

PROKAPITAL

AS PRO KAPITAL GRUPP

OFFERING AND TRADING PROSPECTUS

This prospectus (the "**Prospectus**") has been prepared by AS Pro Kapital Grupp (the "**Company**"), an Estonian company with registration number 10278802, in relation to the public offering of up to 6,000,000 Company's shares with ISIN EE3100006040 (the "**Shares**") to be issued pursuant to the resolution of the Company's Supervisory Council, dated on or about 19 September 2017 (the "**Offering**"), and admission of the Shares to trading on the Secondary List of Nasdaq Tallinn, a regulated market operated by Nasdaq Tallinn AS (the "**Admission**").

The Offering is made to:

- (a) the shareholders of the Company, who own any shares of the Company on 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date) (the "**Existing Shareholders**"),
- (b) natural and legal persons selected by the supervisory council of the Company to whom the Shares are offered for a total consideration of at least EUR 100,000 per person (except for the persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company) (the "**Institutional Investors**");
- (c) the members of the Management Board and the Supervisory Council of the Company (the "**Management**") and
- (d) Estonian natural and legal persons other than Existing Shareholders and Institutional Investors (the "**Estonian Retail Investors**") (the Existing Shareholders, the Institutional Investors, the Management and the "**Estonian Retail Investors**" are the "**Investors**").

The subscription period for the Shares will commence on 20 September 2017 at 10:00 (Tallinn time) and expire on 4 October 2017 at 16:00 (Tallinn time) (the "**Offer Period**"). The offer price per Share (the "**Offer Price**") will be determined by the supervisory council of the Company through a book-building process and will be the same for all Investors. The range of the Offer Price is EUR 1.80 to 2.30 (the "**Offer Price Range**"). The Offer Price will be either EUR 1.80, EUR 1.90, EUR 2.00, EUR 2.10, EUR 2.20 or EUR 2.30. The allocation of the Shares will be determined and published on or about 6 October 2017 via Nasdaq Tallinn and on the website of the Company (www.prokapital.com).

The Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company. No action has been or will be taken in any jurisdiction by the Company in addition to those set out in Section 1.3 (Registration). The Offering is not being made in any jurisdiction in which it would not be permissible to offer the Shares.

The New Shares have not been, and will not be, registered under the securities laws of any state of the United States, nor under any other jurisdiction except Estonia and Italy.

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities law of any state or other jurisdiction of the United States. The Shares have not been registered under the applicable securities laws of Australia, Canada or Japan and may not be offered, sold or otherwise transferred, directly or indirectly, in or into Australia, Canada or Japan for the account or benefit of citizens or residents of Australia, Canada or Japan, except pursuant to an exception from the registration requirements to the applicable securities laws. Potential investors with registered addresses in overseas territories are required by the Company to inform themselves about and observe any restrictions on the offer, sale or transfer of the Shares and the distribution of this document.

The Shares may not be offered, sold, resold, allotted or subscribed to, directly or indirectly, in the countries where it is unlawful to do so without meeting additional requirements unless any applicable exemption of those requirements exists.

Publication or distribution of copies of the Prospectus or any related documents are not allowed in those countries where such distribution or participation in the Offering requires any extra measures or is in conflict with the laws and regulations of these countries.

Persons who receive this Prospectus or any related document should inform themselves about any restrictions and limitations on distribution of the information contained in this Prospectus and on acceptance of the Offering. The Company is not liable in cases where persons or entities take measures that are in contradiction with the restrictions mentioned in this paragraph.

Neither the delivery of this Prospectus nor any subscription or purchase made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company and/or the Group since, or that the information contained herein is correct as of any time subsequent to, the date of this document.

The date of this Prospectus is 18 September 2017.

