AS PRO KAPITAL GRUPP

PROSPECTUS REGARDING THE LISTING AND ADMISSION TO TRADING OF EUR 9,685,426.80 UNSECURED NON-CONVERTIBLE FIXED RATE BONDS "EUR PRO KAPITAL GRUPP VÕLAKIRI 20-2024"

ISIN: EE3300001676

18 January 2021

IMPORTANT INFORMATION

This prospectus (the "**Prospectus**") has been prepared by AS Pro Kapital Grupp (a company established and existing under the laws of the Republic of Estonia, which has been registered in the Estonian Commercial Register with registration number 10278802 and registered address at Sõjakooli 11, 11316 Tallinn, Estonia) ("**Pro Kapital**", the "**Company**" or the "**Issuer**" or together with its direct and indirect Subsidiaries, unless otherwise indicated by the context, the "**Group**"), in relation to the application for listing and admission for trading of the Company's unsecured non-convertible fixed rate bonds, with the nominal amount of EUR 2.80 *per* bond (the "**Nominal Amount)**" and the aggregate Nominal Amount of EUR 9,685,426.80, which have been registered in the Estonian Register of Securities (the "**Register**") with ISIN code EE3300001676 (the "**Bonds**"). The Bonds have been issued in three tranches on 3 August 2020, 27 November 2020 and 15 January 2021 (each an "**Issue Date**"), in accordance with the terms and conditions for AS Pro Kapital Grupp fixed rate non-convertible bonds issue dated 28 May 2020, which have been attached to this Prospectus as Annex 1 (the "**Terms and Conditions**") on the Baltic Bond List of Nasdaq Tallinn Stock Exchange (the "**Tallinn Stock Exchange**").

This Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (the "**EFSA**"), as competent authority under the Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), on 18 January 2021 under registration number 4.3-4.9/4789. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and should not be considered as an endorsement of the Company and the quality of the Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities of the Company.

This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. This Prospectus has been complied in accordance with the requirements of the Prospectus Regulation and in accordance with Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing Regulation No 2017/1129/EU of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC (the "**Delegated Regulation**"), in particular the Annexes 8 and 16 thereof.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of listing and admitting the Bonds to trading on Bonds on the Baltic Bond List of the Tallinn Stock Exchange ("**Listing**"). This Prospectus may not be distributed in any country where such distribution or disposal requires additional prospectus, registration or additional measures or is contrary to the rules and regulations in such country. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**), or any U.S. state securities laws and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons (as defined in Rule 902 of Regulation S under the Securities Act).

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Company's auditors. Certain financial information in this Prospectus may have been rounded off and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. This Prospectus shall be read together with all documents that are incorporated by reference and possible supplements to this Prospectus.

This Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such forward-looking statements and information are based on the beliefs of the Company's management or are assumptions based on information available to the Group. The words "considers", "intends", "deems", "expects", "anticipates", "plans" and similar expressions indicate some of these forward-looking statements. Other such statements may be identified from the context. Any forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements of the Group to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Further, such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Although the Company believes that the forecasts or indications of future results, performances and achievements are based on reasonable assumptions and expectations, they involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements and from past results, performances or achievements. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialisation of risks and other factors affecting the Group's operations. Such factors of a significant nature are mentioned in Section 3 ("*Risk factors*") below.

Investing into the Bonds involves risks. While reasonable care has been taken to ensure that this Prospectus presents a fair and complete overview of the material risks related to the Company, the operations of the Group and to the Bonds, the value of any investment in the Bonds may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus. You should read the whole of this Prospectus. In particular, you should read "Risk Factors" for a discussion of certain factors that you should consider before investing in the Bonds. The contents of this Prospectus are not intended to be construed as legal, financial or tax advice. Each prospective investor should consult its own legal, financial or tax advisor for such advice.

The Bonds may not be a suitable investment for all investors and each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact other Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; (iv) understand thoroughly the Terms and Conditions; and (v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

This Prospectus will be published by means of a stock exchange release through the information system of Tallinn Stock Exchange. The Prospectus is also available as of 19 January 2021 in electronic format on the website of the EFSA (https://www.fi.ee/) and on the website of the Company (https://www.prokapital.com). Any interested party may request delivery of an electronic copy of the Prospectus from the Company without charge. Paper copy of the Prospectus can be obtained at the premises of the Company at Sõjakooli 11, 11316 Tallinn, Estonia, by any interested party upon request.

The Prospectus is valid until the Listing. The Company is obligated to update the Prospectus by publishing a supplement only in case new facts, material errors or inaccuracies occur, and such an obligation does not apply after the end of the validity period of the Prospectus.

The date of this Prospectus is 18 January 2021.

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1. INTRODUCTORY INFORMATION

1.1 Governing Law and Settlement of Disputes

This Prospectus is governed by the laws of the Republic of Estonia. Any disputes arising in connection with the Offering shall be settled by Harju County Court (in Estonian: *Harju maakohus*) in Estonia, unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties. An investor may be required under national law to bear the costs of translating the Prospectus before being able to bring a claim to the court in relation to this Prospectus.

1.2 Persons Responsible

In accordance with the Prospectus Regulation and pursuant to Sections 25 - 27 of the Estonian Securities Markets Act, AS Pro Kapital Grupp, a public limited company established and existing under the laws of the Republic of Estonia, registered in the Estonian Commercial Register under registry code 10278802, having its registered address at Sõjakooli tn 11, 11316 Tallinn, Estonia, states that it is responsible for the information in this Prospectus.

The Company accepts responsibility for the fullness and correctness of the information contained in this Prospectus as of the date hereof. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts, and contains no omission likely to affect its understanding.

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, including any translation thereof which could be made by any party, unless such summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.

Tallinn, 18 January 2021

/*signed digitally*/	/*signed digitally*/	/*signed digitally*/
Allan Remmelkoor	**Edoardo Axel Preatoni**	**Paolo Vittorio Michelozzi**
Management Board member	Management Board member	Management Board member

1.3 Presentation of Information

Rounding of Numbers

Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision which is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the Company's Financial Statements (as defined in Section 8 ("*Financial Information*") below), to the extent that the relevant information is reflected therein.

Currencies

Unless otherwise expressly stated, financial information is presented in this Prospectus in Euros, the official currency of the European Union Member States in the Eurozone (the "**EUR**").

Date of Information

This Prospectus is drawn up on the basis of information which was valid as of the date of the Prospectus. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than the date of the Prospectus, this is identified by specifying the relevant date.

Third-Party Information and Market Information

For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has been sourced from third parties, a reference to the respective source has been provided together with such information where presented in this Prospectus.

Certain information with respect to the markets in which the Group operates is based on the best assessment made by the Management (as defined in Section 10 ("*Glossary*") below). With respect to the industry in which the Group is active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant.

Updates

The Company will update the information contained in this Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate by the Management. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus (please see Section 1.5 ("*Forward-Looking Statements*") below for more details).

Definitions of Terms

In this Prospectus, capitalized terms have the meaning ascribed to them in Section 10 ("*Glossary*") and elsewhere in the Prospectus or in the Terms and Conditions, with the exception of such cases where the context evidently requires an interpretation to the contrary. Terms defined in the singular shall include plural and *vice versa*.

Hyperlinks to Websites

This Prospectus contains hyperlinks to websites. Unless specifically incorporated by reference into this Prospectus, information on the website of the Company or on any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified, has not been scrutinised or approved by the EFSA, is not incorporated by reference into the Prospectus and does not form part of this Prospectus, and investors should not rely on it.

1.4 Documents Available

In addition to this Prospectus, certain additional documents and information on the Group, such as the up to date articles of association of the Company (the "**Articles of Association**") and historic financial data of the Group, may be obtained from the website of the Company, at https://www.prokapital.com.

1.5 Forward-Looking Statements

This Prospectus includes forward-looking statements (notably under Sections 2 ("*Summary*"), 3 ("*Risk Factors*"), 5 ("*Reasons for the Listing and Use of Proceeds*") and 6.4 ("*Business Operations*") below). Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a highly competitive business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing products and technological developments and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see Section 3 ("*Risk Factors*") for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.6 Use of the Prospectus

This Prospectus has been prepared by the Company in connection the Listing and solely to enable potential investors to consider purchasing the Bonds. It is prohibited to copy or distribute the Prospectus or to reveal or use the information contained herein for any other purpose than considering the purchase of the Bonds. Copying, reproducing (other than for private and non-commercial use) or disseminating this Prospectus without the express written permission of the Company is strictly prohibited.

The Prospectus in not published in any jurisdiction other than Estonia and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law.

1.7 Approval of the Prospectus

This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. The Prospectus has been approved by the EFSA, as competent authority under the Prospectus Regulation, on 18 January 2021 under registration number 4.3-4.9/4789. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and should not be considered as an endorsement of the Company and the quality of the Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

1.8 Availability of the Prospectus

This Prospectus will be published by means of a stock exchange release through the information system of Tallinn Stock Exchange. The Prospectus is also available as of 19 January 2021 in an electronic format on the website of the EFSA (https://www.fi.ee/) and on the website of the Company (https://www.prokapital.com). Any interested party may request delivery of an electronic copy of the Prospectus from the Company without charge. Paper copy of the Prospectus can be obtained at the premises of the Company at Sõjakooli 11, 11316 Tallinn, Estonia, by any interested party upon request.

2. SUMMARY

Introduction and Warnings

This Summary (the "**Summary**") should be read as an introduction to the Prospectus and any decision to invest in the Bonds should be based on consideration of the Prospectus as a whole by the investor. The information in the Summary is presented as of the Prospectus registration date, unless indicated otherwise. Civil liability in relation to this Summary attaches only to those persons who have tabled the Summary, including any translation thereof, and only where the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Bonds. Investment into the Bonds involves risks and the investor may lose all or part of the investment. The investor may be required under national law to bear the costs of translating the Prospectus before being able to bring a claim to the court in relation to this Prospectus.

Name and international securities identification number (ISIN) of the Bonds	EUR Pro Kapital Grupp bond 20-2024 (in Estonian: *EUR Pro Kapital Grupp võlakiri 20-2024*), ISIN EE3300001676.
The identity and contact details of the issuer, including its legal entity identifier (LEI)	The business name of the issuer is AS Pro Kapital Grupp. The Issuer was registered in the Estonian Commercial Register on 26 September 1997, under the registry code 10278802 and its legal entity identifier (LEI) code is 097900BGM10000061519. The contact details of the Issuer are the following: Address: Sõjakooli 11, 11316 Tallinn, Estonia Phone: +372 614 4920 E-mail: prokapital@prokapital.ee Website: www.prokapital.com
The identity and contact details of the competent authority approving the prospectus	This Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (the "**EFSA**"). The contact details of the EFSA are the following: address Sakala 4, 15030 Tallinn, Estonia, phone +372 668 0500, e-mail info@fi.ee.
The date of approval of the prospectus	This Prospectus has been approved by the EFSA on 18 January 2021, under registration number 4.3-4.9/4789.

Key Information on the Issuer

Who is the issuer of the securities?

The identity of the issuer, including its legal entity identifier (LEI)	The business name of the Issuer is AS Pro Kapital Grupp. The Issuer was formed on 18 May 1994 and registered in the Estonian Commercial Register on 26 September 1997 under the registry code 10278802 and its legal entity identifier (LEI) code is 097900BGM10000061519. The Issuer has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *aktsiaselts* or *AS*) and is established for an indefinite term.
Principal activities	The Issuer's group (the "**Group**") is engaged in real estate development focusing on contemporary large-scale commercial and residential property developments in the capitals of Estonia, Latvia and Lithuania. The Group is also active in the sales of developed residential and retail real estate, lease of developed retail property and other commercial property, as well as operating of a hotel in Germany.
Major Shareholders	As at 31 December 2020 there were 388 shareholders registered in the Company's shareholders' register. Many of the registered shareholders are nominee companies, which represent multiple non-resident investors. As at 31 December 2020, shareholders holding more than 5 per cent of the shares in the Company were:

Name of Shareholder	Number of Shares	Participation in %
Raiffeisen Bank International AG	31,010,717	54.70%
Clearstream Banking Luxembourg S.A. Clients	11,372,980	20.06%
Nordea Bank Finland Plc Clients	4,787,996	8.45%

Svalbork Invest OÜ	3,759,620	6.63%

The largest indirect shareholders of the Issuer are Ernesto Preatoni and his affiliates. Based on the information at the possession of the Issuer as of 31 December 2020, Ernesto Preatoni and his affiliates control 45.99% of the shares of the Issuer.

The Company has not been notified of by any person, other than Ernesto Preatoni and his affiliates, of holding more than 5 per cent of the shares in the Company through the nominee accounts of Raiffeisen Bank International AG, Clearstream Banking Luxembourg S.A. Clients or Nordea Bank Finland Plc Clients.

As far as the Issuer is aware, there are no shareholders' agreements or other agreements which could result in a change of control of the Company.

To ensure that the control over the Issuer is not abused, the Issuer complies with the Estonian Commercial Code (in Estonian: *äriseadustik*) and the Estonian Securities Market Act (in Estonian: *väärtpaberituru seadus*). In addition, the Issuer acts in compliance with the rules of Tallinn Stock Exchange and with the Estonian Corporate Governance Code, as adopted by the EFSA.

Identity of the key managing directors	Currently, the Management Board of the Issuer consists of three members: Mr. Vittorio Michelozzi, acting as the Chief Executive Officer; Mr. Allan Remmelkoor, acting as the Chief Operating Officer; and Mr. Edoardo Axel Preatoni, acting as Head of Development.
Identity of statutory auditors	The Issuer has appointed AS Deloitte Audit Eesti (registered in the Estonian Commercial Register under registry code 10687819, having its registered address at Roosikrantsi tn 12, 10119 Tallinn, Estonia), with Erki Usin in the lead, as the auditor of the Issuer for the entire period covered by the Audited Financial Statements, and the Audited Financial Statements have been audited by AS Deloitte Audit Eesti.

What is the key financial information regarding the issuer?

Table 1, Table 2 and Table 3 below set forth the key financial information of the Group: (i) for the financial year ended on 31 December 2019 and, comparatively, for the financial year ended on 31 December 2018; and (ii) as of and for the third quarter and nine months ended on 30 September 2020 and, for Table 1 and Table 3 comparatively, the third quarter and nine months ended on 30 September 2019.

Table 1. Consolidated statement of comprehensive income

Income Statement				
In thousand EUR	**2019**	**2018**	**9 months 2020**	**9 months 2019**
	Audited	**Audited**	**Unaudited**	**Unaudited**
Operating profit	-15,178	21,483	1,136	6,885

Table 2. Consolidated statement of financial position

Financial Position			
In thousand EUR	**31.12.2019**	**31.12.2018**	**30.09.2020**
	Audited	**Audited**	**Unaudited**
Net financial debt (long term debt plus short term debt minus cash)	112,014	115,297	121,509
Current ratio (current assets/current liabilities)	0.4	2.4	0.6
Debt to equity ratio (total liabilities/total shareholder equity)*	1.96	1.47	2.61

***** The Issuer notes that the debt to equity ratios brought out above differ from the debt to equity ratios brought out in the Financial Statements. The debt to equity ratios are calculated using the formula "interest bearing liabilities/equity*100", whereas the ratios brought above are calculated using the formula "total liabilities/total shareholder equity*100".

Table 3. Consolidated statement of cash flows

Cash flows				
In thousand EUR	**2019**	**2018**	**9 months 2020**	**9 months 2019**
	Audited	**Audited**	**Unaudited**	**Unaudited**
Net Cash flows from operating activities	20,413	-1,048	-4,523	6,783
Net Cash flows from financing activities	-12,692	44,447	1,907	-2,813
Net Cash flow from investing activities	-4,145	-46,676	-684	-5,740

Auditing	AS Deloitte Audit Eesti (with Erki Usin as the leading auditor) has audited the Issuer's annual financial report for the financial year ended on 31 December 2019. In the auditor's report attached to the said financial report, AS Deloitte Audit Eesti stated that in their opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Accounting Act and International Financial Reporting Standards (IFRSs) as adopted by the European Commission. In the above referred auditor's report, AS Deloitte Audit Eesti brought out the following key auditing matter: "As at 31 December 2019 the carrying value of investment properties amounted to 147 365 thousand EUR and the fair value adjustment recorded in profit and loss and other comprehensive income for the year in respect of investment properties was 24 236 thousand EUR loss. Significant judgment is required by management in determining the fair value of investment property. The Group's investment properties comprise various categories of properties, the most significant being properties held for lease and land plots for future development. The Group uses an independent appraiser to determine the fair values for all of the properties held in these categories. The inputs and assumptions with the most significant impact on these valuations are disclosed in Note 13, and include timing and costs of the potential developments, future rental and sales prices, timing of the revenue as well as the management's ability to realize those assumptions in Group's operations. Accordingly the valuation of investment properties is considered to be a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgment associated with determining the fair value." Furthermore, in the above referred auditor's report, AS Deloitte Audit Eesti has emphasised the following: "We draw attention to Note 30 "Subsequent Events" in the financial statements, which disclose that Tallinna Moekombinaat AS, the subsidiary of Pro Kapital Grupp AS, has submitted application for reorganization proceedings to Harju County Court on 31 March 2020. On 3 April, the application was approved by the Court and by 2 June 2020 Tallinna Moekombinaat AS has to submit a reorganization plan to the Court. Pro Kapital Grupp AS ability to retain or lose control over the operations, assets and liabilities of Tallinna Moekombinaat AS depends on the outcome of the reorganization process. Our opinion is not modified in respect of this matter."
What are the key risks that are specific to the issuer?	
Changes to the value and inaccuracy of the appraised value of the Group's real estate portfolio	Decrease in property value of the portfolio impair the Group's ability to maintain required real estate value may lead to the Group not meeting the financial covenants set out in loan agreements binding thereon.

