension Investments

### LIQUIDATOR (from January 1, 2018)

KJK Management S.A.  
12F rue Guillaume Kroll,  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

### INVESTMENT MANAGER AND ALTERNATIVE INVESTMENT FUND MANAGER

KJK Management S.A.  
12F rue Guillaume Kroll,  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

### INVESTMENT ADVISORS

KJK Capital Oy  
14C, Kalevankatu  
00100 Helsinki  
Finland

UAB Pro Finance  
Odminių Street, 8  
LT 01122 Vilnius  
Lithuania

### ADMINISTRATIVE, DOMICILIARY AND REGISTRAR

SGG S.A.  
412F, route d'Esch  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

### DEPOSITARY AND TRANSFER AGENT

ING Luxembourg S.A.  
52, route d'Esch  
L-2965 Luxembourg  
Grand-Duchy of Luxembourg

### INDEPENDENT AUDITOR

Ernst & Young S.A.  
35E, avenue John F Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

### LEGAL ADVISOR

Arendt & Medernach  
41A, avenue John F Kennedy  
L-2082 Luxembourg  
Grand Duchy of Luxembourg





## MANAGEMENT AND LIQUIDATOR'S REPORT

**Dear shareholders,**

### **Equity market performance**

Year of 2017 was good for Baltic equities. The first four months of the year the Baltic markets were relatively flat, but the summer months showed strong positive performance. Markets stabilized again for the last months of the year, but due to the strong summer rally all Baltic markets ended 2017 on a very positive note. The Latvian OMX Riga had the best performance with a 35.6% increase. This was to a large extent thanks to Latvian Shipping Company buy-out offer made by Vitol Netherlands where the offered price was 59.6% higher than market price before the offer. Lithuanian OMX Vilnius index was up 17.0% and Estonian OMX Tallinn index advanced 15.5% during the year. The pan Baltic OMX Baltic General index was up 18.3% for the year. In comparison, KJK Fund Baltic States full year performance showed an 22.2% increase of the NAV for both B1 and B2 share classes.

Liquidity in the Baltic markets remained rather subdued last year. The combined average daily turnover increased from EUR 1.1 million in 2016 to circa EUR 1.2 million last year. Number of trades was also quite low, with approximately 530 individual trades per day. The markets saw one new listing as the Estonian closed alternative investment fund eFTEN Real Estate Fund III AS shares were listed on Tallinn Stock Exchange in November.

### **Macro-economic performance**

On the macroeconomic front, the Baltics continued with solid economic performance thanks to strong exports and growth in industrial output as well as robust retail sales. Estonia's GDP showed the strongest annual gain of 4.9% boosted by 5% gain in Q4 alone, while Latvia's economy grew 4.5% during the year with a 4.2% gain in Q4. Lithuania's annual GDP growth was 3.5% with a Q4 growth of 3.6%.

In 2017 Estonian exports grew 7.5% to EUR 12.8 billion while Latvian exports grew 10.4% to EUR 11.4 billion. Lithuanian exports jumped a whopping 17% compared to 2016 after a slight decline in 2016. Retail sales grew in all three Baltic countries: highest annual growth rate was recorded in Latvia with 7.3%, up from 2.6% in 2016. Lithuania's retail sales grew 5%, down from 6.3% in 2016, followed by Estonia's more modest 2.3% increase, up from 1.8% in 2016. Unemployment which peaked at an average 17.8% in 2010 continued to decline further during the year. The average unemployment rate was 5.3% in Estonia, down from 6.8% in 2016. Lithuania's unemployment dropped from 7.9% to 7.1% in 2017, while Latvia's declined to 8.7% from 9.6%. After robust economic growth and lower unemployment figures, inflation has picked-up expectedly in all three counties for the first time in three years: Estonia's inflation was 3.4%, up from 0.1% in 2016 and deflationary 0.5% in 2015. In Latvia inflation reached 2.9% after 0.1% recorded in 2016. Lithuania recorded 3.9% increase in consumer prices after 0.9% in 2016.

During last year there were no major credit rating changes. The current sovereign ratings are (Moody's, S&P and Fitch) A1/AA-/A+ for Estonia, A3/A-/A- for Latvia and A3/A/A- for Lithuania, with S&P upgrading Lithuania just recently in March 2018 from A- to A.

### **Portfolio performance**

Within the portfolio, most of the companies showed decent sales and profit growth during the year. The Fund successfully made two different full exits; the Fund sold all its shares in Olympic Entertainment Group and Latvian Shipping Company. In addition, the Fund sold part of its Nordecon position. In addition to the above sales, Nordecon executed share capital reduction. Finally, the Fund received dividend income from ten different portfolio companies over the year.





## LIQUIDATOR'S REPORT (continued)

### Distributions and beginning of liquidation period

During the year, the Fund made two separate cash distributions to shareholders as pro-rata redemptions. Total value of cash distributions was ca. EUR 8 million, which represented ca. 8.4% of NAV as of December 31, 2016. On December 14, 2017 the Fund held a General Meeting of Shareholders which formally acknowledged the automatic dissolution of the Fund pursuant to the expiration of the Fund's term at December 31, 2017. KJK Management S.A. has been formally appointed as liquidator and shall be updating the shareholders with progress on the Fund's exits during the liquidation period.

### Outlook

With continuing economic growth foreseen for 2018 and strengthening corporate fundamentals, the Liquidator expects the year 2018 to be a successful year for the Fund.

On behalf of the liquidator,

Kustaa Äimä  
Chairman of the Board of Directors





## ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND (UNAUDITED)

KJK Management S.A. was approved as an AIFM on June 9, 2015. The Manager wishes to inform the Investors of certain additional information as required under the AIFMD

### 1. Remuneration

The AIFMD requires certain qualitative and quantitative disclosures on remuneration to assist the understanding of the risk profile of KJK Fund SICAV-SIF (the “Fund”).

The primary aim of KJK Management S.A. (the “Manager”) is to achieve excellent investment returns for its clients and believes that this focus on asset performance has been a key contributor to its success in the past and will continue to be so in the future. The Manager believes that fund management organisations with strong alignment structures are going to be best placed to attract, retain and motivate key talent and hence have the greatest likelihood of generating long-term outperformance.

The Manager’s remuneration philosophy reflects this primary aim and is based on rewarding individual contribution whilst ensuring that its investment team remain a cohesive group that retains its team-based culture. The Manager’s goal has been to create a culture which is based upon performance rather than entitlement and long-term business viability rather than short-term personal gain.

The Manager’s remuneration arrangements need to promote effective risk management and be consistent with its risk profile, risk structure and risk strategy.

The table below shows the total remuneration paid to senior management of the Manager in relation to their management of the Fund’s activities. Fixed remuneration consists entirely of fees paid.

	2017 €
Fixed remuneration	133,238
Variable remuneration	-
Total remuneration	133,238
Number of beneficiaries	3

The total fees paid to KJK Capital Oy in its capacity as delegated portfolio manager amounted to EUR 365.200 in 2017 and KJK Capital Oy is subject to regulatory requirements on remunerations that are equally as effective as those applicable to the Manager under the ESMA guidelines ESMA/2013/232 since KJK Capital Oy is authorised by the Finnish Financial Supervision Authority to provide investment advisory, management and related support services for investment funds and fund management companies in accordance with the MiFID.

The Manager’s remuneration policy is available on request to investors in the Fund and the Manager’s contact details are shown on the administration page at the back of the annual report.

### 2. Conflicts of Interest

The Manager has implemented a policy for managing conflicts of interest that is regularly reviewed. The policy identifies potential areas of conflict and seeks to prevent their occurrence and any harmful consequences.





## **ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND (UNAUDITED) (continued)**

### **3. Material Changes**

The Manager would confirm that there have been no material changes to the items included in Art 21 of the Law of 12<sup>th</sup> July 2013.

### **4. Risk Profile and the Risk Management Systems**

The Manager confirms that the Fund's Risk Profile has not been changed. The risks associated with investment in the Fund are as stated in the Offering Memorandum.

The Manager has updated the Risk Management System in line with AIFMD and CSSF requirements. Details of the Risk Management System may be made available to investors on request at the Registered Office of the Manager.