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1. INFORMATION ABOUT THE PROSPECTUS

1.1 Persons Responsible and Limitations of Liability

The person responsible for the information provided in this Prospectus is the Company, i.e. AS Pro Kapital Grupp, a company established pursuant to Estonian laws, which is registered with the Estonian commercial register (Est. *äriregister*) (the "**Commercial Register**") with registration number 10278802 and with the registered address at Sõjakooli 11, 11316, Tallinn, Estonia.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Tallinn, 18 September 2017
Management Board of AS Pro Kapital Grupp

Mr Paolo Vittorio Michelozzi *Chairman of the Management Board* _____

Mr Allan Remmelkoor *Member of the Management Board* _____

Mr Edoardo Preatoni *Member of the Management Board* _____

Without prejudice to the other sections of this Prospectus, no responsibility is accepted by the person responsible for the information given in this Prospectus solely based on the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information.

Any persons in possession of this Prospectus should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus. The delivery of this Prospectus at any time after its date will not, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

1.2 Governing Law and Jurisdiction

This Prospectus has been prepared in accordance with the rules and regulations in the Estonian Securities Market Act (Est. *väärtpaberituru seadus*) and the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council, including Annexes III and XXV of the Regulation, each as amended.

This Prospectus shall be governed by the law of Estonia, except to the extent the rules of private international law applied by the competent court provide for the mandatory application of the laws of any other jurisdiction. Any disputes arising in connection with this Prospectus shall be settled by Harju County Court (*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.

1.3 Registration

Before publication of this Prospectus, it has been approved by and registered with the Estonian Financial Supervisory Authority (*Finantsinspeksioon*) in accordance with the provisions of the Estonian Securities Market Act. It should be noted that such approval and such registration does not constitute any guarantee from the Estonian Financial Supervisory Authority that the information in this Prospectus is accurate or complete.

Before publication of this Prospectus, it has been validly notified to the European Securities Markets Authority (EMSA) and Commissione Nazionale per le Società e la Borsa (CONSOB).

The Prospectus has been notified to ESMA and CONSOB only in connection with the offering of Shares to the Existing Shareholders. In addition to the Offering to the Existing Shareholders, the Company does not publicly offer the Shares in any jurisdiction other than Estonia.

1.4 Purpose of the Prospectus

This Prospectus has been prepared by the Company for the sole purposes of carrying out the Offering and Admission.

1.5 Presentation of Information

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e. g. monetary values, percentage values, etc.) are presented with such precision which the Company deems sufficient 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 to avoid excessive level of detail. As a result, due to approximation, certain values presented as percentages do not necessarily add up to 100%. Exact numbers may be derived from the financial statements of the Group, to the extent that the relevant information is reflected therein.

Currencies. In this Prospectus, financial information is presented in euro (EUR), i.e. the official currency of the EU Member States participating in the Economic and Monetary Union.

Date of Information. This Prospectus is drawn up based on information, which was valid on 30 June 2017. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Group, 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 30 June 2017, this is identified by either specifying the relevant date or by the use of expressions "the date of this Prospectus", "to date", "until the date hereof" and other similar expressions, which must all be construed to mean the date of this Prospectus (18 September 2017).

Updates. The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable law or considered necessary and appropriate by the Company. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Third Party Information and Market Information. Some information contained in this Prospectus may have been sourced from third parties. Such information has been accurately reproduced as far as the Company is aware and is able to ascertain from the information published by such other third parties that no facts have been omitted, which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets, on which the Company and its subsidiaries are operating, is based on the best assessment made by the Management Board. With respect to the industry, in which the Company is active, and certain jurisdictions, in which its operations are being

conducted, reliable market information might be unavailable or incomplete. While every reasonable care was taken to provide the best possible estimate 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 into the relevant market or seek professional advice. Information on market shares represents the Management Board's views, unless specifically indicated otherwise.

1.6 Forward-Looking Statements

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 Management Board or are assumptions based on information available to the Company. 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 Company 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 Company's present and future business strategies and the environment in which the Company 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 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 Company's operations. Such factors of a significant nature are mentioned in section "Risk factors" below.