Failure to raise additional financing or service outstanding indebtedness may result in the Group not being able to develop its projects according to its plans	The Company's cash flow from operating activities may become insufficient due to general economic and market conditions which, in turn, would influence the Company's ability to make payments on its indebtedness, potentially limiting its ability to obtain additional financing.
Redemption of the Secured Bonds	The Group's ability to successfully refinance the Secured Bonds is dependent upon the conditions of the capital markets and the Group's financial position at the time of redemption.
Risks related to reorganisation and potential insolvency of AS Tallinna Moekombinaat	The outcome of the pending reorganisation proceedings of AS Tallinna Moekombinaat (a material indirect subsidiary of the Issuer) is uncertain and there is a risk that the reorganisation proceedings will fail, in which case the bankruptcy of AS Tallinna Moekombinaat will ensue.
Risks related to COVID-19	The pandemic spread of the coronavirus causing the infectious disease COVID-19 during 2020 has had and may continue to have an adverse impact on the economy in the business segments and the markets in which the Group operates.
Risks related to the macroeconomic environment	Cyclical real estate development sector may undergo unfavourable developments due to macroeconomic environment (e.g. interest rates, unemployment, inflation, private consumption etc.) which may decrease the demand for residential properties and, therefore, have a negative impact on the Group's business and financial situation.
Risks related to real estate transactions and changing market conditions	Changes in market conditions could diminish the Group's opportunities for disposal of properties, result in higher than expected development costs, lower than expected rental rates and lower than expected disposal prices, all having a negative impact on the financial situation of the Group.
Risks related to a possible recession	The company's presales and sales may decrease in case of a recession in the market.
Competition from other market participants	Competition from other well-capitalised market participants may result in Company having to pay substantially more than planned for acquisitions of new properties or not being able to acquire the desired properties resulting in diminished opportunities for growth for the Group.
Changes in customer preferences in residential housing market	Residential housing market may change and no longer favour the Company's developments due to changing customer trends, demands and preferences potentially resulting in less apartment sales by the Group and negative impact on its financial situation.
Risks related to project completion delays	The forecasted project completion dates set by the Group may be delayed because of unexpected works, faults of construction companies and other circumstances, which may ultimately have a negative impact on the Group's financial situation.
Risks related to lease agreements	There is a risk that the quality of lease agreements signed of the Group are insufficient and the Group's rental income is subject to fluctuation of rental rates.
The Group may not be able to obtain necessary plans, permits and other authority approvals	Required authorisations or approvals relating to land may be withheld by the relevant authorities, may be delayed or disputed by third parties, the intended use of land the Company has acquired may be changed and compulsory purchases of land may take place, which circumstances may have a negative impact on the Group's business and financial situation.
The Group's operations are subject to taxation risks	Changes in corporate tax, income tax etc. taxation policy may increase the Group's tax burden.
Key Information on the Securities	
What are the main features of the securities?	
Type and class of securities and security identification number	The Bonds constitute unsecured non-equity (debt) securities each with the nominal value of EUR 2.80 (two Euros and eighty cents), governed by the terms and conditions for AS Pro Kapital Grupp fixed rate non-convertible bonds issue dated 28 May 2020 (the "**Terms and Conditions**"). The aggregate amount of the Bonds is 3,459,081 and the Bonds are registered in the Estonian Register of Securities (the "**ERS**") under ISIN code EE3300001676.

	The Bonds are issued in three tranches with the first tranche having been issued on 3 August 2020, the second tranche issued on 27 November 2020 and the third tranche issued on 15 January 2021.
Rights attached to the securities	The main rights arising from the Bonds are the right to require the redemption of the Bonds by the Issuer and the right to receive payment of interest, in accordance with the Terms and Conditions.
Interest and yield	The Bonds carry a fixed interest at the rate of 8.00% per annum applied to the outstanding (unredeemed) denomination value of the Bonds. Interest will accrue from, but excluding, the date the Bonds are issued until the Redemption Date or the date of Early Redemption. Interest is paid semi-annually in arrears on the 10th (tenth) Business Day of January and July of each year, commencing on 12 January 2021. Interest on the Bonds is calculated on the basis of a 360-day year comprised of 12 (twelve) months of 30 (thirty) days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis). The yield-to-maturity of the Bonds is 8%. The yield-to-maturity is the annual percentage rate of return paid if the Bond is held from the date of the Prospectus (i.e. 18 January 2021) to the final Redemption Date (i.e. 31 October 2024), assuming that interest paid over the life of the Bond is reinvested at the same rate and that the Bond is not subject to early redemption before 31 October 2024.
Redemption date	The redemption date of the Bonds is 31 October 2024. According to the Terms and Conditions, the Issuer may, at its sole discretion, redeem the Bonds fully or partially before the Redemption Date by notifying the Investors thereof at least 15 (fifteen) Business Days prior to the date of such early redemption, provided that the Issuer has fully redeemed the secured bonds issued in February 2020, bearing ISIN code SE0013801172 and listed and admitted to trading on the corporate bond list of Nasdaq Stockholm Stock Exchange or obtained a waiver from the holders of the said bonds, in accordance with Clause 7.2. (*Early Redemption (Call Option*) of the Terms and Conditions).
Ranking and status	The Bonds constitute direct and general debt obligations of the Issuer which shall at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Transferability	The Bonds are freely transferrable. However, transfer of Bonds by Investors may be subject to purchase or transfer restrictions under the laws applicable to the Investor and the transferee (due to e.g. nationality, residency, registered address or other circumstances).
Where will the securities be traded?	
The Issuer intends to apply for the listing and admission to trading of the Bonds on the Baltic Bond List of Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Bonds is on or around 27 January 2021. While every effort will be made and due care will be taken by the Issuer in order to ensure the listing and the admission to trading of the Bonds, the Issuer cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of Tallinn Stock Exchange.	
What are the key risks that are specific to the securities?	
Early redemption risk	In accordance with the Terms and Conditions, the Bonds may be redeemed prematurely on the initiative of the Issuer. In such event, the rate of return from an investment into the Bonds may be lower than initially anticipated.
The Company may not be able to refinance the Bonds	The Group's ability to successfully refinance the Bonds is dependent upon the conditions of the capital markets and the Group's financial position at the time of redemption.
No collateral as security for the Bonds	The Bonds constitute unsecured instruments, i.e. no collateral has been established nor is intended to be established as security for the fulfilment of the Issuer's obligations under the Bonds. Should the Company fail to fulfil its obligations arising from the Bonds, Investors will not be able to satisfy their claims against any collateral .

	This means that upon the bankruptcy, reorganisation or winding-up of the Issuer, Investors would receive satisfaction of their claims from the Issuer only after the claims of priority creditors have been satisfied.
No events of default	The Terms and Conditions do not include any events of default and expressly exclude the right of the Investors to demand early redemption of the Bonds. This means that, unless otherwise provided under mandatorily applicable provisions of law, the Investors cannot demand early redemption of the Bonds.
Liquidity risk	Although the Issuer intends to apply for the listing of the Bonds in the Baltic Bond List of Nasdaq Tallinn regulated market, there is no guarantee that such listing will be approved. Also, even if the Bonds are listed, a liquid secondary market of the Bonds may not develop and, hence, the Investors might bear losses due to the inability to sell the Bonds on the secondary market or selling the Bonds at an unfavourable price.
Interest rate risk	Investors are exposed to the risk that the value of the Bonds may fall as a result of changes in the market interest rate. If the market interest rate increases, the market value of the Bonds may fall.
The Terms and Conditions of the Bonds may be modified	In accordance with the Terms and Conditions, Investors may approve amendments to the Terms and Conditions by way of an investors' resolution. Such amendments may include, among others, changes to the interest rate of the Bonds or the postponement of the Redemption Date s. An investors' resolution for amending the Terms and Conditions is adopted and approved by the Investors if at least 50% of all votes represented by the Bonds vote in favour of the respective resolution. If amendments to the Terms and Conditions are adopted in accordance with the aforesaid rules, the amendments shall be binding an all Investors.
Key Information on the Admission to Trading on a Regulated Market	
Under which conditions and timetable can I invest in this security?	
This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. The Prospectus has been prepared solely for the purpose of listing and admitting the Bonds to trading on the Baltic Bond List of the Tallinn Stock Exchange.	
Listing	The Company intends to apply for the listing and admission to trading of the Bonds on the Baltic Bond List of Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Bonds is on or around 27 January 2021. While every effort will be made and due care will be taken by the Company in order to ensure the listing and the admission to trading of the Bonds, the Company cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of Tallinn Stock Exchange.
Why is this Prospectus being produced?	
Use of proceeds	The Company is applying for the Listing of the Bonds, to fulfil its obligation to make such application, as provided in the Terms and Conditions. The Bonds have been issued by the Company to the holders of the Company's Existing Bonds (as defined in the Terms and Conditions) in such way that the holders of the Company's Existing Bonds will pay for the Bonds by returning to the Company their Existing Bonds. Therefore, the Company has not received any cash proceeds in relation to the issue of the Bonds and does not expect to receive any proceeds in connection with the Listing.
Conflicts of interest	None of the members of the Supervisory Council or the Management Board of the Company have a private interest that may be in conflict with the interests of the Company. However, certain members of the Supervisory Council and the Management Board have financial interests in the Company as a consequence of their holdings of securities (shares and/or bonds) of the Company. Although there are currently no conflicts of interest, it cannot be excluded that conflicts of interest may come to arise between companies, in which members of the Supervisory Council or the Management Board have duties, and the Company. The Company manages conflicts of interest by way of approval of related party transactions at appropriate decision-making levels.

3. RISK FACTORS

3.1 Introduction

Investing in the Bonds entails various risks. Each prospective investor considering an investment in the Bonds should thoroughly consider all the information in this Prospectus, including the risk factors described below. Any of the risk factors described below, or additional risks which are currently not known to the Management or are not considered significant by the Management, could have a material adverse effect on the business, financial condition, operations or prospects of the Company and the Group, and result in a decline in the value of the Bonds or the ability of the Company to service and redeem the Bonds in accordance with the Terms and Conditions. As a result, investors could lose a part or all of the value of their investment. The Management believes that the factors described below present the principal risks inherent in investing into the Bonds.

The purpose of this section is to enable a potential investor to assess the relevant risks related to their potential investment in the Bonds in order to make an informed investment decision. The below risk factors are therefore limited to risks that, in the meaning of the Prospectus Regulation are material and specific to the Group and the Bonds and which are corroborated by the content of a listing prospectus for the Bonds.

The manner in which the Company and the Bonds are affected by each risk factor is illustrated by way of an evaluation of the materiality of the relevant risk factor based on the probability of its occurrence and the expected magnitude of its negative impact if it would occur, for the purpose of which the probability is estimated as "low", "medium" or "high" and the magnitude of negative impact is estimated as "low", "medium" or "high".

The risk factors are presented in categories and where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor. The most material risk factor in a category is presented first under that category, the assessment of materiality of each risk factor is based on the probability of its occurrence and the potential magnitude of its negative impact. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence.

3.2 Risk Factors Specific and Material to the Company and the Group

3.2.1 Risks Related to the Group's Financial Situation

Changes to the value and inaccuracy of the appraised value of the Group's real estate portfolio

A large portion of the assets of the Group comprises of investment properties. The Group uses the fair value model in the valuation of its investment properties, whereupon fair value changes of investment properties are recognised in the statement of comprehensive income. As of 30 September 2020, the value of the Group's investment properties amounted to EUR 144 million, *i.e.* constituting approximately 65.9 per cent of the total assets of the Group. In determination of the fair value, estimations of management, and if needed opinions of independent certified real estate appraisers, are used. Moreover, two different methods are used, depending on the circumstances: discounted cash flow method and comparative transaction price method. The valuation of the Group's properties is thus inherently subjective due to the individual nature of each property and due to the valuation being based on a number of unconfirmed assumptions and a limited amount of public data and research. Any discrepancy in the actual circumstances as compared to the used assumptions and assessments could result in inaccuracy of the appraised value of the Group's properties and, as a result, of the Group's financial position.

Moreover, changes in the fair value of investment properties, as influenced by several factors, such as general and local economic conditions, interest rates, inflation expectations, market rent levels, vacancy rates, property investors' yield requirements, and competition, constitute one of the Group's short-term risks, which could impact the Group's statement of comprehensive income and statement of financial position. As an example, as of 31 December 2019, the Group reported losses of EUR 24,236,000 from revaluation of investment properties, mainly due to a decrease in property value of and lower than expected operating results of AS Tallinna Moekombinaat (a material indirect Subsidiary of the Company).

This and any similar impact may as a result impair the Group's ability to incur or maintain required indebtedness and may also lead to the Group not meeting financial covenants set out in loan agreements (see also risk factor "*Any failure to comply with various covenants arising from financing agreements may result in the Group losing its rights to its assets*" below) and to carry out property development projects, which is a major part of the Group's day-to-day business.

Considering that, for the financial year 2019, the Group has reported a significant loss of EUR 29 million, mainly due to a decrease in property value in AS Tallinna Moekombinaat, the Company considers that the probability of the above risks occurring is high. If the risks would materialise, the Company considers the potential negative impact to be medium.

Failure to raise additional financing or service outstanding indebtedness may result in the Group not being able to develop its projects according to its plans

When developing large scale real estate projects, significant external financing is required by the Group. The ratio of the Group's debt (total liabilities) to total assets was 72.3 per cent as of 30 September 2020, and the Group's total outstanding external debt amounted to approximately EUR 128.8 million (of which approximately EUR 90.3 million to credit institutions). The Group's bank loans are predominantly of medium-term duration, maturing within one to five years.

There is a risk that the Group may be unable to obtain sufficient financing on favourable terms, or at all, due to for example general economic and market conditions, financial and business factors, strict policies of the banks (*e.g.* related to presales or occupancy levels before construction), *etc*. If the Group fails in servicing, refinancing or restructuring its indebtedness or raise additional capital, it may not manage to implement its development projects pursuant to its plans, which may result in that such projects are not completed before the loans mature or that any increased costs due to such postponement are not covered by existing loans. This could in turn result in the Group becoming required to sell assets. Therefore, if internally generated cash flow or cash flow received from sales of developed real estate is less than anticipated or if money available from either local or global lenders is under liquidity pressures, it could have a material adverse effect on completion of the Group's current and planned real estate projects and expected results of such projects.

Moreover, existing indebtedness and need to raise additional financing may reduce the Group's flexibility in planning its business and implementing its projects and places the Group at a competitive disadvantage relative to its competitors with less indebtedness (see for example risk factor "*Any failure to comply with various covenants arising from financing agreements may result in the Group losing its rights to its assets*" below).

The circumstances brought out above may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be high.

A breach of financing agreements entered into by the Group may result in the Group losing its rights to its assets

As set out in the risk factor "*Failure in raising additional financing or service outstanding indebtedness may result in the Group not being able to develop its projects according to its plans*" above, the Group has raised significant external debt financing. The Group's financing agreements are secured by, *inter alia*, pledges over the shares of the Subsidiaries, mortgages over properties and by guarantees issued by the Company or other Group Companies. The financing agreements set out various undertakings and financial covenants, some of which are linked to the value of the Group's properties or to a Group Company's rental income, which at least in the short term could be negatively affected in case of a decline in the value of the Group's properties due to a decline in the property market as a whole or otherwise.

At the date of this Prospectus, the Company's material indirect Subsidiary AS Tallinna Moekombinaat is, *inter alia*, in payment default and in breach of certain covenants under a loan agreement for financing of the T1 Mall of Tallinn and reorganisation proceedings are ongoing (see risk factor "*Risks related to ongoing reorganisation proceedings in AS Tallinna Moekombinaat*" below). The main creditor of AS Tallinna Moekombinaat has already indicated that it intends to force AS Tallinna Moekombinaat into bankruptcy in case the reorganisation proceedings fail. This would result in the Group losing its rights to and ownership in the assets pledged in respect of the loan.

Besides the risks related to the financing of AS Tallinna Moekombinaat, there is always a risk that any other failure by the Group to comply with current or future financing agreements (*i.e.* unrelated to the T1 Mall of Tallinn financing agreement) could result in the relevant creditor accelerating loans prior to maturity and/or enforcing pledges over assets or guarantee commitments, resulting in the Group losing its rights to or ownership in the pledged assets. Failure by the Group to comply with certain covenants in the terms and conditions of the Secured Bonds could also trigger a cross-default[1] thereunder and, *inter alia*, lead to an acceleration of the obligations of the Group or the enforcement of the transaction security granted in connection with the Secured Bonds. Failure to comply with covenants arising from financing agreements could thus have a material adverse effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

Considering that the Company is already in breach of covenants contained in the T1 Mall of Tallinn loan agreement, the Company considers that the probability of the above risks occurring in relation to the T1 Mall of Tallinn loan agreement is high, and otherwise medium. If the risks would materialise, the Company considers the potential negative impact to be high.

The Group is subject to interest rate risk

As of 30 September 2020, interest expense on financial debt accounted for in the Group's profit and loss statement was EUR 11 million. The interest rates of the loans taken by the Group from credit institutions are based on the EURIBOR base rate, which is determined as of the quotation date occurring periodically after the date of the relevant loan agreement. Increases in EURIBOR will lead to a corresponding increase in the financial costs and decrease in net profit of the Group. Assuming a 100 basis points rise in EURIBOR for existing agreements as of 30 September 2020, the interest expenses of the Group would increase by approximately EUR 149,600 and net profit would decrease by approximately EUR 149,600 per annum. The interest rates offered by credit institutions are also dependent on the general market situation and there is a risk that an economic downturn, especially in the Baltic region, would lead to increased interest expenses and thus have a negative effect on, *inter alia*, the Group's net profits.

The Company considers that the probability of the above risks occurring is medium. If the risks would materialise, the Company considers the potential negative impact to be medium.

Redemption of the Secured Bonds

On 20 February 2024, the Company shall be obliged to redeem all the Secured Bonds (for more information on the Secured Bonds, please see subsection "*Secured Bonds*" in Section 9.1 ("*Material Agreements*") below) not then redeemed. Upon redemption, the Company may (depending on its financial situation and preferences) need or prefer to obtain additional financing to fulfil its obligations to redeem the Secured Bonds. The Group's ability to successfully refinance the Secured Bonds is dependent upon the conditions of the capital markets and the Group's financial position at the time such refinancing is required or desirable, including at the time of an amortization or an exercise of a voluntary redemption or mandatory repurchase of the Secured Bonds. The Group's ability to refinance the Secured Bonds or other debt is also restricted by financing agreements of the

[1] AS Tallinna Moekombinaat has been excluded from the cross default provision in the terms and conditions of the Secured Bonds.