In conjunction with this, the Manager confirms that no new arrangements have been made for managing the liquidity profile of the Fund. Additionally, there are no assets subject to any special arrangements arising from their illiquid nature.

### **5. Leverage**

The Fund does not employ leverage.

### **6. Control of non-Listed Companies**

The Fund has no controlling interest in any investment





## **Independent auditor's report**

To the Shareholders of  
KJK Fund SICAV-SIF (in liquidation)  
412F, route d'Esch  
L-2086 Luxembourg

### **Opinion**

We have audited the financial statements of KJK Fund SICAV-SIF (in liquidation) (the "Fund"), which comprise the statement of net assets as at 31 December 2017 and the statement of operations and changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2017, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### **Basis for Opinion**

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information**

The Management Board of the Fund (the "Manager" and "Liquidator") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Manager and Liquidator of the Fund and those charged with governance for the financial statements**

The Manager and Liquidator of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Manager and Liquidator of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and Liquidator of the Fund has used the non-going concern basis of accounting.

### **Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and Liquidator of the Fund.

- Conclude on the appropriateness of the Manager and Liquidator of the Fund use of the non-going concern basis of accounting. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d’entreprises agréé”.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

Alain Kinsch



## STATISTICAL INFORMATION

### KJK Fund SICAV-SIF – Baltic States (in liquidation)

#### Total net assets

- as at December 31, 2017	EUR	107,966,800
- as at December 31, 2016	EUR	95,663,262
- as at December 31, 2015	EUR	99,154,656

#### Net asset value per share

Capitalisation B1	- as at December 31, 2017	EUR	2,753.19
	- as at December 31, 2016	EUR	2,252.63
	- as at December 31, 2015	EUR	2,016.79
Capitalisation B2	- as at December 31, 2017	EUR	2,753.19
	- as at December 31, 2016	EUR	2,252.63
	- as at December 31, 2015	EUR	2,016.79
Participating share 1	- as at December 31, 2017	EUR	1.00
	- as at December 31, 2016	EUR	1.00
	- as at December 31, 2015	EUR	1.00
Participating share 2	- as at December 31, 2017	EUR	1.00
	- as at December 31, 2016	EUR	1.00
	- as at December 31, 2015	EUR	1.00

#### Number of shares

Capitalisation B1	- as at December 31, 2017	38,062
	- as at December 31, 2016	41,218
	- as at December 31, 2015	47,718
Capitalisation B2	- as at December 31, 2017	1,150
	- as at December 31, 2016	1,245
	- as at December 31, 2015	1,442
Participating share 1	- as at December 31, 2017	5,000
	- as at December 31, 2016	5,000
	- as at December 31, 2015	5,000
Participating share 2	- as at December 31, 2017	5,000
	- as at December 31, 2016	5,000
	- as at December 31, 2015	5,000





**STATEMENT OF NET ASSETS**  
as at December 31, 2017

	Notes	KJK Fund, SICAV-SIF- Baltic States (in liquidation)
<b>Total assets</b>		<b>109,899,184</b>
Investments		108,905,639
Securities portfolio		
Listed shares or shares and other variable-yield securities		102,041,165
Undertakings for collective investment		1,192,432
Unquoted shares		2,072,042
Bonds		3,600,000
Liquid assets		879,250
Cash and cash equivalents		879,250
Other assets	3	114,295
Receivables		114,295
<b>Total liabilities</b>		<b>(1,932,384)</b>
Payables	4	(305,887)
Provision for liquidation	11	(1,626,497)
<b>Net assets at the end of the year</b>		<b>107,966,800</b>

The accompanying notes form an integral part of these financial statements.





**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2017

	Notes	KJK Fund, SICAV-SIF- Baltic States (in liquidation)
<b>Total income</b>		<b>4,874,881</b>
Investment Income		4,175,156
Dividends (net of withholding taxes)		3,970,559
Interest on bonds and loan receivables		204,597
Other Income		699,725
Reversal of provision for liquidation		699,725
<b>Total charges</b>		<b>(1,472,125)</b>
Commission paid		(497,650)
Management fees	5	(390,000)
Custodian fees	6	(107,650)
Administrative expenses	8	(282,738)
Central administration costs		(53,658)
Audit and inspection costs		(86,956)
Other administrative expenses		(142,124)
Taxes		(12,486)
Subscription tax	7	(9,954)
Other taxes		(2,532)
Interest expenses		(5,236)
Other expenses		(50,146)
Provision for liquidation	11	(623,869)
<b>Net investment income</b>		<b>3,402,756</b>
Net realized gain on securities portfolio	9	(8,164)
Net realized gain on foreign exchange		(2,932)
Change in net unrealized gain or (losses) on securities portfolio	9	16,911,875
<b>Net increase/(decrease) in Net Assets as result of operations of the year</b>		<b>20,303,535</b>
Subscriptions		-
Redemptions		(7,999,997)
Net Assets at the beginning of the year		95,663,262
<b>Net Assets at the end of the year</b>		<b>107,966,800</b>

The accompanying notes form an integral part of these financial statements.





## STATEMENT OF INVESTMENTS

### as at December 31, 2017

KJK Fund SICAV-SIF  
-Baltic States  
(in liquidation)

#### Listed shares and other variable-yield securities

	Quantity	Currency	Acquisition cost EUR	Net realizable EUR	% net assets
<b><u>Estonia</u></b>					
AS Baltika	15,870,914	EUR	7,790,611	4,047,083	3.75%
AS Harju Elekter	1,899,768	EUR	4,491,857	9,498,840	8.80%
As Merko Ehitus	974,126	EUR	6,342,681	8,582,050	7.95%
Ekspress Grupp	4,002,052	EUR	6,530,093	5,002,565	4.63%
Nordecon	1,907,949	EUR	4,356,397	2,363,874	2.19%
PRFoods	4,063,456	EUR	2,483,584	3,343,857	3.10%
Tallink Group Ltd	24,829,806	EUR	7,098,736	31,037,258	28.75%
Tallinna Kaubamaja AS	2,819,980	EUR	17,222,402	25,943,816	24.03%
			<b>56,316,361</b>	<b>89,819,343</b>	<b>83.20%</b>
<b><u>Lithuania</u></b>					
Klaipėdos Nafta PVA	8,873,101	EUR	2,461,449	6,217,584	5.76%
Siauliai Bankas	10,193,953	EUR	3,291,636	6,004,238	5.56%
			<b>5,753,085</b>	<b>12,221,822</b>	<b>11.32%</b>
<b>Total listed shares and other variable-yield securities</b>			<b>62,069,446</b>	<b>102,041,165</b>	<b>94.52%</b>

#### Undertakings for Collective Investments

	Quantity	Currency	Acquisition cost EUR	Net realizable EUR	% net assets
<b><u>Luxembourg</u></b>					
Amber Trust SCA - ordinary shar	485	EUR	577,218	1,192,432	1.10%
			<b>577,218</b>	<b>1,192,432</b>	<b>1.10%</b>
<b>Total Undertakings for Collective Investments</b>			<b>577,218</b>	<b>1,192,432</b>	<b>1.10%</b>

#### Unquoted shares

	Quantity	Currency	Acquisition cost EUR	Net realizable EUR	% net assets
<b><u>Estonia</u></b>					
Teede Rev - 2	1,784,946	EUR	1,008,165	2,072,042	1.92%
			<b>1,008,165</b>	<b>2,072,042</b>	<b>1.92%</b>
<b><u>Latvia</u></b>					
Reverta (with voting right)	13,545	EUR	50,009	-	0.00%
Reverta (without voting right)	282,980	EUR	950,191	-	0.00%
			<b>1,000,200</b>	<b>-</b>	<b>0.00%</b>
<b>Total Unquoted shares</b>			<b>2,008,365</b>	<b>2,072,042</b>	<b>1.92%</b>

#### Bonds

	Maturity	Interest rate	Acquisition cost EUR	Carrying value EUR	% net assets
<b><u>Estonia</u></b>					
AS Baltika	16/08/2019	6.00%	3,600,000	3,600,000	3.33%
			<b>3,600,000</b>	<b>3,600,000</b>	<b>3.33%</b>
<b>Total bonds</b>			<b>3,600,000</b>	<b>3,600,000</b>	<b>3.33%</b>
<b>Total securities portfolio</b>			<b>68,255,029</b>	<b>108,905,639</b>	<b>100.87%</b>

The accompanying notes form an integral part of these financial statements.