1.7 Information Incorporated by Reference

The following information is incorporated in this Prospectus by reference:

- AS Pro Kapital Grupp Consolidated Annual Report 2015 (the "**2015 Annual Report**");
- AS Pro Kapital Grupp Consolidated Annual Report 2016 (the "**2016 Annual Report**")
- AS Pro Kapital Grupp Consolidated Interim Report for II Quarter and 6 Months of 2017 (Unaudited) (the "**Interim Report**")

The above-referred documents are electronically available on the website of the Company at <http://prokapital.com/investors/financials/financials/?lang=en> and on the website of Nasdaq Tallinn at <http://www.nasdaqbaltic.com/market/?pg=details&instrument=EE3100006040&list=3&tab=reports>.

- The articles of association of the Company registered in the Commercial Register on 19 August 2016 (the "**Articles of Association**")

The Articles of Association is electronically available on the website of the Company at <http://prokapital.com/investors/shareholders/legal-documentation/?lang=en>.

1.8 Documents on Display

Throughout the lifetime of this Prospectus, the documents listed in section 1.7 (*Information Incorporated by Reference*) may also be inspected at the following address: AS Pro Kapital Grupp, Sõjakooli 11, 11316, Tallinn, Estonia. Any interested party may obtain a copy of these documents from the Company without charge.

1.9 Definitions

Unless otherwise defined herein or evident from the context, the following capitalised terms and expressions used in this Prospectus have the meaning attributed to them below in this section:

"2015 Annual Report"	means AS Pro Kapital Grupp Consolidated Annual Report 2015
"2016 Annual Report"	means AS Pro Kapital Grupp Consolidated Annual Report 2016
"Admission"	means the admission of Shares to trading on the Regulated Market

“Annual Report”	means 2015 Annual Report or 2016 Annual Report
“Articles of Association”	means the articles of association of AS Pro Kapital Grupp, which have been registered in the Commercial Register on 19 August 2016
“Commercial Register”	means the Estonian commercial register (<i>Est. äriregister</i>)
“Company”	means AS Pro Kapital Grupp
“Estonian Retail Investor”	means any Estonian natural and legal persons other than an Institutional Investor or an Existing Shareholder
“EUR” or “euro”	means the lawful currency of the Member States of the European Union, which have adopted the single currency
“Existing Shareholder”	means a shareholder of the Company who own any shares of the Company on 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date) pursuant to the date registered in the Securities Register
“General Meeting”	means the general meeting of shareholders (<i>aktsionäride üldkoosolek</i>) of the Company
“Group”	means the Company and its Subsidiaries
“IFRS”	means the International Financial Reporting Standards as adopted by the European Union
“Investor”	means an Existing Shareholder, an Institutional Investor, a member of the Management or an Estonian Retail Investor
“Institutional Investor”	means a natural or legal person selected by the Supervisory Council of the Company to whom the Shares are offered for a total consideration of at least EUR 100,000 per person (except for any person whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company)
“Interim Report”	means AS Pro Kapital Grupp Consolidated Interim Report for II Quarter and 6 Months of 2017 (Unaudited)
„Management“	means the Management Board and the Supervisory Council;
“Management Board”	means the management board (<i>juhatuse</i>) of the Company
“Regulated Market”	means the Secondary List of Nasdaq Tallinn, a regulated market operated by Nasdaq Tallinn
“Nasdaq Tallinn”	means Nasdaq Tallinn Aktiaselts (registry no. 10359206)
“Offer Period”	means the period from 20 September 2017 to 4 October 2017
“Offer Price”	means the issue price of each Share determined by the Supervisory Council (the Offer Price will be either EUR 1.80, EUR 1.90, EUR 2.00, EUR 2.10, EUR 2.20 or EUR 2.30)
“Offer Price Range”	means the range of the Offer Price being EUR 1.80 to 2.30
“Prospectus”	means this prospectus and its annex and all its supplements (if any)
“Prospectus Regulation”	means the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (as amended from time to time)
“Reports”	means the Annual Reports and the Interim Report
“Securities Act”	means the U.S. Securities Act of 1933, as amended
“Securities Register”	means (a) at the date of the prospectus, the Estonian Register of Securities (<i>Eesti väärtpaberite register</i>), registrar of which as at the date of the Prospectus is AS Eesti Väärtpaberikeskus (registration number 10111982, registered address Tartu mnt 2, 10145 Tallinn, Estonia), or (b) any successor securities register maintained by Nasdaq CSD SE Estonian