Group containing financial covenants, imposing restrictions in relation to the Group's debt financing arrangements.

In the event the Company is unable to refinance the Secured Bonds or other outstanding debt, or if such financing can only be obtained on unfavourable terms, this could have a significant adverse effect on the Company's ability to fulfil its obligations.

The Company considers that the probability of the above risks occurring is medium. If the risks would materialise, the Company considers the potential negative impact to be high.

3.2.2 Risks Related to the Group's Business Activities and Industry

Risks related to ongoing reorganisation proceedings in AS Tallinna Moekombinaat

Due to a delay in completion of the T1 Mall of Tallinn and higher than predicted vacancy levels, the Company's material indirect Subsidiary AS Tallinna Moekombinaat has generated lower than expected rental income and cash flow. This has led to a decrease in the property value of T1 Mall of Tallinn and to AS Tallinna Moekombinaat not being able to comply with payment obligations and other provisions contained in material agreements entered into by the company.

As of 31 March 2020, AS Tallinna Moekombinaat had 70 creditors with a total of approximately EUR 7,000,000 of overdue debts. The main creditor is the lender under a secured loan agreement for financing of the T1 Mall of Tallinn, with a principal amount of EUR 75,356,000 on 31 March 2020. On 3 April 2020, Harju County Court in Estonia initiated reorganisation proceedings of AS Tallinna Moekombinaat. As at the date of this Prospectus, the outcome of such proceedings is still uncertain and there is a risk that the reorganisation proceedings will fail, in which case bankruptcy of AS Tallinna Moekombinaat will ensue. If this risk would materialise, it could have a material adverse effect on the value of the Group's assets (see risk factor "*Any failure to comply with various covenants arising from financing agreements may result in the Group losing its rights to its assets*" above) and potentially impact the Group's business and future cash flow. This in turn may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

In the worst-case scenario, if the reorganization proceedings fail and AS Tallinna Moekombinaat goes bankrupt, AS Pro Kapital Eesti will have to record losses in the maximum amount of 26 million euros, which include losses from unpaid principal loan amounts in the amount of up to 22.2 million euros, unpaid interest balance in the amount of up to 3.0 million euros, unpaid invoices in the amount of up to 0.3 million euros and the portion of equity of AS Tallinna Moekombinaat in the amount of up to 0.2 million euros as at 30 September 2020. The total negative effect to the Group would be 39 million euros (including initial investment into the share capital of the Subsidiary). The bankruptcy of AS Tallinna Moekombinaat would not affect liquidity of the group nor the short-term cash flows of the Company. The situation would influence the long-term cash flows to the extent of loan and interest payments.

Should the reorganisation proceedings fail, AS Tallinna Moekombinaat will likely be declared bankrupt, as the main creditor Lintgen has submitted a bankruptcy petition regarding AS Tallinna Moekombinaat which has been suspended until the reorganization proceedings are terminated and a ruling on such termination has come into force.

The Company considers the probability of the above risks occurring to be medium. If the risks would materialise, the Company considers the potential negative impact to be high.

Risks related to COVID-19

The pandemic spread of the coronavirus causing the infectious disease COVID-19 during 2020 has had an adverse impact on the economy in the business segments and the markets in which the Group operates, especially the hotel operations. As an example, due to the emergency state declared in all countries of the Group's

operations, the Group's hotel operations in Germany were closed from 21 March 2020 until 1 July 2020 and are closed again since 2 November 2020 until further notice. The Group's shopping centre T1 Mall of Tallinn in Estonia was partly closed from 27 March 2020 until 11 May 2020. The COVID-19 outbreak has thus already had and may also in the future have an adverse impact on the Group's business, results of operations and financial position.

Moreover, the pandemic and the actions taken to limit its spread is expected to have a continuing significant impact on the global economy as a whole and there is a risk that *e.g.* the Group's access to financing and the Group's financial performance will be adversely affected thereby. There is also a risk that the Covid-19 outbreak will lead to massive unemployment and difficulties for the Group's end customers in obtaining bank financing, which could in turn lead to a decreased demand for the Group's products. The COVID-19 pandemic may also result in disruption to the Group's suppliers and result in increased unavailability of staff, all of which could have a material adverse impact on the quality and continuity of the Group's property development and other operations, and on the reputation of the Group.

The extent of the adverse impact of the pandemic on the global economy and markets is currently subject to great uncertainty and will depend, in part, on the length and severity of the measures taken to limit the spread of the virus and, in part, on the size and effectiveness of the compensating measures taken by governments. As each such risk described above could have a material negative impact on the Group's business, results and financial position and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

Since the Group has already experienced some negative effects on its business, results and financial position as a result of the COVID-19 outbreak, the Company considers that the probability of the above risks occurring is high and the Company considers the potential negative impact of the risks to be medium.

Risks related to the macroeconomic environment

Real estate development is cyclical and tends to follow the general developments in the macroeconomic environment. Macroeconomic factors such as interest rates, unemployment, inflation, private consumption, capital expenditure, access to financing, infrastructural and demographical changes and other macroeconomic indicators may have significant influence on real estate developments and hence on the operations of the Group. In view of the Group's indebtedness level, the Group is especially affected by *e.g.* an increase in interest rates (see also the risk factor "*Interest rate risk*" above), which would increase the Group's financial costs and decrease its net profits.

Moreover, any decrease of the substantial purchasing capability of permanent residence and increase of the interest rates for mortgage loans could decrease the demand for the Group's real estate and hotel services and have a negative impact to the Group's operating activities, decreasing the sales and rent income as well the gain from development activities, property management services and hotel operations. Furthermore, any decrease in private consumption and the financial capacity of the households could impair the demand for shopping and entertainment and thus have a negative impact on the value of the Group's largest asset, the T1 Mall of Tallinn.

The circumstances referred to above may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

Save for as a result of the COVID-19 outbreak (see risk factor *"Risks related to COVID-19"* above), the Company considers the probability of several macroeconomic factors that may have a material adverse effect on the Group's operations, results and financial position occurring to be low. However, the probability that some negative macroeconomic factors occur is deemed to be medium. The negative effect of such factors depends on the macroeconomic factor and its severity. For instance, the potential negative impact from increased market interest rates or deteriorated access to financing is considered to be medium, while the potential negative impact from demographic changes alone is considered to be low.

Risks related to real estate transactions and changing market conditions

The Group's operations are focused on real estate development and thus, the Group is from time to time involved in acquisitions and divestments of properties. In accordance with its strategy, the Group has in the past sold properties in part or in full, and is continuously considering the divestment of properties when properties have been fully developed. There is a risk that changes in market conditions could result in diminished opportunities for disposal of desired properties, higher than expected development costs, lower than expected rental rates and lower than expected disposal prices. The value and price of the properties is influenced by several factors, such as general economic conditions, interest rates, inflation expectations, investor yield requirements and competitive dynamics (see risk factors "*Changes to the value and inaccuracy of the appraised value of the Company's real estate portfolio*" and "*Risks related to the macroeconomic environment*" above). As the Group is a real estate developer, diminished opportunities for acquiring desired properties, higher than expected development costs or delayed disposal of properties could slow the growth of the Group and have a material adverse effect on the Group's earnings, business and results of operations. This in turn may increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is medium. If the risks would materialise, the Company considers the potential negative impact to be high.

Possible recession in the real estate market

There is a risk that the Company's presales and sales will decrease if there is a recession situation in the market. This would impact the Company's ability to pay to its contractors and cooperation partners, payback of short loans and other financial covenants and finances of the Company in general.

The Company considers the occurrence probability of this risk to be medium. If the risk would materialise, the Company considers the potential negative impact to be high.

Competition from other market participants

There is a risk that competition from other well-capitalised market participants the Company has to pay substantially more than planned for new acquisitions or is not able to acquire the desired properties at all, or the Company's projects may be less successful than planned due to competitor projects being more successful or due to competitors having better access to finacing or having attracted necessary (international) investments or funding or due to relatively recently developer projects seized and being sold by the banks.

This could result in diminished opportunities for growth, which could have an adverse effect on the Company's financials and ultimately the bottom line. The Company considers the the probability of this risk occurring as medium. If the risk would materialise, the Company considers the potential negative impact to be high.

Changes in customer preferences in residential housing market

There is a risk that the residential housing market could change and no longer favour the Company's developments due to changing customer trends, demands and preferences, which vary due to economic factors and customer preferences for the style of developments. Additionally, there is a risk that the Company will be unable to recognise such changes or adapt to them in its existing developments in time.

This in turn could cause less apartment sales than budgeted, which could have an adverse effect on business, operating results and financial condition of the Company. The Company considers the probability of this risk occurring as low. If the risk would materialise, the Company considers the potential negative impact to be medium.

The Group relies on third party building contractors

The Group relies on third party building contractors. If the Group cannot enter into or maintain existing design and construction agreements with third party building contractors at acceptable terms, or if the building contractors breach such agreements or their obligations under mandatory law (such as the constructor's requirement to have a liability insurance policy during all term of validity of a construction permit), the Group may incur additional costs, suffer losses or lose planned income. A contractor's or subcontractor's failure to perform may also result in legal action by the Group to rescind the construction agreement or to enforce the contractor's obligations, and may result in delay in the completion of the relevant development project. This could increase the construction costs and thus have a material adverse effect on the Group's results of operations and financial condition.

Furthermore, as the Group also operates in Lithuania, the Group is subject to a risk arising from Lithuanian law, which provides that in case of a bankruptcy or liquidation of the contractor, the developer of the real estate project in Lithuania would be held liable against purchasers of the real estate for any defects that emerge during the applicable guarantee period in case of default of the contractor. Thus, in case of bankruptcy or liquidation of any Lithuanian building contractors of the Group, the Group may be held liable and incur additional and unexpected costs.

The circumstances referred to above may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be medium.

Risks related to project completion delays

There is a risk that forecasted project completion is delayed because of unexpected works, fault of construction company (e.g. lack of subcontractors, delays in arrival of materials).

This can cause claims from the buyers of properties/apartments and for the Company not to meet targeted financial goals and impact on financial results. The Company considers the probability of the these risks occurring as low and the potential negative impact as medium.

Risks related to lease agreements

The success of the Group's real estate development projects, such as shopping centres, depends highly on the terms of the lease agreements concluded by the Group. The Group's lease agreements are standardised and divided into two categories: fixed-term lease agreements and lease agreements entered into for an unspecified term. A vast majority of the Group's existing leases are signed for five years and expire in November 2023 or in 2024 and there is a risk that the Group will not be able to renew such agreements at acceptable terms or at all. In order to prevent tenants from terminating lease agreements, the Group has been, and may also in the future be, forced to reduce the rent. Moreover, lease agreements entered into for an unspecified term involve a risk that a large number of such agreements are terminated within a short period of time. If any of the above-mentioned risks were to materialise this could lead to a reduction of the Group's rental income and cash flow. This in turn could have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is high. If the risks would materialise, the Company considers the potential negative impact to be medium.

Project risks

The Group develops a rather small number of large projects, mainly in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania). Concentration on a small number of projects in a specific geographic area could increase the volatility of the Group's results and also increase the Group's exposure to risks relating to each of the Group's development projects as well as the geographic markets in which the Group operates. The possibility of implementing development projects with financial profitability depends on several factors, such as the ability to retain and recruit necessary expertise within, *inter alia*, construction, project planning, architecture and marketing, and to obtain necessary permits and authority approvals and procuring contracts for project implementation on acceptable terms. Furthermore, the Group's development of properties is dependent on a continuous supply of and financing of new projects on acceptable terms, and that the Group's projects adequately respond to the market demand and should the Group be unsuccessful in this, it could have an adverse impact on the Group's profitability.

The Group develops its properties on the basis of business plans elaborated for its respective properties. Such plans are *inter alia* based on forecasts of future circumstances. Long duration of the projects aggravates forecasting future costs, income, prices, necessity for financing and its availability and other similar circumstances relating to development projects. If the Group's forecasts are inaccurate it could lead to unexpected costs for the projects, which could have a material adverse effect on the Group's results and financial conditions. It could also lead to the Group breaching covenants contained in project development financing agreements (see risk factor "*Any failure to comply with various covenants arising from financing agreements may result in the Group losing its rights to its assets*" above). Also delays in projects may decrease profitability and has done so in the past, most recently related to the T1 Mall of Tallinn.

The circumstances referred to above may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers the probability of the above risks occurring to be low. If the risks would materialise, the Company considers the potential negative impact to be high.

Dependence on subsidiaries

The Company is a holding company, which conducts its business through, and does not own significant assets other than, its subsidiaries located in Estonia, Latvia, Lithuania and Germany. To make payments under the Bonds, the Company is dependent on the receipt of funds from its subsidiaries. However, the Company's subsidiaries are legally separate and distinct from the Company and have no obligation to pay amounts due with respect to the Company's obligations and commitments, including the Bonds, or to make funds available for such payments. The ability of the Company's subsidiaries to make such payments to the Company is subject to, among other things, the availability of funds, rules on financial assistance in the relevant jurisdictions in which the subsidiaries are incorporated and the terms of relevant loan agreements entered into by such subsidiaries. Should the Company not receive sufficient income from its subsidiaries, the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be medium.

Structural subordination and insolvency of subsidiaries

The Company's subsidiaries have incurred, and may from time to time incur additional, indebtedness. In the event of insolvency, liquidation or a similar event relating to one of the Company's subsidiaries, all creditors of such company would be entitled to payment in full out of the assets of such company before the Company, as a shareholder, would be entitled to any payments. Thus, the Bonds are structurally subordinated to the liabilities

of such subsidiaries. There is a risk that the Company and its assets would not be protected from actions by the creditors of a subsidiary, whether under bankruptcy law, by contract or otherwise.

In addition, defaults by, or the insolvency of, certain subsidiaries of the Group may result in the obligation of the Group to make payments under financial or performance guarantees in respect of such companies' obligations or the occurrence of cross-defaults on certain borrowings of the Group, which could lead to material costs and/or loss of assets for the Group.

Further, the Group operates in various jurisdictions and in the event of bankruptcy, insolvency, liquidation, dissolution, re-organisation or similar proceedings involving the Company or any of its subsidiaries, bankruptcy laws of other countries could apply. The outcome of insolvency proceedings in foreign jurisdictions is difficult to predict and could have a material and adverse effect on the potential recovery in such proceedings.

The circumstances referred to above may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be high.

3.2.3 Legal and Regulatory Risks

The Group may not be able to obtain necessary plans, permits and other authority approvals

As a real estate developer, the Group is dependent on obtaining necessary plans, permits and other authority approvals. In order to develop real estate, which is the Group's core business, a zoning plan must have been adopted for respective land unit specifying *inter alia* the intended use(s) of the land unit, the maximum permitted number of buildings thereon, the maximum area to be occupied by the buildings and the maximum permitted height of the buildings. A valid building permit must also be obtained in order to start constructing. The Group may also need to obtain other permits and authorisations. If any of the abovementioned zoning plans, building permit or other necessary permits or authorisations are not obtained at all or are not obtained on terms and conditions suitable for the planned development activities, or if any such plan, permit or authorisation is insufficient or is amended in a way not suitable for the planned development activities, there is a risk that the Group's development projects will be delayed or that the Group will have to abandon the projects and sell the land at a sales price lower than the purchase price. This may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is medium. If the risks would materialise, the Company considers the potential negative impact to be medium.

Risks relating to doing business in the Baltic States

Compared to more mature markets, Estonian, Latvian and Lithuanian markets are subject to greater risks, including legal, economic and political risks. In relation to their accession to the European Union, Estonia, Latvia and Lithuania have implemented significant social and economic changes and reformed their legal and regulatory framework. This has resulted in considerable increase in the volume of Estonian, Latvian and Lithuanian legislation and other regulations. Some courts' administration as well as judicial practices have evolved. However, any change in such practices or in the legislation could lead to increased costs for the Group and/or limit the Group's possibility to conduct its business as planned. As an example, due to recent regulatory changes in Latvia it is no longer possible to divide residential houses into apartment properties if several houses have been built on one land plot, which significantly aggravates the Group's development of residential buildings in Latvia.

Further, due to the changed global geopolitical situation, possible conflicts around the world, the current macroeconomic and political events in some countries beyond EU, applied sanctions by the EU and counter-sanctions applied by *e.g.* Russia, the Group is exposed to additional political and economic risks that could have a negative impact on the Group's ability to conduct its business operations in the same way as on the date of this Prospectus.

The circumstances brought out above may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be medium.

The Group's operations are subject to taxation risks

The Group conducts business in a number of countries. There is a risk that the Group's assessment of the tax legislation is incorrect or that the tax legislation changes, possibly with retroactive effect. Changes to taxes such as corporate tax, value added tax, income tax and other governmental charges as well as changes to and/or new tax laws and regulations lead to unexpected costs or limitations that could have a material adverse effect on the Group's business and results from operations.

Further, the Group has carried out a significant number of intra-group transactions and contractual arrangements (such as lease, credit and service agreements between the Group Companies). The Group is therefore subject to a transfer pricing risk in relation to any transactions between related parties that are not conducted on an arm's length basis. This could involve an adjustment to the tax results for entities involved to take account of arm's length pricing, which could lead to additional taxes and fees being imposed on the Group.

Transactions with related as well as unrelated parties carries a risk of requalification, should the tax authority challenge the economic substance of the transactions, *e.g.* under the "substance-over-form" rules. Considering the wide interpretation given to "substance-over-form" rules by the Estonian, Latvian and Lithuanian tax authorities in various cases, requalification of transactions and corresponding adjustment of tax results, such as prohibition to deduct input value added tax or additional income tax charge, could lead to additional taxes and fees being imposed on the Group.

The circumstances referred to above may have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is medium. If the risks would materialise, the Company considers the potential negative impact to be medium.

The Group's operations are subject to environmental risks

The Group's activities are subject to laws and regulations relating to environmental protection including *inter alia* waste handling, contamination of soil, protection of ambient air and use of water. Pursuant to environmental laws, a property owner is often held liable for pollution found in such property even if the property was polluted before its acquisition and the owner did not know that at the time of acquisition. Hence, there is a risk that the Group Companies will be liable for decontamination of land plots currently or previously owned, or to be acquired, due to such land having latent defects. This may also lead to disputes between the Group and contractual counterparties. Since the Group has not always included environmental warranties in its purchase agreements, the Group may not be entitled to claim for clean-up costs and damages from any third party.