## NOTES TO THE FINANCIAL STATEMENTS as at December 31, 2017

### NOTE 1 - GENERAL

KJK FUND SICAV - SIF (the "Fund" or the "SICAV") (in liquidation) is a "*Société d'Investissement à Capital Variable*" ("SICAV") incorporated on March 27, 2002 for an unlimited period as a *société anonyme* (public limited company) in accordance with the Luxembourg law of August 10, 1915 as amended, and is organized since February 22, 2008 in accordance with the Luxembourg law dated February 13, 2007 relating to specialized investment funds ("2007 Law"). The Fund was governed by Part II of the Law of December 20, 2002 until that date. The Fund is considered as an alternative investment Fund ("AIF") within the meaning of the law of July 12, 2013 on alternative investment Fund managers, as amended from time to time (the "AIFM Law").

The Memorandum and Articles of Association of the Fund were published in the *Mémorial, Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg* and filed with the Registry of the Luxembourg District Court where they may be consulted and copies may be obtained upon payment of Registry fees.

The Fund is registered with the Luxembourg Register of Companies under number B 86 729.

The Fund has only one Sub-Fund "KJK Fund, SICAV-SIF – Baltic States" (the "Sub-Fund").

On December 14, 2017, the General Meeting of the shareholders of the Fund resolved to acknowledge the automatic dissolution of the Sub-Fund pursuant to the expiration of its term on December 31, 2017, and the entering into liquidation as from January 1, 2018. Accordingly, the Fund will be automatically put into liquidation on January 1, 2018, as a consequence of the entering into liquidation of its sole Sub-Fund. The General Meeting of the shareholders also resolved to appoint KJK Management S.A. as the liquidator of the Fund and the Sub-Fund.

Therefore the financial statements of KJK Fund SICAV-SIF (in liquidation) as of December 31, 2017, have been prepared on a liquidation basis.

KJK Management S.A. (the "Investment Manager" and the Liquidator) is responsible for and has authority over all aspects of the Fund's business and investments. It has been incorporated in Luxembourg on October 27, 2010 and is registered with the Registre de Commerce de Luxembourg under Number B 156 627. KJK Management S.A. is also authorized under article 5 of the law of July 12, 2013 on Alternative Investment Fund Managers, with the Commission de Surveillance du Secteur Financier ("CSSF") as an Alternative Investment Fund Manager since June 9, 2015.

The Fund offered the following share classes to the investors:

Shares Name	Description
Capitalisation B1 (EUR)	Capitalisation shares dedicated linked to participating shares 1
Capitalisation B2 (EUR)	Capitalisation shares dedicated linked to participating shares 2
Participating Shares 1 (EUR)	Reserved to the Investment Manager; and or its designees
Participating Shares 2 (EUR)	Reserved to the Investment Manager; and or its designees

The Net Asset Value ("NAV") of the Sub-Fund is calculated on the last business day of each month.







## NOTES TO THE FINANCIAL STATEMENTS as at December 31, 2017 (continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Luxembourg legal and regulatory requirements (“Luxembourg GAAP”), notably with Title II of the law of December 19, 2002 relating to the register of commerce and companies, bookkeeping, annual company accounts and modification of certain other legal dispositions (the “Accounting Law”), as well as in compliance with valuation principles as per article 28(4) and the reporting principles of articles 52 and 53 and the relating reporting schedule in the Annex of the SIF Law.

As mentioned in Note 1, Since the Fund’s life ended on December 31, 2017, the financial statements as at December 31, 2017, have been prepared on a liquidation basis. As such, assets are recorded at net realizable value and liabilities at estimated settlement amounts. Therefore, the Fund has accrued for all expected costs that were not already recorded, provided it has a reasonable basis for estimating those amounts.

#### **Currency conversion**

The financial statements have been drawn up in Euro (“EUR”) which is the accounting currency of the Sub-Fund. Assets and liabilities expressed in currencies other than EUR are converted into EUR at the exchange rate prevailing as at December 31, 2017.

#### **Securities valuation**

The securities which are admitted to official stock exchange listing or dealt in on another regulated market or quoted on market characterised by quoted prices that are readily available from an exchange, broker, dealer, industry group, pricing services or regulatory agency, and if those prices represent actual and regularly occurring market transactions on arm’s length basis are valued on the basis of the last available bid price prevailing on the valuation date. If securities are listed on several stock exchanges or markets, the last known bid price on the principal market will be applied.

Investments in open-ended investment funds, either listed or not, are valued on the basis of their last available Net Asset Value per share.

Other securities not listed or not traded on a stock exchange or on any other regulated market and securities listed or traded on such a market but whose last known price is not representative, are valued with prudence and in good faith on the basis of their probable realisation value, using the following guidelines:

- Unquoted securities will be valued based on the realisation value, which will be estimated with prudence and good faith. For private equity investments the guidelines and principles for valuation of portfolio companies set out by Invest Europe (formerly the European Venture Capital Association (“EVCA”)) will be taken into account, with particular consideration of the following factors: investment in companies acquired in the 12 month period prior to the valuation date will be valued at cost, in absence of any events that may result in the acquisition price no longer being representative of the investment’s net realizable value;





## NOTES TO THE FINANCIAL STATEMENTS as at December 31, 2017 (continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

#### **Securities valuation (continued)**

- Where a significant transaction, which establishes an arm's length price has been effected, this transaction will form the basis of valuation;
- Otherwise, unquoted companies will normally be valued by reference to their profits and relevant financial multiples (P/E, P/CF, EV/EBIT, EV/EBITDA) applicable to comparable quoted companies less a suitable discount to reflect the lack of liquidity of the shares. Profits for the purpose of the valuations will be those disclosed in the latest audited accounts taking into consideration subsequent management accounts. In the event that there do not exist appropriate comparable companies, the following methods of valuation will be used:
  - By reference to the relevant and applicable sub-sector average multiple;
  - The Management Board of the SICAV may apply the actual entry multiple paid for the investment to the investments last trading figures;
  - Consideration, if applicable, will also be given to other factors including the asset backing, current year budgeted profits and any other short-term prospects of the sale of shares of the portfolio Fund.

Due to the inherent uncertainty of valuation, the estimated net realizable values of private equity investments may differ significantly from the market values that would have been used had a ready market existed for the investments and these differences could be material.

As at December 31, 2017, the investments held are valued as follows:

Name of investment	Listing status	Valuation method
AS Baltika	Listed	Market price
AS Harju Elekter	Listed	Market price
As Merko Ehitus	Listed	Market price
Ekspress Grupp	Listed	Market price
Klaipedos Nafta PVA	Listed	Market multiples
Nordecon	Listed	Recent transactions
PRFoods	Listed	Market multiples
Siauliu Bankas	Listed	Market price
Tallink Group Ltd	Listed	Market price
Tallinna Kaubamaja AS	Listed	Market price
Amber Trust SCA - ordinary share	Unlisted	NAV/share
Teede Rev - 2	Unlisted	Market multiples
Reverta (with voting right)	Unlisted	Net Assets
Reverta (without voting right)	Unlisted	Net Assets

#### **Income**

Dividends are accounted for on the ex-date.

Interest is accrued on a daily basis.





**NOTES TO THE FINANCIAL STATEMENTS**  
as at December 31, 2017 (continued)

**NOTE 3 – OTHER ASSETS**

As at December 31, 2017, other assets are composed of:

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
Interest to be received	82,200
Kitron receivable	32,095
<b>Total Other Assets</b>	<b>114,295</b>

The Fund has accrued interest receivable of EUR 82,200 from AS Baltika bonds.

The Kitron receivable, amounting to EUR 32,095 is relating to a tax reclaim receivable on a dividend received from Kitron.