	branch or another CSD, as defined in Regulation (EU) No 909/2014 of 23 July 2014
"Shares"	means Company's 6,000,000 shares with ISIN EE3100006040 to be issued pursuant to the resolution of the Company's Supervisory Council set out under "Resolution on the Issuance of the Shares" in Section 24.5
"Subscription Price"	means the highest price per Share, which the Investor is willing to pay for each Share subscribed by it
"Subscription Undertaking"	means an undertaking submitted by an Investor to subscribe for the Shares
"Subsidiaries"	means the direct or indirect subsidiaries of the Company set out in Section 7 (<i>Organisational Structure</i>)
"Supervisory Council"	means the supervisory council (Est. <i>nōukogu</i>) of the Company

2. SUMMARY

This Summary is made up of disclosure requirements known as “Elements” in accordance with the Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation. These elements are numbered in Sections A – E (A.1 – E.7) below. This Summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention of ‘not applicable’.

Section A — Introduction and warnings																																		
Element	Title	Disclosure																																
A.1	Introduction and warnings	<p>This Summary is not the prospectus for the public offering of up to 6,000,000 Company’s shares with ISIN EE310006040 (the “Shares”) to be issued pursuant to the resolution of the Company’s supervisory council (the “Supervisory Council”) (the “Offering”), and admission of the Shares to trading on the Secondary List of Nasdaq Tallinn, a regulated market operated by Nasdaq Tallinn AS (the “Admission”) and should be read merely as an introduction to the same. This Summary presents the facts and circumstances that the Company considers important with respect to the Company’s business, the Offering and the Admission, and is a summary of certain information appearing in more detail elsewhere in the Prospectus. Any decision to invest in the Shares should be based by each investor on the entire Prospectus (including any amendments or supplements thereto) and not merely on this Summary.</p> <p>Prospective investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, be required to bear the costs of translating the entire Prospectus before court proceedings are initiated. The Company accepts civil liability in respect of this Summary (including any translation hereof) solely in the case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the entire Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information to aid investors when considering whether to invest in shares of the Company.</p>																																
A.2		Not applicable.																																
Section B — Issuer																																		
Element	Title	Disclosure																																
B.1	Legal and commercial name	The legal (business) name of the Company is AS Pro Kapital Grupp.																																
B.2	Domicile / legal form / legislation / country of incorporation	The Company is a public limited liability company (<i>aktsiaselts</i>) incorporated pursuant to the laws of the Republic of Estonia. The Company is registered in the Estonian commercial register (<i>äriregister</i>) (the “ Commercial Register ”) and its registered office is at Sõjakooli tn 11, Tallinn, Estonia.																																
B.3	Key factors regarding current operations, principal activities, categories of products sold and services performed. Principal markets	<p>The Company and its subsidiaries (the “Group”) are active mainly in the development and sales of residential and retail real estate, lease of developed retail property and other commercial property and operating of one hotel in Germany. The real estate portfolio is 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:</p> <ul style="list-style-type: none"> • Estonia mainly consist of the development and sales of apartments in premium residential real estate properties, development of premises in retail and office properties, 