The historic background of some of the Group's land units refers to possibility of pollution, *e.g.* (i) the territory of Tondi Quarter has been a part of Soviet army campus; (ii) the property of Šaltinių Namai Residential Complex has been a part of the machinery factory; (iii) hazardous waste containers of industrial buildings were located in

the property of Zvaigznes Centre; and (iv) the property of Kalaranna Residential Complex has historically been a fishing harbour and a marketplace. Furthermore, in Tondi Quarter a minor pollution was discovered in 2014, resulting in clean-up costs of approximately EUR 60,000.

Any environmental pollution of the Group's properties could adversely affect the Group's ability to sell or lease property and to use its properties as planned. It could also expose the Group to claims from customers or third parties for personal injury or property damage associated with exposure to pollution and lead to clean-up costs. This could have a negative effect on the Group's financial position and results of operations and thereby, increase the risk that the Company may not be able to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be low.

3.3 Risk Factors Specific and Material to the Bonds

Early redemption risk

In accordance with the Terms and Conditions, the Bonds may be redeemed prematurely on the initiative of the Company. Section 7.2. of the Terms and Conditions provides that the Company may, at its sole discretion, redeem the Bonds fully or partially before the Redemption Date by notifying the Investors thereof at least 15 (fifteen) Business Days prior to the date of the early redemption, provided that the Company has fully redeemed the Secured Bonds (for more information on the Secured Bonds, please see subsection "*Secured Bonds*" in Section 9.1 ("*Material Agreements*") below) before the date of the early redemption or obtained a waiver from the holders of the Secured Bonds.

If such early redemption right is exercised by the Company, the rate of return from an investment into the Bonds may be lower than initially anticipated. Also, the Investors might not have an option to invest in financial instruments offering the similar risk/return characteristics at the time of the early redemption or could face additional costs in selecting a new investment. Lastly, it is possible that the market value of the Bonds may be higher than the amounts payable to the Investors upon early termination in accordance with the Terms and Conditions.

The Company may not be able to refinance the Bonds

Upon the Redemption Date (i.e. on 31 October 2024), the Company shall be obliged to redeem all Bonds (unless they are redeemed earlier). Upon redemption, the Company may (depending on its financial situation and preferences) need or prefer to obtain additional financing to fulfil its obligations to redeem the Bonds (i.e. refinance the Bonds). The Group's ability to successfully refinance the Bonds is dependent upon the conditions of the capital markets and the Group's financial position at the time such refinancing is required or desirable, including at the time of an amortization or an exercise of a voluntary redemption or mandatory repurchase of Bonds. The Group's ability to refinance the Bonds or other debt is also restricted by financing agreements of the Group containing financial covenants, imposing restrictions in relation to the Group's debt financing arrangements. In the event the Company is unable to refinance the Bonds or other outstanding debt, or if such financing can only be obtained on unfavourable terms, this could have a significant adverse effect on the Company's ability to fulfil its obligations under the Terms and Conditions and arising from the Bonds.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be high.

No collateral as security for the Bonds

No collateral has been established and is intended to be established as security for the fulfilment of the Company's obligations under the Bonds. Thus, should the Company fail to fulfil its obligations under the Bonds,

Investors could not satisfy their claims on account of any collateral and could only demand fulfilment of the obligations under the Bonds from the Company.

This means that in the event of bankruptcy, reorganisation or winding-up of the Company, the Investors would receive satisfaction of their claims from the Company only after the claims of priority creditors have been satisfied and amounts mandatorily preferred by law have been paid in full, *pari passu* with other unsecured and unsubordinated creditors. There is no guarantee that in such circumstance the Company's bankruptcy estate shall have sufficient assets to satisfy all obligations towards the Investors and the Investors may thus lose all or part of their investment.

The Company considers that the probability of the above risks occurring is low. If the risks would materialise, the Company considers the potential negative impact to be high.

No Events of Default

The Terms and Conditions of the Bonds do not include any events of default and expressly exclude the right of the Investors to demand early redemption of the Bonds. This means that unless otherwise provided under mandatorily applicable provisions of Estonian law, the Investors cannot demand early redemption of the Bonds. The absence of any events of default from the Terms and Conditions and exclusion of the right to demand early redemption may make it less likely that the Investors will recoup their investment in full in the event that the Company experiences financial distress.

Liquidity Risk

Although the Company intends to apply for the listing of the Bonds in the Baltic Bond List of Nasdaq Tallinn regulated market, there is no guarantee that such listing shall be approved and the Bonds will be listed. Even if the Bonds are listed, and even more so in case they are not listed, a liquid secondary market for the Bonds is not guaranteed. Investors might bear a loss due to not being able to sell the Bonds on the secondary market or having to have to sell them at an unfavourable price.

Interest Rate Risk

The Bonds bear interest on their outstanding Nominal Amount at a fixed interest rate of 8% (eight per cent) *per annum*. Investors are exposed to the risk that the value of the Bonds may fall as a result of changes in the market interest rate. While the nominal rate of interest on the Bonds is fixed until their redemption, the prevailing capital market rates change on a daily basis. If the market interest rate increases, the market value of the Bonds may fall.

The Terms and Conditions of the Bonds may be Modified

In accordance with Clause 10 of the Terms and Conditions, the Investors may approve amendments to the Terms and Conditions by an investors' resolution (the "**Investors' Resolution**"). Such amendments may include, *inter alia*, changes to the interest rate of the Bonds, postponement of the Redemption Date or increasing the maximum total denomination value of the Bonds and the maximum amount of the Bonds over the limits prescribed in Section 3.3. of the Terms and Conditions.

An Investors' Resolution for amending the Terms and Conditions is deemed to have been adopted and the respective amendment to the Terms and Conditions approved by the Investors on the last day of the voting deadline if at least 50% of all votes represented by the Bonds are in favour of such amendment.

If adopted in accordance with the majority brought out above, the amendment to the Terms and Conditions shall be binding on all Investors, regardless of whether they participated in voting on the Investors' Resolution and regardless of how they voted. Any change to the Terms and conditions may have an adverse effect on the rights of the Investors and the value of the Bonds.

Taxation Risk

Adverse changes in the tax regime applicable in respect of transacting with the Bonds or receiving interest or principal payments based on the Bonds may result in an increased tax burden of the Investors and may therefore have adverse effect on the rate of return from the investment into the Bonds.

No Ownership Rights

An investment into the Bonds is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Company or any of other member of the Group or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. The Bonds represent a debt obligation of the Company, granting the Investors only such rights as set forth in the Terms and Conditions. The value of the Bonds be affected by the actions of the shareholders of the Company over which the Investors do not have control.

3.4 Risk factors specific and material to the Listing and Admission to Trading

Price Risk

The Bonds will be offered by the Company at the price equal to their nominal value with a certain fixed coupon rate. However, in the secondary market the price of the Bond may decrease due to market situation or events related to the Company. Besides the activities of the Company, the value of the Bonds may be affected by the developments in financial markets and when the interest rates are rising, the value of the Bonds may fall.

Negative or Insufficient Analyst Coverage

There is no guarantee of continued (or any) analyst research coverage for the Company. Over time, the amount of third-party research available in respect of the Company may increase or decrease with little or no correlation with the actual results of its operations, as the Company has no influence on the analysts who prepare such reports. Negative or insufficient third-party reports would be likely to have an adverse effect on the market price and the trading volume of the Bonds.

4. OVERVIEW OF THE BONDS

4.1 Overview of the Key Terms of the Bonds

This section contains a general and broad description of the Bonds. It does not claim to be comprehensive summary or cover all details of the Bonds. Potential investors should therefore carefully consider this Prospectus as a whole, including the documents incorporated by reference, and the full Terms and Conditions, before making a decision to invest in the Bonds.

Issuer

Company	AS Pro Kapital Grupp (Estonian reg. no. 10278802).
Resolutions, authorisations and approvals	The Company's Supervisory Council has approved the issue of the Bonds on 21 May 2020 and the Listing on 7 January 2021. Furthermore, the Terms and Conditions have been approved by the Company's Management Board on 28 May 2020

The Bonds

Name of the Bonds	EUR PRO KAPITAL GRUPP VÕLAKIRI 20-2024
ISIN code	EE3300001676
Nominal Amount of each Bond	EUR 2.80 (two Euros and eighty cents)
Number of Bonds	3,459,081
Aggregate Nominal Amount of Bonds	EUR 9,685,426.80
Type and class of the Bonds	The Bonds constitute unsecured non-equity (debt) instruments (in Estonian: *võlakirjad*) of the Company, which shall at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Terms governing the Bonds	The Bonds are governed by the terms and conditions for AS Pro Kapital Grupp fixed rate non-convertible bonds issue dated 28 May 2020, which have been attached to this Prospectus as Annex 1.
Governing law	Laws of the Republic of Estonia
Issue Dates	03 August 2020, 27 November 2020 and 15 January 2021.
Interest Rate	Interest on the Bonds is paid at a fixed rate of 8.00 per cent *per annum*.
Yield	*The estimated yield-to-maturity of the Bonds on the date of listing of the Bonds, calculated from the date of the Prospectus*

	(i.e. 18 January 2021) until the final Redemption Date (i.e. 31 October 2024),is 8%. The yield-to-maturity is the annual percentage rate of return paid if the Bond is held from the date of the Prospectus (i.e. 18 January 2021) to the final Redemption Date (i.e. 31 October 2024), assuming that interest paid over the life of the Bond is reinvested at the same rate and that the Bond is not subject to early redemption before 31 October 2024.
Interest Payment Dates	Semi-annually in arrears on the 10th (tenth) Business Day of January and July of each year, commencing on 15 January 2021. Interest will accrue from, but excluding, the Issue Date.
Redemption Date	31 October 2024
Denomination	The Bonds are denominated in EUR.
Call Option	
Call Option	The Company may, at its sole discretion, redeem all of the Bonds in full or partially on any Business Day before the Final Redemption Date together with accrued but unpaid Interest, provided that the Company has fully redeemed the Secured Bonds before the date of the Early Redemption or obtained a waiver from the holders of the said bonds, in accordance with Clause 7.2. (*Early Redemption (Call Option*) of the Terms and Conditions).
Early Redemption	
No Right to Demand Early Redemption	The Investors do not have the right to demand early redemption of the Bonds before the Redemption Date.
Rights attached to the Bonds	
Rights attached to the Bonds	The rights attached to the Bonds are provided in the Terms and Conditions of the Bonds, which are attached to this Prospectus as Annex 1. The main rights of Investor's arising from the Bonds and the Terms and Conditions are the right to the redemption of the Bonds on the Redemption Date and the right to receive payment of interest.
Exercise of rights	The rights arising from the Bonds can be exercised by the Investors in accordance with the Terms and Conditions of the Bonds and the applicable law. Claims arising from the Bonds (including claims to interest and repayment of principal) shall expire in accordance with the statutory terms arising from applicable law.
Miscellaneous	
Credit ratings	No credit rating has been assigned to the Company or the Bonds

Transferability	The Bonds are freely transferable. However, transfer of Bonds by Investors may be subject to purchase or transfer restrictions under laws applicable to the Investor and the transferee (due to, *e.g.*, its nationality, its residency, its registered address or its place(s) of business). The Bonds have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction, other than under the Estonian Securities Market Act.
Representation of Investors	No agent or other representative for the Investors has been appointed or is intended to be appointed.
Clearing and settlement	The Bonds are connected to the account-based system of Nasdaq CSD SE Estonian branch (registered in the Estonian Commercial Register under registration number 14306553 and with the registered address at Maakri 19/1, 10145 Tallinn, Estonia). This means that the Bonds are registered on behalf of the Investors on a securities account (In Estonian: *väärtpaberikonto*). No physical Bonds have been or will be issued. Payment of principal, interest and, if applicable, withholding tax will be made through Nasdaq CSD SE Estonian branch's book-entry system.
Listing and admission to trading	
Listing and admission to trading	The Company intends to apply for the listing and admission to trading of the Bonds on the Baltic Bond List of Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Bonds is on or around 27 January 2021. While every effort will be made and due care will be taken by the Company in order to ensure the listing and the admission to trading of the Bonds, the Company cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of Tallinn Stock Exchange.

4.2 Taxation

Introductory remarks

The purpose of this section is to give an overview of the tax regime applicable to the Investors and the Company. The below summary is in no way exhaustive and is not meant to constitute professional advice to any person. Tax legislation of the Investor's residency and of the Company's country of incorporation may have an impact on the income received from the Bonds. In order to establish particular tax consequences of the ownership of the Bonds, each individual investor is advised and strongly encouraged to seek specialist assistance.

Capital gains from sale or exchange of Bonds

Gains realised by an Estonian resident individual are taxable on a cash-basis. Upon the sale or exchange of securities (including the Bonds) gains are subject to income tax at the rate of 20%. Since all earnings of resident legal persons, including capital gains, are taxed only upon distribution of profits, capital gains realised by resident legal persons are not subject to immediate taxation. As a rule, capital gains received by non-residents from the sale or exchange of securities are not taxed in Estonia. The non-resident Investors receiving capital gains from the sale or exchange of the Bonds may be subject to declaring and paying income tax in their respective countries

of residence. For the purposes of capital gains taxation, the gain derived from the sale of securities (including the Bonds) is the difference between the acquisition cost and the sales price of such securities. The gain derived from the exchange of securities is the difference between the acquisition cost of securities subject to exchange and the market price of the property received as the result of the exchange. The expenses directly related to the sale or exchange of shares may be deducted from the gains but are generally rather limited.

Taxation of Interest

Estonian resident individuals are subject to paying income tax (20%) on the interest received from loans, securities (including the Bonds) and other debt obligations. Therefore, interest (coupon payments) received by Estonian resident individuals from the Bonds is subject to income tax in Estonia. Income tax is withheld by the payor unless the resident individual notifies the Issuer that Bonds were acquired from funds held in the investment account. Since all earnings of resident legal persons are taxed only upon distribution (as described below), interest received by Estonian resident legal persons is not subject to immediate taxation. As a rule, interest payments received by non-residents are exempt in Estonia (i.e. no withholdings are made). However, non-resident Investors receiving interest from the Bonds may be subject to declaring and paying income tax in their respective countries of residence.

Investment Account

Individuals may defer the taxation of their investment income by using an investment account (in Estonian: *investeerimiskonto*) for the purposes of making transactions with financial assets (including the Bonds). An investment account is a monetary account opened with a European Economic Area or the Organisation for Economic Co-operation and Development (OECD) member state credit institution, through which the transactions with the financial assets, taxation of income from which (e.g. capital gains, interest, etc.) a person wants to defer, shall be made. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e. the amount withdrawn from the account exceeds the amount which had been previously paid into the account). Therefore, financial income held at the investment account may be reinvested tax-free until it is withdrawn from the account.

Corporate Income Tax

The system of taxation of corporate income currently in force in Estonia differs from the traditional model of corporate income taxation in that it shifts the point of corporate taxation from the moment of earning to the moment of distribution. Therefore, in Estonia corporate income tax is charged only on the distributed profit with the reinvested profits remaining untaxed until distribution. Corporate income tax is charged on profit distributions such as dividends, payments in the course of the reduction of share capital and acquisition of treasury shares when in excess of equity contributions, as well as on implicit distributions such as fringe benefits, gifts and donations, expenditures and payments not related to the business activities of a company. All of the above profit distributions are taxed at the rate of 20/80 (25%) of the net amount of the distribution, i.e. 20% of the gross amount of the distribution. The corporate income tax charged on above profit distributions is payable only at the company level with the company being responsible for calculating, declaring and paying of the respective corporate income tax. Corporate income tax imposed on distributed profit is not a withholding tax and thus is not influenced by the applicable international tax treaties. Payments made in the course of the reduction of share capital and redemption of shares are taxable at the company level only to the extent such payments exceed the monetary and in-kind contributions previously made by the shareholders into the company.

Furthermore, regularly distributed dividends are subject to lower income tax rate of 14/86 (16.28%) of the net payment, i.e. 14% on the gross amount of profit distribution. The lower income tax rate on the regularly distributed dividends applies to dividends that are paid in the amount not exceeding the average amount of the taxed dividends (taxed with 20% or 14% rate) in the previous three years. If the lower rate is applicable upon

distribution of dividends and the recipient is an individual (including both resident and non-resident), additional income tax is withheld in the amount of 7% (unless a tax treaty provides more favourable tax rate). No withholding tax applies if the dividend recipient is a corporate shareholder (including both resident and non-resident).

5. REASONS FOR THE LISTING AND USE OF PROCEEDS

The Company is applying for the Listing of the Bonds, to fulfil its obligation to make such application, as provided in the Terms and Conditions.

The Bonds have been issued by the Company to the holders of the Company's Existing Bonds (as defined in the Terms and Conditions) in such way that the holders of the Company's Existing Bonds will pay for the Bonds by returning to the Company their Existing Bonds. Therefore, the Company has not received any cash proceeds in relation to the issue of the Bonds and does not expect to receive any proceeds in connection with the Listing.

6. DESCRIPTION OF THE COMPANY AND THE GROUP

6.1 History and Development of the Company

The Group was founded in 1994 and is headquartered in Tallinn, Estonia.

The parent company of the Group, AS Pro Kapital Grupp, was formed on 18 May 1994 and registered with the Estonian Commercial Register on 26 September 1997. The Company is a public limited liability company registered in Estonia and is governed by Estonian law, including, but not limited to, the Estonian Commercial Code (In Estonian: *äriseadustik*).

The Company's shares have been traded on the main list of Nasdaq Tallinn since 19 November 2018 (ticker: PKG1T) and on Frankfurt's stock exchange trading platform Quotation Board since 13 March 2014, and were prior to that traded on the secondary list of Nasdaq Tallinn since 23 November 2012.