**NOTE 4 – PAYABLES**

As at December 31, 2017, payables are composed of:

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
Audit Fees	78,698
SGG Fees	11,094
Management Fees	87,500
Administration Fees	7,500
Custody Fees	8,974
Other payables	35,759
AIFM Fee payable	73,426
VAT payable	2,936
<b>Total Payables</b>	<b>305,887</b>





## NOTES TO THE FINANCIAL STATEMENTS as at December 31, 2017 (continued)

### NOTE 5 – MANAGEMENT FEES

In consideration for the management services performed for the benefit of the Sub-Fund, the Investment Manager or its designee is entitled to receive from the Sub-Fund a fixed management fee of three hundred and fifty thousand euros (EUR 350,000) per annum, payable monthly in advance in equal portion/amount (excluding transaction and other non-investment management related operating costs and taxes).

Such annual management fee is paid monthly in advance by the Sub-Fund whether or not the management of the Sub-Fund is profitable.

An exit complementary management fee of 0.5% will be added to the fixed management fee on all distributions made / monies returned to shareholders holding Investors Shares B. In 2017, the exit complementary management fee represented EUR 40,000.

In case where the net assets value has decreased substantially and as a result the management fee becomes higher than 2% of net assets, the Management Board would have to submit the issue to the knowledge of the Supervisory Board prior to convening a general meeting of shareholders to decide on the continuation of the activities of the Sub-Fund and/or revisit the management fee structure.”

### NOTE 6 – CUSTODIAN FEES

The depositary bank is remunerated in accordance with the agreement between ING Luxembourg, acting as the custodian, and the Fund.

### NOTE 7 – SUBSCRIPTION TAX

The Fund is liable in Luxembourg to a subscription tax (“taxe d’abonnement”) of 0.01% per annum. The subscription tax is paid quarterly and calculated on the Net Asset Value at the end of the relevant calendar quarter.

No subscription tax is paid on the Net Assets held by the Fund in other UCIs already subject to that tax in Luxembourg.





**NOTES TO THE FINANCIAL STATEMENTS**  
as at December 31, 2017 (continued)

**NOTE 8 – ADMINISTRATIVE EXPENSES**

For the year ended December 31, 2017, administrative expenses were mainly composed of:

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
Central administration costs	(53,658)
Audit and inspection costs	(86,956)
Other administrative expenses, of which:	(142,124)
- <i>Legal fees</i>	(66,590)
- <i>AIFM fees</i>	(73,426)
- <i>Notary fees</i>	(2,108)
<b>Total Administrative Expenses</b>	<b>(282,738)</b>

The AIFM expenses correspond to recharged costs incurred by KJK Management S.A. in its capacity of AIFM of the Fund. These costs consist mainly of internal audit, independent director, legal and compliance expenses, professional insurance and sundry expenses.

**NOTE 9 - REALISED AND UNREALISED GAINS AND LOSSES**

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
<u>Net realised gains on securities portfolio</u>	
Gains	172,948
Losses	(181,112)
<b>Net realised gains/losses on securities portfolio</b>	<b>(8,164)</b>
<u>Change in net unrealised gains or (losses) on securities portfolio</u>	
Change in unrealised gains	20,602,470
Change in unrealised losses	(3,690,595)
<b>Net change in unrealised gains/losses on securities portfolio</b>	<b>16,911,875</b>





## NOTES TO THE FINANCIAL STATEMENTS as at December 31, 2017 (continued)

### NOTE 10 – PERFORMANCE FEES

Unrealised profits attached to, and proceeds deriving from income from and/or disposals of, Portfolio Investments will be apportioned amongst Investors Shares and Participating Shares, as follows, in order for the Participating Shares to support an incentive/performance compensation benefiting to the holders thereof:

Participating Shares (1). With respect to each Valuation Day after the beginning of the Additional Offering Period, Participating Shares 1 shall be allocated twelve and one half percent (12,5%) of the return of Investors Shares A1 and Investors Shares B1 in excess of the greater of the (i) return of Baltic equity market index and (ii) cumulative 12% p.a., with high watermark and performance assessment starting as at the first day of the Additional Offering Period.

Participating Shares (2). Likewise, with respect to each Valuation Day after the beginning of the Additional Offering Period, Participating Shares 2 shall be allocated twelve and one half percent (12,5%) of the return of Investors Shares A2 and Investors Shares B2 in excess of the greater of the (i) return of 50/50 hybrid of Baltic equity market index and cumulative 12% p.a. and (ii) cumulative 12% p.a.; with high watermark and performance assessment starting as at the first day of the Additional Offering Period.

Participating Shares shall be issued as capitalisation shares, i.e. they will never pay out any dividend. Participating Shares shall never be redeemed by the Sub-Fund, either at the request of Special Investors or otherwise, before December 31, 2011 (the “Participating Shares Lock-Up). After the Participating Shares Lock-Up, Participating Shares shall be redeemed at the request of Special Investors and/or upon decision of the Board with an absolute limit applicable to each Special Investor of fifty percent (50%) of the shareholding position of each Special Investor until the date of the payment of the liquidation proceeds of the Sub-Fund.

The total Net Asset Value of Participating Shares 1 and Participating Shares 2 shall be subject to an overall cap of EUR 3,500,000, Participating Shares 1 and Participating Shares 2 that may have been previously redeemed included.

As at December 31, 2017, no performance fee is due to the holders of Participating Shares.

### NOTE 11 - PROVISION FOR LIQUIDATION

The provision for liquidation include audit fees, legal fees, management / liquidator fees, administration fees, custody fees, publication fees for anticipated period of liquidation and estimated transaction costs linked to the liquidation.

In view of the portfolio activity in 2017, the Manager and liquidator estimates that the liquidation period will last 6 months longer than initially anticipated and should end in June 30, 2019. Accordingly, additional EUR 623,869 have been accrued by the Fund for the extended period of liquidation.

The total liquidation accruals, as of December 31, 2017, amounts to EUR 1,626,497.





**NOTES TO THE FINANCIAL STATEMENTS**  
**as at December 31, 2017 (continued)**

**NOTE 12 – CHANGES IN THE COMPOSITION OF THE SECURITIES PORTFOLIO**

These changes are made available to the shareholders at the custodian bank and at the Fund's registered office as well as at the financial servicing institutions identified in this report. They will also be sent free of charge to anyone who so requests.

**NOTE 13 - SUBSEQUENT EVENTS**

On January 1, 2018, the Sub-Fund entered into liquidation. Accordingly, the Fund was automatically put into liquidation on the same date and KJK Management S.A. started to act as the liquidator of the Fund and the Sub-Fund.

Since the beginning of the liquidation, the Sub-fund realised sales worth EUR 6 million and carried out its 18th pro rata distribution to the shareholders for a total amount of EUR 4 million, representing 3.7% of the net assets at the end of the year.





# KJK Fund S.A., SICAV-SIF (in liquidation)


Société d'Investissement à Capital Variable  
Fonds d'Investissement Spécialisé

Luxembourg


Financial statements and independent auditor's report

For the year ended December 31, 2018



  
**Kustaa Aina**  
Director

13.6.2019

  
**Jaakko Salmelin**

*No subscription can be received on the basis of the financial statements alone. Subscriptions are only valid if made on the basis of the current prospectus, accompanied by the latest annual report and the most recent semi-annual report, if published thereafter*

*The prospectus, the statutes, the annual report are made available to the shareholders at the custodian bank and at the Fund's registered office as well as at the financial servicing institutions identified in this report. They will also be sent free of charge to anyone who so requests.*

*The information given in this report is for reference purposes only. It is not a guide to future results.*

Luxembourg B 86.729







## Table of Contents

MANAGEMENT AND ADMINISTRATION.....	2
MANAGEMENT AND LIQUIDATOR'S REPORT .....	3
ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND (UNAUDITED) ....	5
INDEPENDENT AUDITOR'S REPORT .....	7
STATISTICAL INFORMATION.....	10
STATEMENT OF NET ASSETS .....	11
STATEMENT OF OPERATIONS .....	12
STATEMENT OF INVESTMENTS .....	13
NOTES TO THE FINANCIAL STATEMENTS.....	14