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. <p>Until recently the Company also operated hotels in Estonia and Latvia. However, these hotels were sold in July and August of 2017. The revenue from the geographical segments is set out in the following table:</p> <table border="1"> <thead> <tr> <th rowspan="2">in thousands of euros</th> <th colspan="2">6 months ended 30 June</th> <th colspan="3">12 months ended on 31 December</th> </tr> <tr> <th>2017</th> <th>2016</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Consolidated Revenue</td> <td>7,566</td> <td>8,203</td> <td>20,652</td> <td>18,322</td> <td>10,335</td> </tr> <tr> <td>* PKG holding</td> <td>12</td> <td>0</td> <td>523</td> <td>386</td> <td>371</td> </tr> <tr> <td>* Estonia</td> <td>3,612</td> <td>4,602</td> <td>7,230</td> <td>8,279</td> <td>3,382</td> </tr> </tbody> </table>				in thousands of euros	6 months ended 30 June		12 months ended on 31 December			2017	2016	2016	2015	2014	Consolidated Revenue	7,566	8,203	20,652	18,322	10,335	* PKG holding	12	0	523	386	371	* Estonia	3,612	4,602	7,230	8,279	3,382
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<i>Source: Reports, the Company</i>																																												
B.4a	Significant recent trends affecting the industry	none																																										
B.5	Group description. Position of the Company within the Group	<p>The Company is the operating parent company of the Group. As at the date of this Prospectus, 17 subsidiaries of the Company (the “Subsidiaries”) belong to the Group, including:</p> <ul style="list-style-type: none"> seven subsidiaries in Estonia: AS Pro Kapital Eesti, OÜ Ilmarise Kvartal, AS Tondi Kvartal, OÜ Marsi Elu, OÜ Pro Halduse, AS Tallinna Moekombinaat and Pro Kapital Germany Holdings OÜ; four subsidiaries in Latvia: Pro Kapital Latvia JSC, Klīversala SIA, Tallina nekustamie īpašumi SIA and Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA; four subsidiaries in Lithuania: Pro Kapital Vilnius Real Estate UAB, PK Invest UAB, Pro Kapital Bonum UAB and In Vitam UAB two subsidiaries in Germany: Pro Kapital Germany GmbH and PK Hotel Management Services GmbH. <p>Except for AS Tallinna Moekombinaat, 100% of shares of all subsidiaries are owned by the Company or another Group company. 93.35% of shares of AS Tallinna Moekombinaat are owned by AS Pro Kapital Eesti, a subsidiary of the Company.</p>																																										
B.6	Persons, directly or indirectly, having interest in the Company’s capital or voting rights notifiable under Estonian law and the amount of such interest. Voting rights of major shareholders. Direct or indirect control of the Company	<p>According to the data provided in the list of Company’s shareholders maintained in the Securities Register, as at the date of the Prospectus, the Company has issued a total of 54,271,722 shares with the nominal value EUR 0.20. As of 31 July 2017, the shares were held in 82 securities accounts opened with the Securities Register, including 15 nominee accounts. The following table provides information on shareholders of the Company having more than 5% of authorised capital of the Company as of 31 July 2017:</p> <table border="1"> <thead> <tr> <th>Shareholders</th> <th>Number of shares</th> <th>Participation</th> </tr> </thead> <tbody> <tr> <td>Nordea Bank Ab Finland Branch-Non-Treaty Clients</td> <td>25,135,425</td> <td>46.31%</td> </tr> <tr> <td>Eurofiduciaria S.R.L.</td> <td>6,770,370</td> <td>12.47%</td> </tr> <tr> <td>OÜ Svalbork Invest</td> <td>5,994,539</td> <td>11.05%</td> </tr> <tr> <td>Clearstream Banking Luxembourg S.A. Clients</td> <td>4,883,075</td> <td>9.00%</td> </tr> </tbody> </table> <p><i>Source: the Securities Register</i></p> <p>According to the knowledge of the management board of the Company (the “Management Board”), none of the shareholders of the Company have any different voting rights compared to other shareholders of the Company. The largest shareholders of the Company are Mr. Ernesto Preatoni and his affiliates. Based on the information at the possession of the Company as at 30 June 2017, Mr. Ernesto Preatoni and his affiliates control approx. 