6.2 Details of the Company

Legal form	Public limited liability company
Corporate registration number	10278802
LEI-code	097900BGM10000061519
Formation	On 18 May 1994
Registration	On 26 September 1997
Head office	Tallinn, Estonia
Address	Sõjakooli 11, 11316 Tallinn, Estonia
Visitors address	Sõjakooli 11, 11316 Tallinn, Estonia
Phone number	+372 614 4920
Website	www.prokapital.com (the information provided at the Issuer's website does not constitute part of this Prospectus)
Company/trade name	AS Pro Kapital Grupp

6.3 Organisational Structure

The Company is the parent company of the Group. The Company is engaged in investor relations management and ensuring necessary capitalisation for the companies belonging to the Group. However, the Group's operations are conducted through and the majority of revenues of the Company emanates from the Company's operational subsidiaries. The Company is thus dependent on its subsidiaries in order to generate profit and cash flow and to meet its obligations under the Terms and Conditions.

As at the date of this Prospectus, the Company has 18 subsidiaries incorporated in four countries: nine in Estonia, four in Latvia, three in Lithuania and two in Germany. The Subsidiaries are wholly owned by the Company or other Group Companies, except for AS Tallinna Moekombinaat, in which the majority of shares is owned by the Company's direct Subsidiary Pro Kapital Eesti AS.

The structure of the Group is as follows:

6.4 Business Operations

General

The Group is an Estonian real estate developer focusing on contemporary large-scale commercial and residential property developments in the capitals of Estonia, Latvia and Lithuania. The Group is also active in sales of developed residential and retail real estate, lease of developed retail property and other commercial property and operating of one hotel in Germany. The Group's real estate portfolio is located in Tallinn, Riga and Vilnius, except for one hotel in Bad Kreuznach, Germany. The Group's operations are spread across four geographical segments: Estonia, Latvia, Lithuania, and Germany.

The Group's operations in:

- Estonia mainly consist of the development and sales of apartments in premium residential real estate properties, development of premises in retail and office properties, operating of the T1 Mall of Tallinn Shopping & Entertainment Centre in Tallinn, and management of cash flow generating retail and office properties;

- Latvia mainly consist of the development and sales of apartments in premium residential real estate properties and development and lease of office properties;
- Lithuania mainly consist of the development and sales of apartments in premium residential real estate properties; and
- Germany consists of the management of PK Parkhotel Kurhaus located in Bad Kreuznach, Germany.

The Group's operations could also be divided into four business segments: real estate, rental, hotel operations, maintenance and other services, as further described below.

Real estate

The real estate business segment is the Group's most important business segment in terms of revenue generation, accounting for approximately 74.9 per cent of the Group's consolidated revenue for the financial year 2019.

The real estate business segment is composed of the development of real estate projects and sale thereof. The Group develops new residential and commercial areas in the best locations in Tallinn, Riga and Vilnius and takes a long-term perspective into consideration in order to remain ahead of the market trends. The Group's vision is to develop timelessly distinctive buildings with an impeccable quality that anticipates people's needs and expectations.

The Group is focusing on development of existing land plots, which, in turn, will expand its sellable asset base. However, in addition to the development of its already existing sizeable real estate portfolio, the Group constantly also assesses opportunities to extend and strengthen it.

As at the date of this Prospectus, the Group has the following development projects:

Project name	Type	Location	Ownership	Classification
T1 Mall of Tallinn	Retail	Tallinn	93%	Investment property
Ülemiste 5	Offices	Tallinn	100%	Investment property
Kristiine City	Residential	Tallinn	100%	Inventories, investment property
Kalaranna District	Residential	Tallinn	100%	Inventories
Tallinas Quarter	Residential	Riga	100%	Investment property
Kliversala District	Residential	Riga	100%	Inventories, investment property
Brivibas Quarter	Offices	Riga	100%	Investment property
Šaltinių Namai	Residential	Vilnius	100%	Inventories

Rental

The Company's operations within the rental segment mainly consist of lease of retail and office premises. Rental revenues significantly increased during 2019, as it was the first full year when the shopping and entertainment centre T1 Mall of Tallinn was opened. For the financial year 2019, the rental segment accounted for approximately 17.3 per cent of the Group's consolidated revenue.

Hotel operations

In 2019 the Group operated only one hotel, PK Parkhotel Kurhaus in Bad Kreuznach, in Germany. The share of the hotel operations segment as a percentage of total revenues of the Group was 7.1 per cent for the financial year 2019.

Maintenance and other services

The Group provides maintenance and other services to its sold and rented out apartments. However, maintenance services are mainly provided to tenants and therefore maintenance revenue is correlated to the rental area. For the financial year 2019, the Group's maintenance business line accounted for only approximately 0.6 per cent of the Group's consolidated revenue.

6.5 Share Capital, Shares and Ownership Structure

As at 30 September 2020 the Company had 56,687,954 shares, each with a nominal value of EUR 0.2, and a registered share capital of EUR 11,337,590.80. In addition to the shares, the Company has 190,496 convertible bonds outstanding at the date of this Prospectus (however, as further detailed under subsections "*Convertible bonds*" in Section 9.1 ("*Material Agreements*") below, most convertible bonds have been refinanced by the Bonds). The holders of the convertible bonds are entitled to convert each convertible bond to one share of the Company. Considering the identity of the holders of convertible bonds, a conversion into shares in the Company of each convertible bond outstanding would not result in a significant change in the ownership structure of the Company. In accordance with clause 7.2. of the terms and conditions of the convertible bonds (as amended on 14.08.2012), in order to subscribe for the Company's shares and exchange the convertible bonds for the Company's shares, a bondholder must submit a respective exchange application to the Company at least 10 (ten) business days before the date he wishes to convert the bonds to shares, provided the exchange date is a working day and provided that the last possible exchange date is the maturity date.

The Company's shares have been traded on the secondary list of Nasdaq Tallinn since 23 November 2012, on the main list of Nasdaq Tallinn since 19 November 2018 (ticker: PKG1T) and on Frankfurt's stock exchange trading platform Quotation Board since 13 March 2014.

As at 31 December 2020 there were 388 shareholders registered in the Company's shareholders' register. Many of the registered shareholders are nominee companies, which represent multiple non-resident investors. As at 31 December 2020, shareholders holding more than 5 per cent of the shares in the Company were:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	31,010,717	54.70%
Clearstream Banking Luxembourg S.A. Clients	11,372,980	20.06%
Nordea Bank Finland Plc Clients	4,787,996	8.45%
Svalbork Invest OÜ	3,759,620	6.63%

The largest indirect shareholders of the Company are Ernesto Preatoni and his affiliates. Based on the information at the possession of the Company as of 31 December 2020, Ernesto Preatoni and his affiliates control 45.99% of the shares of the Company.

The Company has not been notified of by any person, other than Ernesto Preatoni and his affiliates, of holding more than 5 per cent of the shares in the Company through the nominee accounts of Raiffeisen Bank International AG, Clearstream Banking Luxembourg S.A. Clients or Nordea Bank Finland Plc Clients.

To ensure that the control over the Company is not abused, the Company complies with the Estonian Commercial Code (In Estonian: *äriseadustik*) and the Estonian Securities Market Act (In Estonian: *väärtpaberituru seadus*). In addition, the Company acts in compliance with the rules of Tallinn Stock Exchange and with the Estonian Corporate Governance Code, as adopted by the EFSA.

6.6 Shareholders' Agreements

As far as the Company is aware, there are no shareholders' agreements or other agreements which could result in a change of control of the Company.

6.7 Recent Events

Except for the issuance of the Secured Bonds (for more information on the Secured Bonds, please see subsection "*Secured Bonds*" in Section 9.1 ("*Material Agreements*") below) and the redemption in full of the Company's previous secured bonds 2015/2020 (ISIN SE0006504379), there have been no recent events particular to the Company, which are to a material extent relevant to the evaluation of the Company's solvency.

6.8 Adverse Changes and Trend Information

The main adverse development since the date of publication of its last Audited Financial Statements is the pandemic spread of the disease COVID-19. COVID-19 is a great concern to the world as a whole, not only due to its impact on people's lives and habits but also in terms of the impact on society as well as the future economic development. The full economic impact of the disease is not yet known and is difficult to estimate due to the high degree of uncertainty surrounding the situation. However, while the spread of COVID-19 has had a significant influence on the Group's hotel operations and the retail business of T1 Mall of Tallinn, construction of the Group's ongoing projects has not been halted but has been proceeding as planned. Please see the risk factor *"Risks related to COVID-19"* in Section 3 ("*Risk Factors*") above for more details.

There have been no significant changes in the financial position or financial performance of the Group since the end of the last financial period for which the Group has published interim financial information. However, as announced by way of a market announcement made by the Company on 3 April 2020 (please see the risk factor "*Risks related to ongoing reorganisation proceedings in AS Tallinna Moekombinaat*" in Section 3 ("*Risk Factors*") above and Sections 9.2 ("*Regulatory Disclosures*") and 6.9 ("*Legal and arbitration proceedings*") below for more details), Harju County Court has initiated reorganisation proceedings with respect to the Company's material indirect Subsidiary AS Tallinna Moekombinaat, following an application made by AS Tallinna Moekombinaat on 31 March 2020 for commencement of reorganisation proceedings. The purpose of the proceedings is for AS Tallinna Moekombinaat to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability. The reorganisation proceedings involve AS Tallinna Moekombinaat only and therefore have no direct influence on the Company or any other part of the Group. However, in the worst-case scenario, if the reorganization proceedings fail and AS Tallinna Moekombinaat goes bankrupt, AS Pro Kapital Eesti will have to record losses in the maximum amount of 26 million euros, which include losses from unpaid principal loan amounts in the amount of up to 22.2 million euros, unpaid interest balance in the amount of up to 3.0 million euros, unpaid invoices in the amount of up to 0.3 million euros and the portion of equity of AS Tallinna Moekombinaat in the amount of up to 0.2 million euros as at 30 September 2020. The total negative effect to the Group would be 39 million euros (including initial investment into the share capital of the Subsidiary). The bankruptcy of AS Tallinna Moekombinaat would not affect liquidity of the group nor the short-term cash flows of the Company. The situation would influence the long-term cash flows to the extent of loan and interest payments.

In addition, the Group's hotel operations in Germany were closed from 21 March 2020 until 1 July 2020 and are closed again since 2 November 2020 until further notice as a result of restrictions imposed for combating the pandemic of COVID-19.

Other than as brought out above, the Company is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

6.9 Legal and Arbitration Proceedings

Reorganisation proceedings of AS Tallinna Moekombinaat

On 31 March 2020, the Company's material indirect Subsidiary, AS Tallinna Moekombinaat, submitted an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability. On 3 April 2020, Harju County Court initiated reorganisation proceedings and on 7 May 2020, AS Tallinna Moekombinaat submitted a reorganisation plan to its creditors. Although the majority of the creditors voted in favour of the reorganisation plan by the voting deadline (26 May 2020), the reorganisation plan was not accepted by the creditors since the largest creditor holding the largest amount of votes voted against the plan, which meant that the legal requirement to consider the plan accepted by the creditors was not met.

As more than half of the creditors in each of the creditor groups did vote in favour of the reorganisation plan, AS Tallinna Moekombinaat submitted the reorganisation plan to the court on 2 June 2020, asking it to approve the reorganisation plan without the prior acceptance by the creditors.

On 12 June 2020, the court decided to appoint two experts to evaluate the reorganisation plan by 22 July 2020 with the aim of the court being able to make a decision on the approval of the plan by 10 August 2020. The main creditor appealed the ruling, but this did not stop the expert analysis. The two experts were overall supportive to the plan, with some reservations. Both experts appointed by the court in the reorganization proceedings thoroughly analysed the economic situation of AS Tallinna Moekombinaat and concluded that the company was not permanently insolvent and the problems can be overcome with the help of reorganization.

The Tallinn District Court decided to annul the ruling of the county court in connection with the appointment of experts due to procedural issues. The district court did not find that the county court had incorrectly appointed the experts, but held that the county court should have further analysed and substantiated some of the preconditions for initiating expert proceedings. Therefore, the district court referred the matter back to the county court for a new decision. AS Tallinna Moekombinaat appealed the district court decision to the Supreme Court of Estonia.

On 14 August 2020, the county court made a new ruling in the matter. The county court terminated the reorganization proceedings because it has established that AS Tallinna Moekombinaat is allegedly permanently insolvent. AS Tallinna Moekombinaat appealed this ruling as (i) in the opinion of AS Tallinna Moekombinaat, the court found incorrectly that AS Tallinna Moekombinaat is permanently insolvent, (ii) during the reorganization procedure, the company's financial results have been better than those outlined in the reorganization plan, (iii) all the company's ongoing obligations have been fulfilled and the company continues to fulfil new obligations, (iv) the county court contradicts both the logic of the Reorganization Act and the previous practice of the Estonian Supreme Court (on the one hand a company cannot be reorganized without insolvency and, on the other hand, companies with payment problems cannot be reorganized) and (v) in the opinion of AS Tallinna Moekombinaat, the court ruling lacked reasoning and analysis as to why the court found AS Tallinna Moekombinaat to be permanently insolvent. According to the position of AS Tallinna Moekombinaat, the county court has insufficiently analysed and assessed the arguments and evidence submitted by AS Tallinna Moekombinaat. AS Tallinna Moekombinaat has provided the court with statements and evidence which clearly show that the financial difficulties of AS Tallinna Moekombinaat are temporary. In addition to AS Tallinna Moekombinaat, three creditors of AS Tallinna Moekombinaat also appealed the court ruling, finding

also, that the court has incorrectly come to the understanding that AS Tallinna Moekombinaat is permanently insolvent.

During such disputing, the reorganization proceedings shall continue and the consequences of initiating the reorganization proceedings shall continue to apply to AS Tallinna Moekombinaat.

In the worst-case scenario, if the reorganization proceedings fail and AS Tallinna Moekombinaat goes bankrupt, AS Pro Kapital Eesti will have to record losses in the maximum amount of 26 million euros which include losses from unpaid principal loan amounts in the amount of up to 22.2 million euros, unpaid interest balance in the amount of up to 3.0 million euros, unpaid invoices in the amount of up to 0.3 million euros and the portion of equity of AS Tallinna Moekombinaat in the amount of up to 0.2 million euros as at 30 September 2020. The total negative effect to the Group would be 39 million euros (including initial investment into the share capital of the Subsidiary). The bankruptcy of AS Tallinna Moekombinaat would not affect liquidity of the group nor the short-term cash flows of the Company. The situation would influence the long-term cash flows to the extent of loan and interest payments.

The 14 August 2020 ruling of the county court does not in any way affect the day-to-day operations of the T1 Mall of Tallinn.

Should the reorganisation proceedings fail, AS Tallinna Moekombinaat will likely be declared bankrupt, as the main creditor Lintgen has submitted a bankruptcy petition regarding AS Tallinna Moekombinaat which has been suspended until the reorganization proceedings are terminated and a ruling on such termination has come into force.

Please see also the risk factor "*Risks related to ongoing reorganisation proceedings in AS Tallinna Moekombinaat*" in Section 3 ("*Risk Factors*") above.

Administrative court cases of AS Pro Kapital Eesti

AS Pro Kapital Eesti has two interlinked administrative court cases in progress. In the first court case, the company is requesting nullification of a decision of the Land Board whereby a cadastral unit located in Tallinn was not registered. On 27 March 2020, the Tallinn District Court decided in favour of AS Pro Kapital Eesti and ruled that the Land Board should make a new decision or should invalidate its original 30 April 1999 decision from the privatisation era. On 27 April 2020, the Land Board appealed the District Court's decision to the Supreme Court. On 8 September 2020, the Supreme Court resolved to hear the case in written proceedings and gave AS Pro Kapital Eesti until 6 October 2020 to respond to the Land Board's appeal. As at the date of this Prospectus, the Supreme Court has not yet made a ruling on the matter.

The second court case is a claim of compensation against the state in relation to the same cadastral unit. Court proceedings have been halted until a final court decision takes effect in the above mentioned court case. In case the Supreme Court takes the matter for review and decides in favour of the Land Board or if the Land Board should render its original decision from privatisation time invalid, AS Pro Kapital Eesti will have unjustly paid land tax from this cadastral portion of land. The company shall then have a right to claim compensation for EUR 192,336 of land tax paid in excess during 2004–2018 and EUR 733,450 for the purchase price paid by the company for the relevant land plot.

Other

Other than as set forth above, the Company has not, during the previous twelve months, been involved in and is not aware of, any governmental, legal or arbitration proceedings that have had or may have, significant effects on the Company's or the Group's financial position or profitability. Nor is the Company aware of any such proceedings that are pending or threatening and that could lead to the Company or any member of the Group becoming a part to such proceedings.

7. GOVERNANCE

7.1 General

The Company is managed by the general meeting of shareholders (in Estonian: *aktsionäride üldkoosolek*), the Supervisory Council (in Estonian: *nõukogu*) and the Management Board (in Estonian: *juhatus*).

The duty of the Supervisory Council is to strategically direct the activities of the Management Board. The Supervisory Council participates in making important decisions relating to the activities of the Company and determines and regularly reviews the Company's strategy, general plan of action, principles of risk management and annual budget. The Supervisory Council together with the Management Board ensures the long-term planning of the Company's activity. The members of the Supervisory Council are elected and removed by the general meeting of shareholders. Pursuant to the Company's articles of association, the Supervisory Council shall consist of at least three and maximum seven members. The Supervisory Council currently consists of three members.

The Management Board is making independent day-to-day decisions based on the best interests of the Company and all of its shareholders and ensures the reasonable development of the Company according to goals and strategy set. The members of the Management Board are elected and removed by the Supervisory Council. The Management Board currently consists of three members.

The business address for all members of the Supervisory Council and the Management Board is AS Pro Kapital Grupp, Sõjakooli 11, 11316 Tallinn, Estonia. Information on the members of the Management Board and the Supervisory Council, including significant assignments outside of the Company that are relevant for the Company, is set forth below.

7.2 The Supervisory Council of the Company

Mr. Emanuele Bozzone, chairman and member

Mr. Bozzone was born in 1964 and is a Swiss citizen. He is the chairman of the Supervisory Council and has been a member of the Supervisory Council since 2010. Mr. Bozzone holds a degree in economics and trade from Luigi Bocconi University, Milan Italy. Mr. Bozzone's current assignments outside of the Company includes being director, wealth manager and partner in Regis Invest SA in Lugano, Switzerland (since 2010) and being sole director, founder and partner in EBCO Fiduciaria SA in Chiasso, Switzerland (since 2000). Mr. Bozzone is also holding a senior managing position in EBCO Trustees Sagl in Chiasso, Switzerland (since 2004).