**MANAGEMENT AND ADMINISTRATION**

**REGISTERED OFFICE OF THE FUND**

KJK Fund S.A., SICAV-SIF.  
412F, route d'Esch  
L-1030 Luxembourg  
Grand-Duchy of Luxembourg

**LIQUIDATOR (from January 1, 2018)**

KJK Management S.A.  
9, rue Jean-Pierre Sauvage  
L-2514 Luxembourg  
Grand-Duchy of Luxembourg

**INVESTMENT MANAGER AND ALTERNATIVE  
INVESTMENT FUND MANAGER**

KJK Management S.A.  
9, rue Jean-Pierre Sauvage  
L-2514 Luxembourg  
Grand-Duchy of Luxembourg

**INVESTMENT ADVISORS**

KJK Capital Oy  
14C, Kalevankatu  
00100 Helsinki  
Finland

UAB Pro Finance  
Odminių Street, 8  
LT 01122 Vilnius  
Lithuania

**ADMINISTRATIVE, DOMICILIARY AND  
REGISTRAR**

IQ-EQ Luxembourg S.A.  
412F, route d'Esch  
L-2086 Luxembourg  
Grand-Duchy of Luxembourg

**DEPOSITARY AND TRANSFER AGENT**

ING Luxembourg S.A.  
26, Place de la Gare  
L-1616 Luxembourg  
Grand-Duchy of Luxembourg

**INDEPENDENT AUDITOR**

Ernst & Young S.A.  
35E, avenue John F Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISOR**

Arendt & Medernach  
41A, avenue John F Kennedy  
L-2082 Luxembourg  
Grand Duchy of Luxembourg





## MANAGEMENT AND LIQUIDATOR'S REPORT

**Dear shareholders,**

### **Equity market performance**

The year of 2018 was negative for Baltic equities. During the first six months of the year, the Baltic markets were slightly up, but the summer months showed sideways performance. Markets started to decline in September and the decline steepened towards year-end. Overall, the markets ended with negative note. The Lithuanian OMX Vilnius had the smallest market decline with a 5.6% decrease. The Estonian OMX Tallinn index declined 6.4% and the OMX Riga index decreased 6.7% during the year. The pan Baltic OMX Baltic General index was down 5.9% for the year. In comparison, KJK Fund Baltic States' full year performance showed a 13.4% decrease of the NAV for both B1 and B2 share classes.

Liquidity in the Baltic markets remained rather subdued last year. The combined average daily turnover increased from EUR 1.2 million in 2017 to circa EUR 1.3 million last year. The number of trades was also quite low, with approximately 500 individual trades per day. The markets saw one new listing as the Estonian port operator AS Tallinna Sadam's shares were listed on Tallinn Stock Exchange in June.

### **Macro-economic performance**

On the macroeconomic front, the Baltics continued with solid economic performance due to strong exports and growth in industrial output as well as robust retail sales. Latvia's GDP showed the strongest annual gain of 4.8% boosted by 5.1% gain in Q4 alone, while Estonia's economy grew 3.9% during the year with a 4.2% gain in Q4. Moreover, Lithuania's annual and Q4 GDP growth rate was 3.6%.

In 2018, Estonian exports grew 11.9% to EUR 14.4 billion while Latvian exports grew 8.3% to EUR 12.4 billion and Lithuanian exports increased 7.3% to EUR 28.3 billion. Retail sales grew in all three Baltic countries: highest average monthly retail sales growth rate was recorded in Lithuania with 6.0%, up from 4.7% in 2017. Latvia's average monthly retail sales growth rate was 4.6%, down from 4.3% in 2017, followed by Estonia's more modest 1.6% increase, down from 1.8% in 2017. Unemployment which peaked at an average 17.8% in 2010 continued to decline further during the year. The average unemployment rate was 5.2% in Estonia, down from 5.3% in 2017. Lithuania's unemployment dropped from 7.1% in 2017 to 6.2% in 2018, while Latvia's declined from 8.7% to 7.5%. After robust economic growth and lower unemployment figures, inflation has slightly declined. Estonia's inflation was 3.4%, down from 3.7% in 2017. In Latvia inflation reached 2.5% after 2.9% recorded in 2017. Furthermore, Lithuania recorded a 2.5% increase in consumer prices after a 3.7% increase in 2017.

During 2018, there were several credit rating changes. In March, S&P upgraded Lithuania's rating from A- to A and in September, it upgraded Latvia's rating from A- to A. Last October, Fitch upgraded Estonia's sovereign rating from A+ to AA-. Moreover, the current sovereign ratings are (Moody's, S&P and Fitch) A1/AA-/AA- for Estonia, A3/A/A- for Latvia and A3/A/A- for Lithuania.

### **Portfolio performance**

Within the portfolio, most of the companies showed decent sales and profit growth during the year. The Fund continued its partial exits from Tallinna Kaubamaja, Merko and Nordecon. In February 2019, the Fund finalized its successful exit in Merko. In addition to the above sales, Nordecon executed share capital reduction. Finally, the Fund received dividend income from eight different portfolio companies over the course of the year.



**MANAGEMENT AND LIQUIDATOR'S REPORT (continued)****Distributions**

During the year, the Fund made three separate cash distributions to shareholders as pro-rata redemptions. The total value of cash distributions was ca. EUR 12 million, which represented ca. 11.1% of NAV as of 31.12.2017.

KJK Management SA has been formally appointed as liquidator and shall be updating the shareholders with progress on the Fund's exit during the liquidation period.

**Outlook**

With continuing economic growth foreseen for 2019 and strengthening corporate fundamentals, the liquidator expects 2019 to be a successful year for the Fund.

On behalf of the liquidator,

Kustaa Äimä

Chairman of the Board of Directors of KJK Management SA



**ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND  
(UNAUDITED)**

KJK Management S.A. was approved as an AIFM on June 9, 2015. The Manager wishes to inform the Investors of certain additional information as required under the AIFMD:

**1. Remuneration**

The AIFMD requires certain qualitative and quantitative disclosures on remuneration to assist the understanding of the risk profile of KJK Fund SICAV-SIF (the “Fund”).

The primary aim of KJK Management S.A. (the “Manager”) is to achieve excellent investment returns for its clients and believes that this focus on asset performance has been a key contributor to its success in the past and will continue to be so in the future. The Manager believes that fund management organisations with strong alignment structures are going to be best placed to attract, retain and motivate key talent and hence have the greatest likelihood of generating long-term outperformance.

The Manager’s remuneration philosophy reflects this primary aim and is based on rewarding individual contribution whilst ensuring that its investment team remain a cohesive group that retains its team-based culture. The Manager’s goal has been to create a culture which is based upon performance rather than entitlement and long-term business viability rather than short-term personal gain.

The Manager’s remuneration arrangements need to promote effective risk management and be consistent with its risk profile, risk structure and risk strategy.

The table below shows the total remuneration paid to senior management of the Manager in relation to their management of the Fund’s activities. Fixed remuneration consists entirely of fees paid.

	2018 €
Fixed remuneration	258,428
Variable remuneration	20,000
Total remuneration	278,428
Number of beneficiaries	5

The total fees paid to KJK Capital Oy in its capacity as delegated portfolio manager amounted to EUR 386,573 in 2018 and KJK Capital Oy is subject to regulatory requirements on remunerations that are equally as effective as those applicable to the Manager under the ESMA guidelines ESMA/2013/232 since KJK Capital Oy is authorised by the Finnish Financial Supervision Authority to provide investment advisory, management and related support services for investment funds and fund management companies in accordance with the MiFID.

The Manager’s remuneration policy is available on request to investors in the Fund and the Manager’s contact details are shown on the administration page at the back of the annual report.

**2. Conflicts of Interest**

The Manager has implemented a policy for managing conflicts of interest that is regularly reviewed. The policy identifies potential areas of conflict and seeks to prevent their occurrence and any harmful consequences.





**ADDITIONAL INFORMATION FOR THE SHAREHOLDERS OF THE FUND  
(UNAUDITED) (continued)**

**3. Material Changes**

The Manager would confirm that there have been no material changes to the items included in Art 21 of the Law of 12<sup>th</sup> July 2013.