38.94% of shares of the Company. The following shares are considered as being controlled by Mr. Preatoni because the Management Board believes that Mr. Preatoni can control the use of voting rights by such persons: (a) OÜ Svalbork Invest, Estonian company controlled by Mr. Ernesto Preatoni, which holds 5,994,539 shares representing 11.05% of the total shares of the Company; (b) Katmandu Stiftung, Liechtenstein company controlled by Mr Ernesto Preatoni which holds 2,149,681 shares representing 3.96% of the total shares of the Company; (c) 12,600,885 shares representing 23.22% of the total shares of the Company, which are held through a nominee account opened by Nordea Bank Finland PLC; (d) Eginvest Limited, Liechtenstein company controlled by Mr Ernesto Preatoni which holds 389,980 shares representing 0.72% of the total shares of the Company.</p> <p>To ensure that the control over the Company is not abused, the Company complies with the Estonian Commercial Code and the Estonian Securities Market Act. In addition, the Company acts in compliance with the rules of Nasdaq Tallinn. There are no other measures in place to ensure that the above control is not abused. As of the date of the Prospectus, the Company is not aware of any existing agreements between the shareholders of the Company or other agreements, the operation of which may at a subsequent date result in a change in the control over the Company.</p>	Shareholders	Number of shares	Participation	Nordea Bank Ab Finland Branch-Non-Treaty Clients	25,135,425	46.31%	Eurofiduciaria S.R.L.	6,770,370	12.47%	OÜ Svalbork Invest	5,994,539	11.05%	Clearstream Banking Luxembourg S.A. Clients	4,883,075	9.00%																											
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B.7	Selected historical key financial information. Narrative description of significant change to the Company’s financial condition and operating results subsequent to the period covered by selected historical key financial information	<p>The tables below present certain selected financial information of the Group for the years ended 31 December 2016, 31 December 2015 and for the six months periods ended 30 June 2016 and 30 June 2017. This information is extracted without material adjustment from the audited consolidated annual financial statements of the Company for 2015 and 2016 and unaudited consolidated financial statements of the Company for the six months ended 30 June 2017 (the “Reports”). The tables below also present certain key ratios and indicators. These ratios and indicators are provided to illustrate certain aspects of the business of the Group and its financial performance. These ratios and indicators are calculated from the data extracted from the Reports. The Management Board believes that the ratios and indicators set forth below are customary and often used by public companies to illustrate their business and financial performance.</p> <p>Selected Information from the Consolidated Statements of Comprehensive Income</p> <table border="1"> <thead> <tr> <th><i>in thousands of euros</i></th> <th colspan="2">6 months ended 30 June</th> <th colspan="3">12 months ended on 31 December</th> </tr> <tr> <th></th> <th>2017</th> <th>2016</th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>7,566</td> <td>8,203</td> <td>20,652</td> <td>18,322</td> <td>10,335</td> </tr> <tr> <td>Gross profit</td> <td>2,347</td> <td>1,409</td> <td>6,054</td> <td>4,448</td> <td>2,495</td> </tr> <tr> <td>Operating profit/loss</td> <td>-524</td> <td>-1,268</td> <td>-309</td> <td>1,424</td> <td>25,859</td> </tr> <tr> <td>Profit/loss before income tax</td> <td>-2,269</td> <td>-3,135</td> <td>-3,808</td> <td>-1,169</td> <td>23,143</td> </tr> <tr> <td>Net profit/loss for the period</td> <td>-2,310</td> <td>-3,149</td> <td>-4,025</td> <td>-2,010</td> <td>21,235</td> </tr> </tbody> </table>	<i>in thousands of euros</i>	6 months ended 30 June		12 months ended on 31 December				2017	2016	2016	2015	2014	Revenue	7,566	8,203	20,652	18,322	10,335	Gross profit	2,347	1,409	6,054	4,448	2,495	Operating profit/loss	-524	-1,268	-309	1,424	25,859	Profit/loss before income tax	-2,269	-3,135	-3,808	-1,169	23,143	Net profit/loss for the period	-2,310	-3,149	-4,025	-2,010	21,235