Mr. Petri Olkinuora, independent member

Mr. Olkinuora was born in 1957 and is a Finnish citizen. He has been an independent member of the Supervisory Council since 2012. Mr. Olkinuora holds an M.Sc. (construction engineering) degree from Helsinki University of Technology and an MBA degree from Helsinki School of Economics. Mr. Olkinuora is the former CEO of the listed shopping centre company Citycon Oyj (2002-2011)and he currently acts as a senior advisor and professional board member of several companies. Mr. Olkinuora's current assignments outside of the Company includes being a chairman of the board of Forbia Oy (private investment company, since 2011), Salo IoT Park Oy (office campus, since 2018), Tampereen Tilapalvelut Oy (municipal property service provider, since 2018), Tampereen Infra Oy (municipal infra company, since 2019) and Royal Areena Oy (developer, since 2019). He is also a board member of 7Bros Oy (angel investor, since 2018), Evli-Rahastoyhtiö Oy (bank's asset manager, since 2018), Hartela-Yhtiöt Oy (Finnish construction company and developer, since 2013), Koja Oy, Koja-Yhtiöt Oy (industrial company making ventilation machines for marine and buildings, since 2004), NoHo Partners Oyj (listed restaurant company, since 2012), Rapal Oy (software company, since 2002), Rentto Oy (real estate developer and owner, since 2019) and TPI-Control Oy (service provider for heating and cooling systems, since 2018). Mr. Olkinuora has also, *inter alia*, served as the Deputy Chairman (2002-2003) and a Board Member (2007-2009) of the Board of Finnish Association for Building Owners RAKLI ry, member of the Board of

European Public Real Estate Association EPRA (2006-2009) and a founding member of the Board of Finnish Green Building Council Finland (GBC Suomi ry) (2010-2012).

Mr. Oscar Crameri, member

Mr. Crameri was born in 1961 and is a Swiss citizen. He has been a member of the Supervisory Council since 27 May 2020. Mr. Crameri holds a law degree from the University of Geneva, is a member of the Bar of the Court of appeal of the Canton of Ticino (from 1988) and is a notary public in the same canton (from 1989). Mr. Crameri's current assignments outside of the Company include being a board member of the following small Swiss real estate companies: TATA Real Estate SA (since 2012); RACSO Real Estate SA (since 2017); OVVI Real Estate SA (since 2011) and Wamasch AG (since 1999). He is also a board member of the following small Swiss companies: Wamasch Trade SA (since 1996); Elettro G. SA (since 2011); ELC Consulting SA (since 2017); Gewiss Swiss SA (since 2015); Eliticino-Tarmac SA (since 2020) and in Olympian Sicav (a Luxembourg company, since 2016). Mr Crameri is also a director of two dormant companies: Axel P'Real Estate SA (since 2015) and Studio Tdesign SA (since 2019) and a liquidator in a company where he used to be a director Nausica SA (in liquidation from 11.11.2020, director since 2012).

7.3 The Management Board of the Company

Mr. Paolo Vittorio Michelozzi, CEO and member

Mr. Michelozzi was born in 1961 and is an Italian citizen. He has been employed by the Company since 1994 and a member of the Management Board and the CEO since 2001. Mr. Michelozzi holds a General Certificate of Education (building surveyor) from Collegio Arcivescovile, Saronno, Italy. Mr. Michelozzi has an extensive experience of more than 30 years in different real estate development projects in Italy as well as other European countries. Mr. Michelozzi's current assignments outside of the Company include being a member of the Management Board of SIA PB11 (Latvia), a company owned by himself. He was also a member of the management board of AS Domina Vacanze Holding, a company that was established in the course of the Division of the Company (2011-2012), CEO (2005-2008) and Chairman of the Board of Directors (2008- 2012) of Domina Vacanze SpA, a company that was separated from the group in the course of the Division. Mr. Michelozzi has also been the Chairman of the Board of Domina Hotel Group SpA (2008-2010), member of the supervisory council of Hypermarket AS (1997-2008) and the member of management board of SIA PK Investments (2003-2011).

Mr. Allan Remmelkoor, COO and member

Mr. Remmelkoor was born in 1971 and is an Estonian citizen. He has been employed by the Company since 1997 and a member of the Management Board and the COO since 2008. Mr. Allan Remmelkoor holds a bachelor's degree in small business administration from Tallinn University of Technology. Mr. Remmelkoor's current assignments outside of the Company include being a member of the Management Board of Hypermarket SIA and of the non-profit association MTÜ Spordiklubi SCHNELLI. He was also a member of the management board of AS Domina Vacanze Holding, a company that was established in the course of the Division of the Company (until May 2012). He has also been a member of supervisory council of AS BALTIKA (2006-2012), a company listed in Tallinn Stock Exchange, the managing director and a member of the management board of SIA PK Investments (2003- 2011).

Mr. Edoardo Axel Preatoni, Head of Development and member

Mr. Preatoni was born in 1987 and is an Italian citizen. He has been a member of the Management Board since 2016. Since 2019, he is also Head of Development of the Group. Mr. Preatoni holds a diploma in classical studies from Instituto De Amicis, Milano Italy. Mr. Preatoni's current assignments outside of the Company include being the founder and the CEO of Preatoni Real Estate Development LLC in Dubai, UAE.

7.4 Conflicts of interests within administrative, management and control bodies

None of the members of the Supervisory Council or the Management Board of the Company have a private interest that may be in conflict with the interests of the Company.

All members of the Supervisory Council and Mr Michelozzi of the Management Board have financial interests in the Company as a consequence of their holdings of securities (shares and/or bonds) of the Company. Mr Bozzone with his affiliates holds 86,584 convertible bonds of the Company with the nominal value of 2.80 euros each, i.e. convertible bonds with the aggregate nominal value of 242,435.20 euros. Mr. Olkinuora with his affiliates owns 30,000 shares of the Company, Mr. Crameri owns 15,000 shares of the Company and Mr Michelozzi owns 281,647 shares of the Company. Mr Edoardo Axel Preatoni and Mr Allan Remmelkoor do not own any shares or bonds of the Company.

Although there are currently no conflicts of interest, it cannot be excluded that conflicts of interest may come to arise between companies, in which members of the Supervisory Council or the Management Board have duties, and the Company. The Company manages conflicts of interest by way of approval of related party transactions at appropriate decision-making levels.

8. FINANCIAL INFORMATION

8.1 Financial Information

The annual financial information included in this Prospectus has been extracted or derived from the consolidated audited financial statements of the Company as of and for the full financial year 1 January 2019 – 31 December 2019, including the comparative financial information as of and for the full financial year 1 January 2018 – 31 December 2018 (the "**Audited Financial Statements**"), which have been prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"), as adopted by the European Union.

The Audited Financial Statements have been audited by AS Deloitte Audit Eesti (see Section 8.3 ("*Statutory Auditors*") below for more details). The Audited Financial Statements, together with the audit report, are available at: https://www.nasdaqbaltic.com/market/upload/reports/pkg/2019_ar_en_eur_con_00.pdf

The interim financial information included in this Prospectus has been extracted or derived from the: consolidated unaudited interim financial statements of the Company as of and for the third quarter and nine months ended 30 September 2020, including the comparative financial information as of and for the third quarter and nine months ended on 30 September 2019 (the "**Interim Financial Statements**" and together with the Audited Financial Statements, the "**Financial Statements**"), which have been prepared in accordance with International Accounting Standards (the "**IAS**") 34, "Interim Financial Reporting". The Interim Financial Statements are available at: https://www.nasdaqbaltic.com/market/upload/reports/pkg/2020_q3_en_eur_con_00.pdf. The Interim Financial Statements do not hold all the information that must be presented in the Audited Financial Statements, so the Interim Financial Statements should be read together with the Audited Financial Statements.

All changes in the accounting policies applied upon preparing the Financial Statements, which have taken place during the periods covered by the Financial Statements, have been described in the Financial Statements.

The official language of the Financial Statements is Estonian. The Estonian version must be proceeded from in the event of a conflict with English or any other language.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Financial Statements.

Information in the documents below, which has not been incorporated by reference, is either deemed by the Company not to be relevant for investors in the Bonds or is covered elsewhere in the Prospectus.

8.2 Incorporated Financial Information

The following information from the Financial Statements is incorporated in this Prospectus by reference:

Reference	*Pages*
Audited Financial Statements	
(available at: https://www.nasdaqbaltic.com/market/upload/reports/pkg/2019_ar_en_eur_con_00.pdf)	
Consolidated statement of financial position	86
Consolidated statement of profit and loss and other comprehensive income	87
Consolidated statement of cash flows	88
Consolidated statement of changes in equity	89

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Interim Financial Statements

(available at: https://www.nasdaqbaltic.com/market/upload/reports/pkg/2020_q3_en_eur_con_00.pdf)

Consolidated interim statement of financial position	28
Consolidated interim statement of comprehensive income	29
Consolidated interim statement of cash flows	30
Consolidated interim statement of changes in equity	31
Notes to the consolidated interim financial statements	32-48

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus and for the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website does not form part of this Prospectus. In particular, the independent auditor's reports mentioned above contain references to "Other Information". Such "Other Information" does not form a part of this Prospectus.

8.3 Statutory Auditors

AS Deloitte Audit Eesti, with Erki Usin as the leading auditor (who is the Company's auditor and has been so since 2014, *i.e.* during the entire period covered by the Financial Statements) has audited the Audited Financial Statements.

AS Deloitte Audit Eesti operates in accordance with the activity license no. 27, granted by the Ministry of Finance. Erki Usin is a certified auditor (license no. 496). The business address of AS Deloitte Audit Eesti is Roosikrantsi 2, 10119 Tallinn, Estonia.

Other than the Audited Financial Statements, no information contained in this Prospectus has been audited or reviewed by the Company's auditor.

9. OTHER INFORMATION

9.1 Material Agreements

Below is a brief summary of all material agreements that have not been entered into in the ordinary course of the Company's business and which could result in any Group Company being under an obligation or entitlement that is material to the Company's ability to meet its obligations under the Bonds. Other than as set forth below, no such agreements have been entered into. The following summary does not purport to describe all of the applicable terms and conditions of such arrangements.

T1 Mall financing agreement

In 2016, the Company's majority-owned material indirect Subsidiary AS Tallinna Moekombinaat entered into a EUR 65,000,000 facility agreement with Lintgen Adjacent Investments S.À.R.L. for the purpose of financing the construction of the T1 Mall of Tallinn. As at 31 March 2020, the principal amount including capitalised interests was EUR 75,356,000. AS Tallinna Moekombinaat's obligations under the agreement have been secured by way of *inter alia* a property mortgage over the T1 Mall of Tallinn. As at the date of this Prospectus, AS Tallinna Moekombinaat is in payment default and in breach of covenants under the facility agreement and as further detailed in Sections "*Adverse changes and trend information*" and "*Legal and arbitration proceedings*" above, reorganisation proceedings have been initiated in respect of AS Tallinna Moekombinaat.

Convertible bonds

As at 31 December 2019, the Company has issued unsecured, convertible bonds with ISIN EE3300104033, EE3300106574, EE3300108711, EE3300109248, EE3300109917, EE3300110048 and EE3300109982. At the date of this Prospectus, the aggregate principal amount outstanding of the convertible bonds is EUR 533,388.80. The convertible bonds have been issued in seven different series, due for payment in 2021 and 2022, respectively. Additional information on the convertible bonds is set out in pages 133–135 of the Audited Financial Statements.

The Company has refinanced the convertible bonds through a private placement of the Bonds. Following such exchange, the exchanged convertible bonds were cancelled. Convertible bonds not exchanged into non-convertible bonds and not converted into shares will be redeemed 10 working days following their relevant maturity date (the last of which is 29 November 2022).

Secured bonds

In February 2020, the Company refinanced its senior secured bonds 2015/2020 in full, by issuing new senior secured fixed rate bonds 2020/2024, with a maturity date on 20 February 2024, with a fixed rate coupon of 8%, with the nominal value of 100,000 EUR each and the aggregate nominal value of EUR 28,500,000 (the "**Secured Bonds**"). The Secured Bonds are registered with ISIN code SE0013801172, and are listed and admitted to trading on the corporate bond list of Nasdaq Stockholm Stock Exchange since 9 July 2020.

The Secured Bonds are secured by pledges over all the shares of the subsidiaries of the Company, other than AS Tallinna Moekombinaat, . The shares of AS Tallinna Moekombinaat have not been pledged as security for the Secured Bonds but in accordance with the terms and conditions of the Secured Bonds, such shares may be pledged in the event financial support is granted by the Company to AS Tallinna Moekombinaat outside of permitted debt and agreed financial thresholds.

According to the terms and conditions of the Secured Bonds, the Company has to maintain the equity to total assets ratio above 35% at all times. For calculation, consolidated figures are used (excluding AS Tallinna Moekombinaat, as per the terms and conditions of the Secured Bonds). As at 30 September 2020, the calculated equity ratio was 52.4%.

9.2 Regulatory Disclosures

The Company regularly publishes market announcements via the information system of the Tallinn Stock Exchange and Nasdaq Stockholm Stock Exchange, as required under the Tallinn Stock Exchange rules, the Estonian Securities Market Act and Regulation No 596/2014/EU of the European Parliament and of the Council of 16 April 2014 on market abuse.

Below is the summary of the information other than interim and annual financial reports disclosed under Regulation No 596/2014/EU over the last 12 months, which is relevant as at the date of the Prospectus:

Announcements relating to the Group's business activities:

- On 12 February 2020, the Company announced the signing of a construction contract with OÜ Vanalinna Ehitus, for the re-construction of a stables-building and additional construction of a new adjacent building as well as a semi-underground parking to be located at Marsi Street in Kristiine City. The Ratsuri Houses development project will have 39 apartments and the construction cost is ca 3.5 million euros (including VAT). The completion is planned for spring of 2021.

Announcements relating to the publication of financial results:

- On 20 May 2020, the Company published its consolidated interim report for the first quarter and three nine months of the financial year 2020 (unaudited).
- On 30 July 2020, the Company published its consolidated interim report for the second quarter and first six months of the financial year 2020 (unaudited).
- On 30 October 2020, the Company published its consolidated interim report for the third quarter and first nine months of the financial year 2020 (unaudited).
- On 17 September 2020, the Company announced its financial calendar for the financial year 2021.

Announcements relating to the management of the Group and the Group structure:

- On 28 May 2020, the Company announced that its General Meeting of Shareholder had decided to elect Oscar Crameri as the new member of the Supervisory Council of the Company. For more information regarding Oscar Crameri, please see Section 7.2 ("*The Supervisory Council of the Company*") above.
- On 20 July 2020, the Company announced the initiation of the merger of two Subsidiaries, PK Invest Ltd and its wholly owned subsidiary PK Bonum Ltd. The aim of the merger was to simplify the structure of the Group. On 29 June 2020, the General Meetings of Shareholders of both companies decided to initiate the merger between two companies.

Announcements relating to the reorganisation proceedings of the Company's material indirect Subsidiary, AS Tallinna Moekombinaat:

- On 31 March 2020, the Company announced that the Company's indirect Subsidiary, AS Tallinna Moekombinaat, which is the owner and operator of T1 Mall of Tallinn shopping centre, submitted an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability of AS Tallinna Moekombinaat.
- On 30 July 2020, the Company announced that Tallinn District Court has decided to annul the ruling of the county court in connection with the appointment of experts in the reorganisation proceedings of AS Tallinna Moekombinaat, due to procedural issues.
- On 17 August 2020, the Company announced that AS Tallinna Moekombinaat had decided to dispute the ruling that Harju County Court had made on 14 August 2020, whereby it terminated the reorganization

proceedings of AS Tallinna Moekombinaat because it has established that AS Tallinna Moekombinaat is allegedly permanently insolvent.

For more details on the reorganisation proceedings, please see subsection "*Reorganisation proceedings of AS Tallinna Moekombinaat*" in Section 6.9 ("*Legal and Arbitration Proceedings*") above.

Announcements relating to the private placement of the Bonds:

- On 22 May 2020, the Company announced about the intention to issue the Bonds;
- On 28 May 2020, the Company announced its decision to issue the Bonds and the first subscription period for the private placement of the Bonds;
- On 8 July 2020, the Company announced the results of the first subscription period for the private placement of the Bonds.
- On 28 September 2020, the Company announced the second subscription period for the private placement of the Bonds.
- On 30 October 2020, the Company announced the prolongation of the second subscription period for the private placement of the Bonds.
- On 6 November 2020, the Company announced the subsequent prolongation of the second subscription period for the private placement of the Bonds.
- On 16 November 2020, the Company announced the results of the second subscription period for the private placement of the Bonds.
- On 30 November 2020, the Company announced the results of the second subscription period for the private placement of the Bonds and the start of the third subscription period for the private placement of the Bonds.
- On 14 December 2020, the Company announced the results of the third subscription period for the private placement of the Bonds.

Announcements relating to the other debt instruments issued by the Company:

- On 19 February 2020, the Company announced that it has successfully issued the Secured Bonds. For more information on the Secured Bonds, please see subsection "*Secured Bonds*" in Section 9.1 ("*Material Agreements*") above. On 20 February 2020, the Company announced the early redemption of all 279 senior secured, callable fixed rate bonds, which it had issued in 2015 and were to mature in 2020. Pro Kapital sent an irrevocable notice of early redemption to all directly registered owners and registered authorised nominees in the debt register for the bonds as of 19 February 2020. The bonds were redeemed on 17 March 2020. In accordance with the terms and conditions of the bonds, the bonds were redeemed at an amount equal to 101.00 per cent of the nominal amount, i.e. 101 000 euros per each bond. The total redemption amount per each bond, together with accrued and unpaid interest up to and including the early redemption date was 103 355.56 euros.
- On 9 June 2020, the Company announced that it had initiated a written procedure to amend the terms and conditions of the Secured Bonds and on 30 June 2020, the Company announced that the holders of the Secured Bonds had decided to approve to amend the terms and conditions of the Secured Bonds. The amendments were related to the maintenance test definition in respect of Pro Kapital's German hotel operations. The amended version of the terms and conditions of the Secured Bonds took effect on 30 June 2020.