**4. Risk Profile and the Risk Management Systems**

The Manager confirms that the Fund's Risk Profile has not been changed. The risks associated with investment in the Fund are as stated in the Offering Memorandum.

The Manager has updated the Risk Management System in line with AIFMD and CSSF requirements. Details of the Risk Management System may be made available to investors on request at the Registered Office of the Manager.

In conjunction with this, the Manager confirms that no new arrangements have been made for managing the liquidity profile of the Fund. Additionally, there are no assets subject to any special arrangements arising from their illiquid nature.

**5. Leverage**

The Fund does not employ leverage.

**6. Control of non-Listed Companies**

The Fund has no controlling interest in any investment.



## Independent auditor's report

To the Shareholders of  
KJK Fund SICAV-SIF (in liquidation)  
412F, route d'Esch  
L-1030 Luxembourg

### Opinion

We have audited the financial statements of KJK Fund SICAV-SIF (in liquidation) (the "Fund"), which comprise the statement of net assets as at 31 December 2018, and the statement of operations and changes in net assets for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### Basis for Opinion

We conducted our audit in accordance with the law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Law of 23 July 2016 and ISAs are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

KJK Management S.A. (the "Liquidator") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Liquidator of the Fund and those charged with governance for the financial statements**

The Liquidator of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Liquidator of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Liquidator of the Fund has used the non-going concern basis of accounting.

### **Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Liquidator of the Fund.





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- Conclude on the appropriateness of the Liquidator of the Fund use of the non-going concern basis of accounting. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d'entreprises agréé”.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé

A handwritten signature in blue ink, consisting of a stylized 'A' and 'K' intertwined.

Alain Kinsch

Luxembourg, 14 June 2019

**STATISTICAL INFORMATION****KJK Fund SICAV-SIF – Baltic States (in liquidation)****Total net assets**

- as at December 31, 2018	EUR	82,051,368
- as at December 31, 2017	EUR	107,966,800
- as at December 31, 2016	EUR	95,663,262

**Net asset value per share**

Capitalisation B1	- as at December 31, 2018	EUR	2,341.49
	- as at December 31, 2017	EUR	2,753.19
	- as at December 31, 2016	EUR	2,252.63
Capitalisation B2	- as at December 31, 2018	EUR	2,341.49
	- as at December 31, 2017	EUR	2,753.19
	- as at December 31, 2016	EUR	2,252.63
Participating share 1	- as at December 31, 2018	EUR	1.00
	- as at December 31, 2017	EUR	1.00
	- as at December 31, 2016	EUR	1.00
Participating share 2	- as at December 31, 2018	EUR	1.00
	- as at December 31, 2017	EUR	1.00
	- as at December 31, 2016	EUR	1.00

**Number of shares**

Capitalisation B1	- as at December 31, 2018	34,011
	- as at December 31, 2017	38,062
	- as at December 31, 2016	41,218
Capitalisation B2	- as at December 31, 2018	1,028
	- as at December 31, 2017	1,150
	- as at December 31, 2016	1,245
Participating share 1	- as at December 31, 2018	5,000
	- as at December 31, 2017	5,000
	- as at December 31, 2016	5,000
Participating share 2	- as at December 31, 2018	5,000
	- as at December 31, 2017	5,000
	- as at December 31, 2016	5,000



**STATEMENT OF NET ASSETS**  
as at December 31, 2018

	Notes	KJK Fund, SICAV-SIF- Baltic States (in liquidation)
<b>Total assets</b>		<b>84,024,333</b>
Investments		81,907,730
Securities portfolio		
Listed shares or shares and other variable-yield securities		75,124,925
Undertakings for collective investment		1,030,000
Unquoted shares		2,152,805
Bonds		3,600,000
Liquid assets		1,742,980
Cash and cash equivalents		1,742,980
Other assets	3	373,623
Receivables		373,623
<b>Total liabilities</b>		<b>(1,972,965)</b>
Payables	4	(233,040)
Provision for liquidation	11	(1,739,925)
<b>Net assets at the end of the year</b>		<b>82,051,368</b>

The accompanying notes form an integral part of these financial statements.



**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2018

	Notes	KJK Fund, SICAV-SIF- Baltic States (in liquidation)
<b>Total income</b>		<b>5,728,299</b>
Investment Income		4,853,581
Dividends (net of withholding taxes)		4,634,581
Interest on bonds and loan receivables		219,000
Other Income		874,718
Reversal of provision for liquidation		874,718
<b>Total charges</b>		<b>(1,820,773)</b>
Commission paid		(548,280)
Management fees	5	(410,000)
Custodian fees	6	(138,280)
Administrative expenses	8	(229,849)
Central administration costs		(44,858)
Audit and inspection costs		(73,994)
Other administrative expenses		(110,997)
Taxes		(13,005)
Subscription tax	7	(10,589)
Other taxes		(2,416)
Interest expenses		(7,517)
Other expenses		(33,976)
Provision for liquidation	11	(988,146)
<b>Net investment income</b>		<b>3,907,526</b>
Net realized gain on securities portfolio	9	2,657,349
Net realized gain on foreign exchange		(306)
Change in net unrealized gain or (losses) on securities portfolio	9	(20,480,002)
<b>Net increase/(decrease) in Net Assets as result of operations of the year</b>		<b>(13,915,433)</b>
Subscriptions		-
Redemptions		(11,999,999)
Net Assets at the beginning of the year		107,966,800
<b>Net Assets at the end of the year</b>		<b>82,051,368</b>

The accompanying notes form an integral part of these financial statements.





**STATEMENT OF INVESTMENTS**  
as at December 31, 2018

**KJK Fund SICAV-SIF**  
**-Baltic States**  
**(in liquidation)**

**Listed shares and other variable-yield securities**

	Quantity	Currency	Acquisition cost EUR	Net realizable EUR	% net assets
<b>Estonia</b>					
AS Baltika	15,870,914	EUR	7,790,611	182,151	0.22%
AS Harju Elekter	1,899,768	EUR	4,491,857	5,382,862	6.56%
As Merko Ehitus	670,695	EUR	4,389,303	6,170,394	7.52%
Ekspress Grupp	4,002,052	EUR	6,530,093	2,292,963	2.79%
Nordecon	1,383,063	EUR	3,157,931	1,596,573	1.95%
PRFoods	4,063,456	EUR	2,483,584	3,721,159	4.54%
Tallink Group Ltd	24,829,806	EUR	7,098,736	25,202,253	30.72%
Tallinna Kaubamaja AS	2,268,824	EUR	13,856,339	21,181,701	25.82%
			<b>49,798,454</b>	<b>65,730,056</b>	<b>80.10%</b>
<b>Lithuania</b>					
Klaipedos Nafta PVA	8,873,101	EUR	2,461,449	4,489,539	5.47%
Siauliu Bankas	12,232,744	EUR	3,291,636	4,905,330	5.98%
			<b>5,753,085</b>	<b>9,394,869</b>	<b>11.45%</b>
<b>Total listed shares and other variable-yield securities</b>			<b>55,551,539</b>	<b>75,124,925</b>	<b>91.55%</b>

**Undertakings for Collective Investments**

	Quantity	Currency	Acquisition cost EUR	Net realizable EUR	% net assets
<b>Luxembourg</b>					
Amber Trust SCA - ordinary share	485	EUR	577,218	1,030,000	1.26%
			<b>577,218</b>	<b>1,030,000</b>	<b>1.26%</b>
<b>Total Undertakings for Collective Investments</b>			<b>577,218</b>	<b>1,030,000</b>	<b>1.26%</b>

**Unquoted shares**

	Quantity	Currency	Acquisition cost EUR	Net realizable EUR	% net assets
<b>Estonia</b>					
Teede Rev - 2	1,784,946	EUR	1,008,165	2,152,805	2.62%
			<b>1,008,165</b>	<b>2,152,805</b>	<b>2.62%</b>
<b>Latvia</b>					
Reverta (with voting right)	13,545	EUR	50,009	-	0.00%
Reverta (without voting right)	282,980	EUR	950,191	-	0.00%
			<b>1,000,200</b>	<b>-</b>	<b>0.00%</b>
<b>Total Unquoted shares</b>			<b>2,008,365</b>	<b>2,152,805</b>	<b>2.62%</b>

