



Baltika Group
FASHION SINCE 1928

Report of the Supervisory Board of AS Baltika concerning the Annual Report 2018

20 March 2019

During the year 2018 Supervisory Board of AS Baltika held 6 meetings. The most important decisions and discussions were the following:

- Approving the 2017 Annual Report and allocating the profit to retained earnings
- Election of the Chairman of the Supervisory Council
- Extending the contract of CEO Meelis Milder for another 3-year term
- First reading of 2019 budget
- Strategy 2022

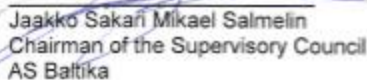
Other topics discussed included corporate values, supply chain and cost management overview, interim audit, export strategy, Eastern-European franchise partners.

The Supervisory Council and Management Board closely cooperate in protecting the company's best interests, including the development of the strategy. Supervisory Council supervise the activities of the Management Board through discussion of financial results and the future plans. In addition to the materials of the meetings of the Board, Supervisory Council has received regular detailed information on the activities and results of the Group.

Year 2018 was a very challenging year. In the first half of the year "Strategy 2022", which focuses on developing customer experience, international growth and digitalization was worked out and approved by the Supervisory Board. Due to the rapidly changed environment in the second half of the year, decreased retail sales in Baltic market, financial difficulties of Eastern-European franchise partners and changed cooperation agreement with P&C department store chain in Central Europe, the strategy already needed to be reviewed. For that reason, management has worked out the action plan for 2019 and 2020, which will focus on radically simplifying business processes and reducing operating costs. In 2019 Supervisory Board will monitor the steps taken to achieve these goals.

The Supervisory Council has approved the 2018 Annual Report and profit allocation proposal, prepared by the Management Board, to be presented on the Annual General shareholders meeting.

The Supervisory Council wishes to thank all the employees of AS Baltika for their hard work in 2018.


Jaakko Sakari Mikael Salmelin
Chairman of the Supervisory Council
AS Baltika

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