- On 7 July 2020, the Company published the prospectus for the listing of the Secured Bonds on the corporate bond list of Nasdaq Stockholm Stock Exchange and announced that it had applied for such listing.
- On 10 August 2020, the Company announced that it had prolonged the redemption date of 37,423 PKG3 convertible bonds by 2 years. New redemption date was set for 20 August 2022. For more information on the Company's convertible bonds, please see subsection "*Convertible Bonds*" in Section 9.1 ("*Material Agreements*") above.
- On 30 November 2020, the Company announced the prolongation of the redemption date and partial redemption of the Company's convertible bonds "PKG5".

For more information on the Secured Bonds and the Company's convertible bonds, please see subsections "*Secured Bonds*" and "*Convertible Bonds*" in Section 9.1 ("*Material Agreements*") above.

10. GLOSSARY

Audited Financial Statements	shall mean the consolidated audited financial statements of the Company as of and for the full financial year 1 January 2019 – 31 December 2019, including the comparative financial information as of and for the full financial year 1 January 2018 – 31 December 2018.
Articles of Association	shall mean the Articles of Association of the Issuer, registered in the Estonian Commercial Register and in force as at the date of this Prospectus.
Bonds	shall mean the Company's EUR 3,459,081 unsecured non-convertible fixed rate bonds, with the Nominal Amount of EUR 2.80 per bond (and the aggregate Nominal Amount of EUR 9,685,426.80, which have been issued in accordance with the Terms and Conditions and have been registered in the Register with ISIN code EE3300001676.
Business Day	shall mean any day, except Saturday, Sunday, a national or a public holiday of the Republic of Estonia.
Company, Pro Kapital and **Issuer**	shall mean AS Pro Kapital Grupp (a company established and existing under the laws of the Republic of Estonia, which has been registered in the Estonian Commercial Register with registration number 10278802 and registered address at Sõjakooli 11, 11316 Tallinn, Estonia.
Delegated Regulation	shall mean Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing Regulation No 2017/1129/EU of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC.
EFSA	shall mean the Estonian Financial Supervision and Resolution Authority.
EUR	shall mean the official currency of Eurozone countries, including Estonia, the euro.
Financial Statements	shall mean jointly the Audited Financial Statements and the Interim Financial Statements.
Group	shall mean the Issuer and its Subsidiaries.
IAS	shall mean the International Accounting Standards.
IFRS	shall mean the International Financial Reporting Standards as adopted by the European Union.
Interim Financial Statements	shall mean the the consolidated unaudited interim financial statements of the Company as of and for the third quarter and nine months ended 30 September 2020, including the comparative financial information as of and for the third quarter and nine months ended on 30 September 2019 .
Investor	shall mean the owner of a Bond registered as such in the Register (where applicable, at the specific date set out in the Terms and Condtision).

Investors' Resolution	shall mean a resolution of the Investors, adopted in accordcance with Clause 10 of the Terms and Conditions.
Issue Date	shall mean 3 August 2020, 27 November 2020 and 15 January 2021.
Listing	shall mean the listing and the admission to trading of the Bonds on the Baltic Bond List of Tallinn Stock Exchange.
Management	shall mean jointly the Management Board and the Supervisory Council.
Management Board	shall mean the management board of the Company.
Nominal Amount	shall mean the nominal value of EUR EUR 2.80 (two Euros and eighty cents) per Bond.
Prospectus	shall mean this Listing and Admission to Trading Prospectus.
Prospectus Regulation	shall mean the Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC.
Redemption Date	shall mean 31 October 2024, by which date the Company shall redeem all Bonds issued under the Terms and Conditions;
Register	shall mean Estonian Register of Securities.
Secured Bonds	shall mean the Company's senior secured fixed rate bonds 2020/2024, with a maturity date on 20 February 2024, with a fixed rate coupon of 8%, with the nominal value of 100,000 EUR each and the aggregate nominal value of EUR 28,500,000.
Securities Act	shall mean the U.S. Securities Act of 1933, as amended.
Section	shall mean the Section of this Prospectus.
Subsidiary	shall mean, with respect to any entity, any other entity at least 50% of whose capital is owned, directly or indirectly, by such entity or which is otherwise effectively controlled by such entity.
Summary	shall mean the summary of this Prospectus.
Supervisory Council	shall mean the supervisory council of the Issuer.
Tallinn Stock Exchange	shall mean the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.
Terms and Conditions	shall mean the terms and conditions for AS Pro Kapital Grupp fixed rate non-convertible bonds issue dated 28 May 2020, which have been attached to this Prospectus as Annex 1.

11. INDEX OF ANNEXES

Annex 1	Terms and Conditions of the Bonds

ADDRESSES

Company and issuer

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Sõjakooli 11, Tallinn, 11316

Estonia

Tel: +372 614 4920

E-mail: prokapital@prokapital.ee

Web page: www.prokapital.com

Central securities depository

Nasdaq CSD SE Estonian branch

Maakri 19/1, 10145 Tallinn

Estonia

Tel: + 372 640 8840

E-mail: csd.estonia@nasdaq.com

Web page: https://nasdaqcsd.com

Auditor

AS Deloitte Audit Eesti

Roosikrantsi 2, Tallinn, 10119

Estonia

Tel: +372 640 6500

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Legal advisor

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ANNEX 1 - TERMS AND CONDITIONS OF THE BONDS

TERMS AND CONDITIONS
FOR
AS PRO KAPITAL GRUPP
FIXED RATE NON-CONVERTIBLE BONDS ISSUE

Approved by the management board of AS Pro Kapital on 28 May 2020

The distribution of this document and the placement of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons.

1. DEFINITIONS AND INTERPRETATION

1.1. For the purpose of the Issue Terms and other documents relating to the issue of the Bonds hereunder, the following definitions have the following meaning:

1.1.1. **Additional Subscription Date** means any date or dates after the Initial Subscription Date by which Existing Bondholders may subscribe for the Bonds to be issued in an additional Tranche in accordance with Section 4.7;

1.1.2. **Allocation Confirmation** means the confirmation by e-mail or in any other form reproducible in writing issued by the Issuer to the Investor confirming the acceptance of the Subscription Application, or the rejection thereof;

1.1.3. **Bond** means a debt security with ISIN code EE3300001676 representing the Issuer's debt obligation pursuant to the Issue Terms, which is held intangibly (only in book-entry form) on a securities' account in the Register opened (i) in the name of the Investor or (ii) on a nominee account;

1.1.4. **Business Day** means any day, except Saturday, Sunday, a national or a public holiday of the Republic of Estonia;

1.1.5. **Documents** mean the Issue Terms and the Resolutions;

1.1.6. **Early Redemption** means the Issuer's right to redeem the Bonds prior to the Redemption Date in accordance with Section 7.2;

1.1.7. **Existing Bondholder** means a certain holder of at least 3,575 Existing Bonds (in aggregate) in accordance with the terms and conditions of the Existing Bonds and applicable law to whom the possibility to subscribe for the Bonds shall be offered by private placement;

1.1.8. **Existing Bond** means any bond issued and not yet redeemed by the Issuer with the following ISIN codes: EE3300104033, EE3300106574, EE3300108711, EE3300109248, EE3300109917, EE3300110048 and EE3300109982;

1.1.9. **IFRS** means the international financial reporting standards within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time);

1.1.10. **Initial Subscription Date** means 7 July 2020;

1.1.11. **Initial Subscription Period** means the initial period of time for submitting the Subscription Applications, commencing on 29 May 2020 and ending on 7 July 2020;

1.1.12. **Investor** means (i) any person deemed to hold the title to the Bonds according to Section 3.8 or (ii) a person, who has submitted a Subscription Application and whose subscription for the Bonds has not been rejected by the Issuer;

1.1.13. **Investors' Resolution** means a resolution adopted in accordance with Section 10;

1.1.14. **Issue** means the issue of the Bonds under the Issue Terms and as approved by the Resolutions;

1.1.15. **Issue Terms** means this document with any amendments thereto;

1.1.16. **Issuer** means AS Pro Kapital Grupp (a public limited company incorporated in the Republic of Estonia, registry code 10278802 and registered address at Sõjakooli 11, Tallinn, 11316, Republic of Estonia);

1.1.17. **Payment Date** means the 10th (tenth) Business Day of January and July of each year when the Issuer shall make interest payments to the Investors in accordance with Sections 6 and 8;

1.1.18. **Redemption Date** means 31 October 2024, by which date the Issuer shall redeem all Bonds issued under the Issue Terms;

1.1.19. **Redemption Payment** means a payment equal to the denomination value of the Bonds made to redeem the Bonds;

1.1.20. **Register** means the Estonian Register of Securities which is maintained and operated by Nasdaq CSD SE Eesti filiaal (the Estonian branch of Nasdaq CSD SE incorporated in the Republic of Latvia, registry code of the Estonian branch 14306553 and registered address Maakri tn 19/1, 10145, Tallinn, Republic of Estonia);

1.1.21. **Resolution** means the resolution of the management board of the Issuer, *inter alia*, to approve the Documents and the Issue and the number of Bonds to be issued in each Tranche;

1.1.22. **Subscription Application** means an offer by the Investor in writing or in any other form accepted by the Issuer for the subscription of the Bonds submitted in accordance with the Issue Terms and in the format required by the Issuer;

1.1.23. **Tranche** means a portion of the Bonds issued pursuant to the Issue Terms and forming a single issue with the other Bonds subject to the Issue Terms;

1.1.24. **Value Date** means a Business Day stipulated in the Allocation Confirmation on which the Bonds are issued to the Investors in accordance with the Issue Terms.

1.2. The headings in the Issue Terms have been entered for convenience purposes only and shall have no impact on the interpretation of any provision of the Issue Terms.

1.3. Reference in these Issue Terms to any "Section" is a reference to a specific section or subsection of these Issue Terms. Any reference to a particular section includes a reference to the subsections of such section.

2. GENERAL PROVISIONS AND LIMITATIONS

2.1. The Issue Terms prescribe:

2.1.1. the rights and obligations of the Issuer and the Investors related to the Bonds issued in the Republic of Estonia under the Issue Terms;

2.1.2. the procedure for, and the terms and conditions of the allocation and redemption of the Bonds under the Issue Terms.

2.2. The Issue Terms shall be available to the Investors at the Issuer's office located at the address indicated in the Issue Terms.

2.3. The Bonds shall be issued by private placement and shall be offered exclusively to certain Existing Bondholders (as determined at the sole discretion of the Issuer) who hold at least 3,575 Existing Bonds (in aggregate) at the time of making an offer to subscribe for the Bonds to such Existing Bondholder.

2.4. The Issuer has not and shall not undertake any obligation to register the Issue and initial placement of the Bonds for public offer with any competent authority in any jurisdiction. The Issuer does not undertake any obligation to create or ensure liquidity for the Bonds. Nevertheless, within 12 months after the Bonds have been issued to the Existing Bondholders by private placement after the Initial Subscription Date, the Issuer shall submit an application for a prospectus regarding the Bonds to be registered with the Estonian Financial Supervision Authority and shall thereafter (if the prospectus is registered) submit an application for the listing of the Bonds on Nasdaq Tallinn bond list. The Bonds shall be listed on Nasdaq Tallinn bond list only in case (i) the Estonian Financial Supervision Authority decides to register the prospectus regarding the Bonds and (ii) Nasdaq Tallinn exchange approves the Bonds for listing. Each Investor acknowledges that the possible listing of the Bonds on Nasdaq Tallinn bond list depends on the discretionary decisions of the Estonian Financial Supervision Authority and the Nasdaq Tallinn Listing and Surveillance Committee. Therefore, the Issuer cannot ensure the listing of the Bonds and shall not be deemed to be in breach of the Issue Terms in case the Bonds are not listed.

2.5. Other than qualified investors, the Bonds shall be exclusively offered for subscription to (i) fewer than 150 natural or legal persons per each member state of the European Economic Area in accordance with Article 1(4)(b) of Regulation (EU) 2017/1129, (ii) natural or legal persons in Switzerland and (iii) natural or legal persons in the United Arab Emirates. Therefore, the Issue shall not qualify as a public offer of securities in accordance with Regulation (EU) 2017/1129 or other applicable law. Upon the Issue, the Bonds are not offered to and may not be subscribed by nor acquired by natural or legal persons located in the United States or in any other jurisdiction, other than the residents of the member states of the European Economic Area, Switzerland and the United Arab Emirates as set forth in this Section.

2.6. Each Investor acknowledges that the transfer of the Bonds by the Investor might under certain conditions qualify as a public offer of securities or require an authorisation for relevant authorities, in which case the offer has to be registered with the competent

authority in the jurisdiction where the Bonds are (publicly) offered. Each Investor undertakes not to offer or transfer the Bonds if this would constitute a public offer of securities or require an authorisation of any kind under applicable law, unless the offer or transfer of the Bonds has been registered with the competent authorities, respective authorisation has been obtained or is subject to an exemption from the registration and any other authorisation. Therefore, prior to any offer or transfer of the Bonds, each Investor undertakes to consult with qualified legal advisers in order to prevent any secondary offer or transfer of the Bonds to qualify as a public offer of the securities or require any other authorisation, unless such authorisation has been obtained. Ensuring that any offer of the Bonds does not fall under the definition of public offer under applicable law is the obligation and liability of the Investor.

2.7. Each Investor is bound by the Issue Terms without there being any further actions required to be taken or formalities to be complied with.

3. BONDS

3.1. The Issuer shall issue the Bonds in accordance with and subject to the Issue Terms and the Resolutions.

3.2. The Bonds represent direct and legally binding debt obligations of the Issuer towards the Investors, constituted by the Issue Terms. The Bonds are not convertible into the shares of the Issuer. The Investors shall not have the right to a share of the profit of the Issuer or to receive any equity right in the Issuer.

3.3. The Bonds shall be denominated in euros. The denomination value of each Bond shall be 2.8 (two point eight) euros. The maximum total denomination value of the Bonds which the Issuer may issue under the Issue Terms is 10,252,258.80 euros and the maximum amount of Bonds is 3,661,521.

3.4. The actual total denomination value of the Issue and the number of Bonds shall be determined by the Resolutions after the Initial Subscription Date and Additional Subscription Dates. The Issuer is entitled, at its sole discretion, to issue less Bonds than the maximum amount prescribed in Section 3.3. The Issuer is entitled (but not obligated), at its sole discretion, to decide not to carry out the Issue if the total denomination value of the Bonds which have been subscribed for is less than 5,000,000 euros by the date of such decision.

3.5. The Issue may be in several Tranches in case the Existing Bondholders do not subscribe for the maximum amount of Bonds prescribed in Section 3.3 by the Initial Subscription Date.

3.6. The Bonds are issued in dematerialised form and will not be numbered. The Bonds shall be registered in the Register in accordance with applicable laws and regulations. No certificate or other evidence of title will be issued to the Investors.

3.7. The rights and obligations arising from a Bond shall be created upon the issue of a Bond to an Investor. A Bond shall be deemed issued as of making an entry regarding the Bond

(i) on the securities account of the Investor in the Register or (ii) on a nominee account in the Register (where the Bonds are held on behalf of the Investor).

3.8. The ownership of a Bond shall be certified by an entry in the Register. The Issuer shall consider the Investor who is registered in the Register as the holder of the Bond as its rightful owner, unless specifically prescribed otherwise herein or by applicable law. If the Bond is held on a nominee account, the owner of the Bond is determined in accordance with applicable laws and regulations. In any case, the holder of a nominee account is entitled to exercise the Investor's rights arising from the Issue Terms (*inter alia*, to receive interest and Redemption Payment as well as vote on Investors' Resolutions) and is liable for performance of the obligations arising from the Issue Terms. The Issuer shall have the right (but not the obligation) to acquire and receive information about the owners of the Bonds from any third party, who holds the Bonds on behalf of the Investor (*inter alia*, a nominee), unless otherwise prescribed by applicable law. The Issuer shall have the right (but not the obligation) to require any documents (*inter alia*, powers of attorney) to identify and confirm the rightful owner of the Bond.

3.9. The Bonds are freely transferable and encumberable, provided that, until the prospectus regarding the Bonds has been registered with the competent authority in the respective jurisdiction or any other relevant authorisation has been received for the public offer of the Bonds, any Investor wishing to transfer the Bonds must ensure that any offer related to such transfer of the Bonds shall not qualify as a public offer of securities under applicable law or require any other authorisation. The Register may temporarily block the Bonds on the securities account to ensure performance of corporate actions regarding the Bonds.

3.10. The Issuer or any person associated with the Issuer may, subject to applicable law, at any time and at any price purchase any or all of the Bonds from one or more of the Investors. The Bonds held by the Issuer or any person associated with the Issuer may, at the sole discretion of the holder, be retained, sold or, if held by the Issuer, cancelled.

3.11. The rights and obligations arising from the Bonds shall be terminated upon redemption in accordance with Section 7 or cancellation in accordance with Section 3.10.

4. SUBSCRIPTION

4.1. The contract for the subscription and thereby acquisition of the Bonds consists of the following documents:

4.1.1. the Issue Terms;

4.1.2. the Subscription Application;

4.1.3. the Allocation Confirmation.

4.2. The Bonds can only be subscribed for by the Existing Bondholders in exchange for the Existing Bonds held by such Existing Bondholder. The minimum amount of Bonds which can be subscribed for is 3,575 Bonds. Each Existing Bond shall be exchanged for 1 (one) Bond.

4.3. The Bonds can be subscribed for during the Initial Subscription Period by the Existing Bondholders specified in Section 2.3 by delivering the signed original Subscription Application to the Issuer or in any other form accepted by the Issuer not later than at 5 pm (current local time in Estonia) on the Initial Subscription Date. Without limiting the Existing Bondholder's right to subscribe for the Bonds directly, in case the Existing Bonds are held on a nominee account, the holder of the nominee account may subscribe for the Bonds on behalf of the Existing Bondholders specified in Section 2.3. In such case, the holder of the nominee account must submit a separate Subscription Application for each subscribing Existing Bondholder together with the Existing Bondholder's consent referred to in Section 4.6.6 and any other documents required by the Register or the Issuer.