**Bonds**

	Maturity	Interest rate	Acquisition cost EUR	Carrying value EUR	% net assets
<b>Estonia</b>					
AS Baltika	16/08/2019	6.00%	3,600,000	3,600,000	4.39%
			<b>3,600,000</b>	<b>3,600,000</b>	<b>4.39%</b>
<b>Total bonds</b>			<b>3,600,000</b>	<b>3,600,000</b>	<b>4.39%</b>
<b>Total securities portfolio</b>			<b>61,737,122</b>	<b>81,907,730</b>	<b>99.82%</b>

The accompanying notes form an integral part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
as at December 31, 2018**NOTE 1 - GENERAL**

KJK FUND SICAV - SIF (the "Fund" or the "SICAV") (in liquidation) is a "*Société d'Investissement à Capital Variable*" ("SICAV") incorporated on March 27, 2002 for an unlimited period as a *société anonyme* (public limited company) in accordance with the Luxembourg law of August 10, 1915 as amended, and is organized since February 22, 2008 in accordance with the Luxembourg law dated February 13, 2007 relating to specialized investment funds ("2007 Law"). The Fund was governed by Part II of the Law of December 20, 2002 until that date. The Fund is considered as an alternative investment Fund ("AIF") within the meaning of the law of July 12, 2013 on alternative investment Fund managers, as amended from time to time (the "AIFM Law").

The Memorandum and Articles of Association of the Fund were published in the *Mémorial, Recueil Spécial des Sociétés et Associations du Grand-Duché de Luxembourg* and filed with the Registry of the Luxembourg District Court where they may be consulted and copies may be obtained upon payment of Registry fees.

The Fund is registered with the Luxembourg Register of Companies under number B 86 729.

The Fund has only one Sub-Fund "KJK Fund, SICAV-SIF – Baltic States" (the "Sub-Fund").

On December 14, 2017, the General Meeting of the shareholders of the Fund resolved to acknowledge the automatic dissolution of the Sub-Fund pursuant to the expiration of its term on December 31, 2017, and the entering into liquidation as from January 1, 2018. Accordingly, the Fund will be automatically put into liquidation on January 1, 2018, as a consequence of the entering into liquidation of its sole Sub-Fund. The General Meeting of the shareholders also resolved to appoint KJK Management S.A. as the liquidator of the Fund and the Sub-Fund.

Therefore the financial statements of KJK Fund SICAV-SIF (in liquidation) as of December 31, 2018, have been prepared on a liquidation basis.

KJK Management S.A. (the "Investment Manager" and the Liquidator) is responsible for and has authority over all aspects of the Fund's business and investments. It has been incorporated in Luxembourg on October 27, 2010 and is registered with the Registre de Commerce de Luxembourg under Number B 156 627. KJK Management S.A. is also authorized under article 5 of the law of July 12, 2013 on Alternative Investment Fund Managers, with the Commission de Surveillance du Secteur Financier ("CSSF") as an Alternative Investment Fund Manager since June 9, 2015.

The Fund offered the following share classes to the investors:

<b>Shares Name</b>	<b>Description</b>
Capitalisation B1 (EUR)	Capitalisation shares dedicated linked to participating shares 1
Capitalisation B2 (EUR)	Capitalisation shares dedicated linked to participating shares 2
Participating Shares 1 (EUR)	Reserved to the Investment Manager; and or its designees
Participating Shares 2 (EUR)	Reserved to the Investment Manager; and or its designees

The Net Asset Value ("NAV") of the Sub-Fund is calculated on the last business day of each month.





**NOTES TO THE FINANCIAL STATEMENTS**  
**as at December 31, 2018 (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the Luxembourg legal and regulatory requirements ("Luxembourg GAAP"), notably with Title II of the law of December 19, 2002 relating to the register of commerce and companies, bookkeeping, annual company accounts and modification of certain other legal dispositions (the "Accounting Law"), as well as in compliance with valuation principles as per article 28(4) and the reporting principles of articles 52 and 53 and the relating reporting schedule in the Annex of the SIF Law.

As mentioned in Note 1, Since the Fund's life ended on December 31, 2017, the financial statements as at December 31, 2018, have been prepared on a liquidation basis. As such, assets are recorded at net realizable value and liabilities at estimated settlement amounts. Therefore, the Fund has accrued for all expected costs that were not already recorded, provided it has a reasonable basis for estimating those amounts.

**Currency conversion**

The financial statements have been drawn up in Euro ("EUR") which is the accounting currency of the Sub-Fund. Assets and liabilities expressed in currencies other than EUR are converted into EUR at the exchange rate prevailing as at December 31, 2018.

**Securities valuation**

The securities which are admitted to official stock exchange listing or dealt in on another regulated market or quoted on market characterised by quoted prices that are readily available from an exchange, broker, dealer, industry group, pricing services or regulatory agency, and if those prices represent actual and regularly occurring market transactions on arm's length basis are valued on the basis of the last available bid price prevailing on the valuation date. If securities are listed on several stock exchanges or markets, the last known bid price on the principal market will be applied.

Investments in open-ended investment funds, either listed or not, are valued on the basis of their last available Net Asset Value per share.

Other securities not listed or not traded on a stock exchange or on any other regulated market and securities listed or traded on such a market but whose last known price is not representative, are valued with prudence and in good faith on the basis of their probable realisation value, using the following guidelines:

- Unquoted securities will be valued based on the realisation value, which will be estimated with prudence and good faith. For private equity investments the guidelines and principles for valuation of portfolio companies set out by Invest Europe (formerly the European Venture Capital Association ("EVCA")) will be taken into account, with particular consideration of the following factors: investment in companies acquired in the 12 month period prior to the valuation date will be valued at cost, in absence of any events that may result in the acquisition price no longer being representative of the investment's net realizable value;





**NOTES TO THE FINANCIAL STATEMENTS**  
as at December 31, 2018 (continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Securities valuation (continued)**

- Where a significant transaction, which establishes an arm's length price has been effected, this transaction will form the basis of valuation;
- Otherwise, unquoted companies will normally be valued by reference to their profits and relevant financial multiples (P/E, P/CF, EV/EBIT, EV/EBITDA) applicable to comparable quoted companies less a suitable discount to reflect the lack of liquidity of the shares. Profits for the purpose of the valuations will be those disclosed in the latest audited accounts taking into consideration subsequent management accounts. In the event that there do not exist appropriate comparable companies, the following methods of valuation will be used:
  - By reference to the relevant and applicable sub-sector average multiple;
  - The Management Board of the SICAV may apply the actual entry multiple paid for the investment to the investments last trading figures;
  - Consideration, if applicable, will also be given to other factors including the asset backing, current year budgeted profits and any other short-term prospects of the sale of shares of the portfolio Fund.

Due to the inherent uncertainty of valuation, the estimated net realizable values of private equity investments may differ significantly from the market values that would have been used had a ready market existed for the investments and these differences could be material.

As at December 31, 2018, the investments held are valued as follows:

Name of investment	Listing status	Valuation method
AS Baltika	Listed	Market multiples
AS Harju Elekter	Listed	Market multiples
As Merko Ehitus	Listed	Market price
Ekspress Grupp	Listed	Market multiples
Klaipedos Nafta PVA	Listed	Market multiples
Nordecon	Listed	Recent transactions
PRFoods	Listed	Market multiples
Siauliu Bankas	Listed	Market price
Tallink Group Ltd	Listed	Market price
Tallinna Kaubamaja AS	Listed	Recent transactions
Amber Trust SCA - ordinary share	Unlisted	NAV/share
Teede Rev - 2	Unlisted	Market multiples
Reverta (with voting right)	Unlisted	Net Assets
Reverta (without voting right)	Unlisted	Net Assets

**Income**

Dividends are accounted for on the ex-date.  
Interest is accrued on a daily basis.