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		<i>Source: Reports, the Company</i>					
		Selected Information from the Consolidated Statement of Financial Position					
		<i>in thousands of euros</i>					
		30 June		31 December			
		2017	2016	2015	2014		
		Current Assets	37,442	24,001	20,438	18,879	
		Non-Current Assets	114,502	118,313	109,885	106,152	
		Total Assets	151,944	142,314	130,323	125,031	
		Current Liabilities	18,388	19,541	15,150	22,839	
		Non-Current Liabilities	56,141	42,569	31,741	16,404	
		Total Liabilities	74,529	62,110	46,891	39,243	
		Equity	77,415	80,204	83,432	85,788	
		<i>Source: Reports, the Company</i>					
		Selected Information from the Consolidated Interim Statements of Cash Flows					
		<i>in thousands of euros</i>					
		6 months ended 30 June		12 months ended on 31 December			
		2017	2016	2016	2015	2014	
		Cash flows from operating activities	-2,135	-437	648	3,498	-1,069
		Cash flows from investing activities	-9,219	-7,321	-9,740	-1,368	-775
		Cash flows from financing activities	9,153	14,008	8,082	2,381	966
		Net change in cash and cash equivalents	-2,201	6,250	-1,010	4,511	-878
		<i>Source: Reports, the Company</i>					
		Ratios and Indicators					
		<i>in thousands of euros</i>					
		6 months ended 30 June		12 months ended on 31 December			
		2017	2016	2016	2015	2014	
		Gross profit margin	31.0%	17.2%	29.3%	24.3%	24.1%
		EBITDA margin	-2.3%	-11.1%	1.9%	11.6%	257.5%
		Operating margin	-6.9%	-15.5%	-1.5%	7.8%	250.2%
		EBT margin	-30.0%	-38.2%	-18.4%	-6.4%	223.9%
		Net margin	-30.5%	-38.4%	-19.5%	-11.0%	205.5%
		Net margin to shareholders	-29.9%	-38.0%	-18.9%	-10.6%	206.9%
		Earnings per share (EPS)	-0.04	-0.06	-0.07	-0.04	0.39
		Share closing price (Nasdaq Tallinn)	2.15	2.19	1.96	2.23	2.50
		P/E ratio	-50.51	-37.70	-28.00	-55.75	6.41
		<i>Source: Reports, the Company</i>					
		<i>in thousands of euros</i>					
		30 June		31 December			
		2017	2016	2015	2014		
		Equity ratio	50.9%	56.4%	64.0%	68.6%	
		Debt to equity ratio	74.6%	57.6%	41.9%	34.9%	
		Net debt to capital	41.4%	33.7%	25.5%	24.6%	
		Debt to EBITDA ratio	-334.0	119.7	16.5	1.1	
		Current Ratio	2.0	1.2	1.3	0.8	
		Return to assets	-1.6%	-3.0%	-1.6%	19.0%	
		Return to equity	-2.9%	-4.8%	-2.3%	28.4%	
		<i>Source: Reports, the Company</i>					
		Formulas used for calculating financial ratios:					
		Gross profit margin, %	Gross profit / revenue*100				
		EBITDA margin, %	EBITDA / revenue*100				
		Operating margin, %	Operating result / revenue*100				
		EBT margin, %	EBT / revenue*100				
		Net margin, %	Net result / revenue*100				
		Net margin to shareholders, %	Net result for shareholders / revenue * 100				
		Earnings per share (EPS)	Net result/ average number of shares				
		P/E ratio	Share closing price / EPS				
		Equity ratio, %	Equity / total assets * 100				
		Debt to equity ratio, %	Interest bearing liabilities / equity * 100				
		Net debt to capital, %	(Interest bearing liabilities - cash and cash equivalents) / (interest bearing liabilities - cash and cash equivalents + equity) * 100				
		Debt to EBITDA ratio	Interest bearing liabilities / EBITDA				
		Current ratio	Current assets / current liabilities				
		Return on assets, %	Net result / average total assets * 100				
		Return on equity, %	Net result for shareholders / average equity * 100				
B.8	Selected key pro forma financial information	Not applicable.					
B.9	Profit forecast or estimate	As at the date of the Prospectus, the Company has not issued a profit forecast or estimate.					
B.10	Qualifications in the audit report on	The audit reports issued with respect to the audited consolidated annual financial statements of the Company for 2015 and 2016 do not include qualifications.					