4.4. The Subscription Application shall be in the form provided by the Issuer and it shall specify at least:

4.4.1. name, registration or identification code (or date of birth in the lack of an identification code), postal address and e-mail address of the person subscribing for the Bonds;

4.4.2. number of the securities account opened with the Register to which the Bonds shall be registered, together with the name of the account holder and account manager of the account;

4.4.3. date of submitting the Subscription Application;

4.4.4. amount of the Bonds subscribed for;

4.4.5. the aggregate amount of Existing Bonds to be transferred to the Issuer in case the Bonds are allocated to the Existing Bondholder. The aggregate amount of Existing Bonds to be transferred to the Issuer must be equal to all Existing Bonds belonging the Existing Bondholder.

4.5. By submitting the Subscription Application, the Existing Bondholder:

4.5.1. unconditionally and irrevocably undertakes to participate in the Issue and accept the Bonds allocated to it with the Allocation Confirmation;

4.5.2. unconditionally and irrevocably undertakes to transfer such number of the Existing Bonds to the Issuer which equals the number of the Bonds allocated to it with the Allocation Confirmation. The Existing Bonds shall be transferred to the Issuer prior to the Value Date without payment and free of any pledges, liens and other encumbrances;

4.5.3. confirms holding the title to all Existing Bonds referred to in the Subscription Application, the lack of any disputes concerning the title to the said Existing Bonds and its full authority to transfer the said Existing Bonds to the Issuer. The Existing Bondholder confirms that these representations are true at the time of submitting the Subscription Application as well as at the time of transferring the Existing Bonds to the Issuer;

4.5.4. confirms the representations in Section 9.2.

4.6. The Subscription Application shall become binding and valid only if and to the extent:

4.6.1. confirmed by the Existing Bondholder or its authorized representative(s) in the form required by the Issuer, and relevant documents proving such authority and/or necessary for identification are enclosed with the Subscription Application if required by the Issuer or the Register; and

4.6.2. the Existing Bondholder holds at least 3,575 Existing Bonds; and

4.6.3. the Existing Bondholder has committed to transferring such number of the Existing Bonds to the Issuer which equals the number of the Bonds allocated to it with the Allocation Confirmation. The Existing Bonds shall be transferred to the Issuer prior to the Value Date without payment and free of any pledges, liens and other encumbrances; and

4.6.4. the Existing Bondholder has subscribed for at least 3,575 Bonds; and

4.6.5. the Existing Bondholder has provided information of the securities account opened with the Register to which the Bonds can be registered; and

4.6.6. if the Bonds are to be held on a nominee account, the Existing Bondholder must complete, sign and deliver (in the form required by the Issuer) a confirmation to be submitted to the Register regarding the Existing Bondholder's consent to register the Bonds on a nominee account, as well as any other information or documents required by the Issuer;

4.6.7. if the Existing Bondholder is a legal person incorporated in any other jurisdiction except the Republic of Estonia, the Existing Bondholder must complete, sign and deliver the sanctions screening information request form required by the Register.

4.7. In case the Existing Bondholders do not subscribe for the maximum amount of Bonds prescribed in Section 3.3 by the Initial Subscription Date, the Issuer may (at its sole discretion by adopting such a Resolution) issue one or more additional Tranches of the Bonds until the Existing Bondholders have subscribed for the said maximum amount of Bonds. In case of an additional Tranche, the Issuer shall offer the option to subscribe for the Bonds only to the Existing Bondholders who have not yet subscribed for the Bonds in full (i.e. not yet exchanged all of their Existing Bonds for the Bonds) by sending a respective notice and determining the Additional Subscription Date. In all other aspects, Sections 2.3, 2.5 and 4.1 - 4.6 shall apply to the subscription for the Bonds to the issued in the additional Tranche.

5. ALLOCATION AND DELIVERY

5.1. The Issuer shall allocate the Bonds to the Existing Bondholder who has duly submitted the Subscription Application, provided that the Existing Bondholder shall transfer the equivalent amount of the Existing Bonds to the Issuer prior to the Value Date of the particular Tranche and all other conditions set forth in Section 4.6 are met. The Issuer shall

determine in the Allocation Confirmation the date on which the transfer of the Existing Bonds to the Issuer must be executed.

5.2. The contract for subscription for the Bonds is concluded when the Allocation Confirmation has been received by the Existing Bondholder. The Issuer shall provide the Allocation Confirmation within 5 (five) Business Days as from the Initial Subscription Date or the Additional Subscription Date.

5.3. The Issuer shall provide the Allocation Confirmation to the Existing Bondholder so that it is reproducible in writing and it shall specify at least:

5.3.1. the amount of the Bonds allocated to the Existing Bondholder;

5.3.2. the aggregate number of the Existing Bonds to be transferred by the Existing Bondholder to the Issuer without payment and the instructions for the transfer of the Existing Bonds, *inter alia*, the Issuer's securities account information and value date of the transfer of the Existing Bonds;

5.3.3. the Value Date of the Bonds issued in the particular Tranche.

5.4. With the Allocation Confirmation, the Issuer:

5.4.1. fully accepts or rejects the offer for subscription provided by the Existing Bondholder with the Subscription Application on terms and conditions stipulated in the Allocation Confirmation;

5.4.2. undertakes to issue and transfer the Bonds to the Existing Bondholder in accordance with the Issue Terms, provided any Bonds are allocated to the Existing Bondholder and the Existing Bondholder transfers the equivalent amount of the Existing Bonds to the Issuer on the date specified in the Allocation Confirmation.

5.5. The Bonds which have been allocated according to the Issue Terms shall be registered on the securities account opened with the Register and specified in the Subscription Application on the Value Date. The Bonds may initially also be registered on the securities account of the Issuer and thereafter transferred to the securities account specified in the Subscription Application or *another securities account opened in the name of the relevant Existing Bondholder*. For the sake of clarity, the latter option would only be used for technical reasons, i.e. to facilitate the registration of the Bonds on a securities account held by Clearstream Banking AG. In such case, (i) the Bonds would be held on the Issuer's securities account for up to 15 Business Days and only for the purpose of transferring the Bonds to the securities account held by Clearstream Banking AG as specified in the Subscription Application or *another securities account opened in the name of the relevant Existing Bondholder*, (ii) the Issuer shall not be deemed to provide any services in relation to holding the Bonds and (iii) the Existing Bondholder shall be deemed to have acquired the Bonds on the Value Date. In case the Bonds have not been transferred from the Issuer's securities account within 15 Business Days as of the Value Date, the Bonds shall be cancelled.

5.6. The Issuer shall compile the list of Investors as at the Value Date of the particular Tranche and submit it to the Register with the following data about the Existing Bondholders included therein:

5.6.1. the name, registration or identification code (or date of birth in the lack of an identification code), postal address and e-mail address; and

5.6.2. the number of the securities account opened with the Register to which the Bonds shall be registered, together with the name of the account holder and account manager of the account; and

5.6.3. if the Bonds are to be held on nominee accounts, the Investors' confirmations to the Register regarding their consent to register the Bonds on a nominee accounts; and

5.6.4. the number of Bonds allocated.

6. INTEREST

6.1. The Bonds shall bear a fixed interest at the rate of **8%** (eight per cent) per annum applied to the outstanding (i.e. unredeemed) denomination value of the Bonds from, but excluding, the Value Date of the particular Tranche up to and including the Redemption Date or the date of Early Redemption.

6.2. Interest shall be calculated on the basis of a 360-day year comprised of 12 (twelve) months of 30 (thirty) days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis).

6.3. Interest is calculated up to and including each Payment Date. The accrued interest is payable twice a year on the Payment Dates. The final interest payment shall be made on the Redemption Date or the date of Early Redemption in full.

7. REDEMPTION

7.1. The Issuer shall redeem the Bonds on the Redemption Date by making the Redemption Payment to each Investor holding the Bonds.

7.2. The Issuer may, at its sole discretion, redeem the Bonds fully or partially before the Redemption Date by notifying the Investors thereof at least 15 (fifteen) Business Days prior to the date of the Early Redemption, provided that the Issuer has fully redeemed the senior secured callable fixed rate bonds 2020/2024 (ISIN code SE0013801172) before the date of the Early Redemption or obtained a waiver from the holders of the said bonds. In case of Early Redemption, the Issuer shall make the Redemption Payment on the date of the Early Redemption to each Investor holding the Bonds. In case of partial Early Redemption, the Issuer shall redeem a portion of the denomination value of all the Bonds *pro rata*.

7.3. The Investors do not have the right to demand early redemption of the Bonds (i.e. before the Redemption Date).

7.4. The Bonds are considered redeemed upon due performance of the Issuer's payment obligations deriving from the Bonds in accordance with the Issue Terms, including Redemption Payments in accordance with Section 7 and interest payments in accordance with Section 6, both payments made in accordance with Section 8.

7.5. Once the Bonds are duly redeemed, they will be deleted from the Register based solely on the application submitted by the Issuer to the Register. Without prejudice to the foregoing, if any confirmation or action by the Investors is nevertheless required by the Register, the Investors undertake to immediately, but not later than within 3 (three) Business Days as of redemption of the Bonds, facilitate such deletion (*inter alia*, to ensure that the owner of the nominee account shall facilitate such deletion). Each Investor hereby irrevocably authorises the Issuer to sign and submit any documents on behalf of and in the name of the Investor to the Register to facilitate such deletion.

8. PAYMENTS

8.1. All payments to the Investors in connection with the Issue shall be made in euros to the current account linked to the securities account opened with the Register on which the Investor's Bonds are held.

8.2. The Issuer shall make all payments under these Issue Terms *pro rata* to the aggregate denomination value of the Bonds held by each Investor at 9.00 am (current local time in Estonia) on the Business Day preceding the relevant Payment Date, the Redemption Date or the date of the Early Redemption as is evident from the Register.

8.3. All payments from the Issuer to the Investors shall be deemed to have been made on the date the Issuer instructed its bank to execute the respective payment order. The costs of transferring the funds shall be borne by each Investor. In case the Issuer has appointed the Register to make any payments to the Investors under the Issue Terms, the payments are deemed to have been made on the date the Register instructed to execute the respective payment order and the costs of transferring the funds shall be borne by the Issuer. For the avoidance of doubt, interest is calculated up to and including the Payment Date and payable in such an amount, irrespective of the actual date when the interest is paid to the Investor.

8.4. If the Issuer fails to make the Redemption Payment on its due date, default interest shall accrue on the overdue amount at a rate equal to the interest rate specified in Section 6. No default interest shall accrue where the failure to make the Redemption Payment was solely attributable to the Register or the Investor (*inter alia*, if the current account data in the Register was incorrect).

8.5. The Issuer shall withhold income tax from interest payments in cases and to the extent required by the laws of the Republic of Estonia. Other than that, the Investors must declare and pay income tax or any other applicable tax themselves in accordance with applicable laws. For the avoidance of doubt, if any withholdings or deductions are made by the Issuer

in accordance with this Section, the withholdings or deductions shall be made on the account of the Investor with the Issuer having no obligation to compensate the withheld or deducted tax amounts to the Investor. Should an applicable treaty for the avoidance of double taxation set forth lower withholding rates than those otherwise applicable to the interest payment under the domestic laws of the Republic of Estonia, the respective Investor shall be requested to provide the documents necessary for application of the respective treaty (including, but not limited to, residence certificate issued or attested by the tax authority of the residence state of the Investor) at least 15 (fifteen) Business Days prior to the payment. If such documents are not presented to the Issuer, the Issuer shall be entitled to withhold tax at the rates set forth by the domestic laws of the Republic of Estonia.

9. REPRESENTATIONS

9.1. Upon submitting the Allocation Confirmation, the Issuer represents that:

9.1.1. it is a legal person, duly incorporated and validly existing under the laws of the Republic of Estonia;

9.1.2. it has the power to issue the Bonds, it shall be bound by the Issue Terms and the obligations assumed by it in connection with the issue of the Bonds are legal, valid, binding and enforceable obligations;

9.1.3. the issuance of the Bonds and performing the obligations related thereto do not and will not conflict with:

9.1.3.1. the constitutional documents of the Issuer, or

9.1.3.2. any agreement or instrument binding upon it or any of its assets.

9.1.4. it shall prepare its financial reports required under applicable law in accordance with the IFRS.

9.2. Upon submitting the Subscription Application and acquiring the Bonds, or upon acquiring the Bonds by any means after the initial issue of the Bonds, the Investor represents that:

9.2.1. it has the power to subscribe for and purchase the Bonds and it has taken all necessary action to authorize the subscription and purchase of the Bonds;

9.2.2. it is not (i) a U.S. Person (as defined in U.S. Regulation S of the Securities Act) and is not subscribing for and purchasing the Bonds in an offshore transaction pursuant to the Regulation S, nor (ii) a resident of any jurisdiction where the acquisition of the Bonds would be in breach of applicable laws;

9.2.3. it shall bear all of its costs related to the subscription for the Bonds, acquisition of the Bonds and any of other costs related to the Bonds, unless explicitly prescribed otherwise the Issue Terms;

9.2.4. the obligations assumed by it in connection with the subscription for or acquisition of the Bonds are legal, valid, binding and enforceable obligations;

9.2.5. the Issuer may acquire information about the owners of the Bonds from any third party, who has been notified as the holder of the Bonds on behalf of the Investor;

9.2.6. the Issuer has the irrevocable authority to act in the name of and on behalf of the Investor as set forth in Section 7.5;

9.2.7. the address, other contact details and information of the Investor or its nominee account holder as provided in the Register is correct and up to date at all times, and the Investor waives any claims arising from failure to receive a notice or a document, if such notice or document has been sent to the e-mail or mailing address registered in the Register;

9.2.8. the Investor has understood and consents to the Issue Terms, including without limitation its obligations under Section 2.6. The Investor is aware that the Issue Terms have been prepared by the attorneys of the Issuer and that, if deemed necessary, the Investor has used independent legal, tax and financial advice to examine the Issue Terms.

10. AMENDMENTS TO THE ISSUE TERMS

10.1. The Investors shall approve amendments to the Issue Terms by Investors' Resolutions adopted in written proceedings or proceedings which can be reproduced in writing. Such amendments may include, *inter alia*, changes to the interest rate of the Bonds, postponement of the Redemption Date or increasing the maximum total denomination value of the Bonds and the maximum amount of the Bonds over the limits prescribed in Section 3.3.

10.2. The Issuer shall send a request to the Investors to adopt an Investors' Resolution to approve an amendment to the Issue Terms. The request shall be sent at least by e-mail or via a similar medium. The request must contain a description of the possible amendment to the Issue Terms and the deadline for submitting the Investors' votes. The deadline may not be shorter than 15 (fifteen) Business Days as of the date the request is sent out to the Investors.

10.3. The Investors must execute their votes in the format instructed by the Issuer and send them to the Issuer by provided e-mail, registered mail or courier or using technical solutions provided by the Issuer. The Issuer may (but shall not be bound to) require evidence of the authority of any person who has executed the vote on behalf of the Investor. Any vote sent via e-mail or other mediums in response to the request to adopt an Investors' Resolution is deemed to be a declaration of intent of the Investor.

10.4. Each Bond held by the Investor shall give the Investor 1 (one) vote upon voting for an Investors' Resolution. The list of Investors entitled to vote shall include the Investor(s) who owned the Bonds at 9.00 am (current local time in Estonia) on the day the request specified in Section 10.2 is sent to the Investors. The list of Investors shall be determined

based on the Register. The Bonds held by the Issuer shall not provide the Issuer a right to vote for any Investors' Resolution.

10.5. The Investor shall be deemed not to have voted (i.e. the votes are considered invalid) if any of the following occurs:

10.5.1. the vote does not comply with all of the requirements of Section 10.3;

10.5.2. it is not possible to determine the identity of the person who submitted the vote;

10.5.3. the Issuer has not received the vote by the end of the voting deadline prescribed in the request specified in Section 10.2;

10.5.4. the intent of the Investor is not clear from the vote.

10.6. The Investors' Resolution is deemed to have been adopted and the respective amendment to the Issue Terms approved by the Investors on the last day of the voting deadline if at least 50% of all votes represented by the Bonds are in favour of such amendment.

10.7. The Issuer shall notify the Investors of the content of the adopted Investors' Resolution within 5 (five) Business Days as of the deadline for submitting the votes.

11. NOTICES

11.1. Unless the Issue Terms prescribe a specific format and/or communication method, any communication in relation to the Bonds must be in the English language, in the format which can be reproduced in writing (e.g. e-mail) and sent to the contact details of (i) the Issuer prescribed in Section 11.3, unless the Investors have been informed of other contact details, or (ii) the Investors registered in the Register (primarily such e-mail addresses of the Investors). In case the Bonds are listed on an exchange, notices to the Investors will be deemed to be validly given published through the information system of the exchange on which they are listed.

11.2. A written notice shall be deemed received by the addressee on the 5th (fifth) Business Day as of sending the notice if sent by registered mail or courier to the addressee's address in accordance with these Issue Terms. If a notice is sent by e-mail or any other similar format, such notice shall be deemed received by the addressee on the following Business Day as of sending the notice to the addressee.

11.3. Issuer's contacts:

Pro Kapital Grupp AS

Sõjakooli 11, 11316 Tallinn

Tel: +372 614 4920

E-mail: prokapital@prokapital.ee

12. FINAL PROVISIONS / GOVERNING LAW AND JURISDICTION

12.1. The rights and obligations of the Issuer and the Investors arising from the Issue Terms, the Subscription Application and the Allocation Confirmation shall be governed by and construed in accordance with the laws of the Republic Estonia.

12.2. Any dispute, controversy or claim arising out of or related to the Bonds, the issue of the Bonds, the Issue Terms or in connection thereto, or the existence, breach, termination or validity thereof, shall be settled by negotiations. If such dispute is not resolved with negotiations within 3 (three) months, such dispute shall be settled at Harju County Court in Estonia as the court of first instance.

12.3. If, at any time, any provision of the Issue Terms is declared by a competent authority to be illegal, invalid or unenforceable, it shall not influence the legality, validity or enforceability of the remaining provisions. Such illegal, invalid or unenforceable provision shall be replaced by a legal, valid and/or enforceable provision in accordance with Section 10.