**NOTES TO THE FINANCIAL STATEMENTS**  
as at December 31, 2018 (continued)**NOTE 3 – OTHER ASSETS**

As at December 31, 2018, other assets are composed of:

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
Interest to be received	301,200
PR Foods dividend receivables	40,634
Kitron receivable	31,789
<b>Total Other Assets</b>	<b>373,623</b>

The Fund has accrued interest receivable of EUR 301,200 from AS Baltika bonds.

The Kitron receivable, amounting to EUR 31,789 is relating to a tax reclaim receivable on a dividend received from Kitron.

**NOTE 4 – PAYABLES**

As at December 31, 2018, payables are composed of:

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
Audit Fees	61,840
SGG Fees	23,206
Management Fees	87,500
Administration Fees	7,500
Custody Fees	4,197
Other payables	9,989
AIFM Fee payable	36,385
VAT payable and subscription duty	2,423
<b>Total Payables</b>	<b>233,040</b>





**NOTES TO THE FINANCIAL STATEMENTS**  
**as at December 31, 2018 (continued)**

**NOTE 5 – MANAGEMENT FEES**

In consideration for the management services performed for the benefit of the Sub-Fund, the Investment Manager or its designee is entitled to receive from the Sub-Fund a fixed management fee of three hundred and fifty thousand euros (EUR 350,000) per annum, payable monthly in advance in equal portion/amount (excluding transaction and other non-investment management related operating costs and taxes).

Such annual management fee is paid monthly in advance by the Sub-Fund whether or not the management of the Sub-Fund is profitable.

An exit complementary management fee of 0.5% will be added to the fixed management fee on all distributions made / monies returned to shareholders holding Investors Shares B. In 2018, the exit complementary management fee represented EUR 60,000.

In case where the net assets value has decreased substantially and as a result the management fee becomes higher than 2% of net assets, the Management Board would have to submit the issue to the knowledge of the Supervisory Board prior to convening a general meeting of shareholders to decide on the continuation of the activities of the Sub-Fund and/or revisit the management fee structure.”

**NOTE 6 – CUSTODIAN FEES**

The depositary bank is remunerated in accordance with the agreement between ING Luxembourg, acting as the custodian, and the Fund.

**NOTE 7 – SUBSCRIPTION TAX**

The Fund is liable in Luxembourg to a subscription tax (“taxe d’abonnement”) of 0.01% per annum. The subscription tax is paid quarterly and calculated on the Net Asset Value at the end of the relevant calendar quarter.

No subscription tax is paid on the Net Assets held by the Fund in other UCIs already subject to that tax in Luxembourg.



**NOTES TO THE FINANCIAL STATEMENTS**  
as at December 31, 2018 (continued)**NOTE 8 – ADMINISTRATIVE EXPENSES**

For the year ended December 31, 2018, administrative expenses were mainly composed of:

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
Central administration costs	(44,858)
Audit and inspection costs	(73,994)
Other administrative expenses, of which:	(110,997)
- <i>Legal fees</i>	(22,267)
- <i>AIFM fees</i>	(86,308)
- <i>Account cost</i>	(2,422)
<b>Total Administrative Expenses</b>	<b>(229,849)</b>

The AIFM expenses correspond to recharged costs incurred by KJK Management S.A. in its capacity of AIFM of the Fund. These costs consist mainly of internal audit, independent director, legal and compliance expenses, professional insurance and sundry expenses.

**NOTE 9 - REALISED AND UNREALISED GAINS AND LOSSES**

	<b>KJK Fund, SICAV-SIF- Baltic States (in liquidation)</b>
<u>Net realised gains on securities portfolio</u>	
Gains	3,225,962
Losses	(568,613)
<b>Net realised gains/losses on securities portfolio</b>	<b>2,657,349</b>
<u>Change in net unrealised gains or (losses) on securities portfolio</u>	
Change in unrealised gains	889,230
Change in unrealised losses	(21,369,232)
<b>Net change in unrealised gains/losses on securities portfolio</b>	<b>(20,480,002)</b>





**NOTES TO THE FINANCIAL STATEMENTS**  
**as at December 31, 2018 (continued)**

**NOTE 10 – PERFORMANCE FEES**

Unrealised profits attached to, and proceeds deriving from income from and/or disposals of, Portfolio Investments will be apportioned amongst Investors Shares and Participating Shares, as follows, in order for the Participating Shares to support an incentive/performance compensation benefiting to the holders thereof:

Participating Shares (1). With respect to each Valuation Day after the beginning of the Additional Offering Period, Participating Shares 1 shall be allocated twelve and one half percent (12,5%) of the return of Investors Shares A1 and Investors Shares B1 in excess of the greater of the (i) return of Baltic equity market index and (ii) cumulative 12% p.a., with high watermark and performance assessment starting as at the first day of the Additional Offering Period.

Participating Shares (2). Likewise, with respect to each Valuation Day after the beginning of the Additional Offering Period, Participating Shares 2 shall be allocated twelve and one half percent (12,5%) of the return of Investors Shares A2 and Investors Shares B2 in excess of the greater of the (i) return of 50/50 hybrid of Baltic equity market index and cumulative 12% p.a. and (ii) cumulative 12% p.a.; with high watermark and performance assessment starting as at the first day of the Additional Offering Period.

Participating Shares shall be issued as capitalisation shares, i.e. they will never pay out any dividend. Participating Shares shall never be redeemed by the Sub-Fund, either at the request of Special Investors or otherwise, before December 31, 2011 (the “Participating Shares Lock-Up). After the Participating Shares Lock-Up, Participating Shares shall be redeemed at the request of Special Investors and/or upon decision of the Board with an absolute limit applicable to each Special Investor of fifty percent (50%) of the shareholding position of each Special Investor until the date of the payment of the liquidation proceeds of the Sub-Fund.

The total Net Asset Value of Participating Shares 1 and Participating Shares 2 shall be subject to an overall cap of EUR 3,500,000, Participating Shares 1 and Participating Shares 2 that may have been previously redeemed included.

As at December 31, 2018, no performance fee is due to the holders of Participating Shares.

**NOTE 11 - PROVISION FOR LIQUIDATION**

The provision for liquidation include audit fees, legal fees, management / liquidator fees, administration fees, custody fees, publication fees for anticipated period of liquidation and estimated transaction costs linked to the liquidation.

In view of the portfolio activity in 2018, the Manager and liquidator estimates that the liquidation period will last 2 years longer than initially anticipated and should end in December 31, 2020. Accordingly, additional EUR 988,146 have been accrued by the Fund for the extended period of liquidation.

The total liquidation accruals, as of December 31, 2018, amounts to EUR 1,739,925.





**NOTES TO THE FINANCIAL STATEMENTS**  
**as at December 31, 2018 (continued)**

**NOTE 12 – CHANGES IN THE COMPOSITION OF THE SECURITIES PORTFOLIO**

These changes are made available to the shareholders at the custodian bank and at the Fund's registered office as well as at the financial servicing institutions identified in this report. They will also be sent free of charge to anyone who so requests.

**NOTE 13 - SUBSEQUENT EVENTS**

Since the January 1, 2019, the Sub-fund realised sales worth EUR 11.6 million in relation to the exit of the following investments: Klaipedos Nafta PVA, Tallinna Kaubamaja AS, As Merko Ehitus and Nordecon.

On March 28, 2019, the Sub-fund proceeded to a cash distribution amounting to EUR 5 million.

On March 19, 2019, the Sub-fund granted a loan of EUR 3 million to Baltika in relation to its restructuring plan.

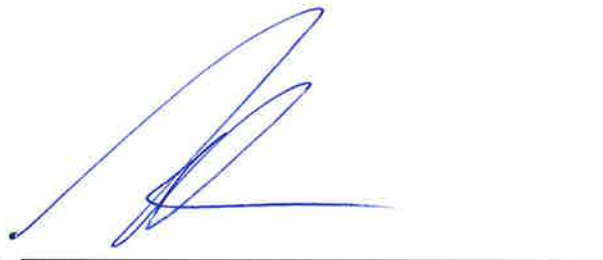


**Signatures:**



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**Jaakko Sakari Mikael Salmelin**  
Statutory representative



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**Lauri Kustaa Äimä**  
Statutory representative