	the historical financial information	
B.11	Working capital	The Management Board believes that the Group's working capital is sufficient to meet all the liabilities for at least the 12-month period following the date of this Prospectus.

Section C — Securities

<i>Element</i>	<i>Title</i>	<i>Disclosure</i>
C.1	Type and class of securities and security identification number	Security: AS Pro Kapital Grupp ordinary shares ISIN: EE3100006040
C.2	Currency of the issue	EUR
C.3	Number of shares issued and fully paid / issued but not fully paid. Nominal value per share	As at the date of this Prospectus, the Company's registered share capital is EUR 10,854,344.40 divided into 54,271,722 authorised, fully paid and issued shares with a par value of EUR 0.2 each. There are no shares issued but not fully paid.
C.4	Rights attached to the securities	The Company has one class of shares. Shares rank <i>pari passu</i> . The following rights are attached to each share: <ul style="list-style-type: none"> • to receive a portion of the Company's profit (dividends); • to receive the Company's funds when the capital of the Company is reduced with a view to paying out the Company's funds to the shareholders; • to receive shares without payment if the capital is increased from the shareholders' equity (bonus issue); • to have a pre-emption right in acquiring the shares or convertible bonds issued by the Company, except in the case when the General Meeting of Shareholders decides to withdraw the pre-emption right for all the shareholders; • to receive a part of the assets of the Company in liquidation; • to attend the General Meetings of Shareholders; • to vote at the General Meetings of Shareholders according to voting rights carried by their shares; • to receive information on the activities of the Company from the Management Board at the General Meeting of Shareholders, unless this may cause significant damage to the interests of the Company; • to demand the calling of a General Meeting of Shareholders, if this is demanded by shareholders whose shares represent at least one-twentieth of the share capital of the Company and to call a General Meeting of Shareholders, if the Management Board does not call a General Meeting of Shareholders within one month after receipt of such a demand by shareholders whose shares represent at least one-twentieth of the share capital of the Company; • to demand at the General Meeting of Shareholders a resolution on conduct of a special audit on matters regarding the management or financial situation of the Company, if this is demanded by shareholders whose shares represent at least one-tenth of the share capital of the Company.
C.5	Restrictions on free transferability of securities	Free transferability of the shares has not been restricted in the Company's articles of association (the " Articles of Association "). The shares are not subject to any general transfer restrictions.
C.6	Admission to trading / Name of the regulated market	54,271,722 shares of the Company have been admitted to trading on the Secondary List of Nasdaq Tallinn, a regulated market operated by Nasdaq Tallinn AS (the " Regulated Market ") before the date of the Prospectus. After the registration of the Prospectus, the Company plans to apply for the Admission of the Shares to trading on the Regulated Market.
C.7	Dividend policy	The Company has historically been financing its operations mainly from retained earnings. Hence, there have been limited dividend payments in the past. No dividends have been distributed by the Company since 2015. Based on current management forecast on future operating results, the management estimates to propose to the shareholders to start regular dividend payments starting for the financial year 2019. Provided the forecasted operating results are exceeded, regular dividend payment proposal may be made also for the financial year 2018. It should be considered that dividend payments depend on the Company's results of operations, financial condition, cash requirement, future prospects, profits available for distribution, debt covenants and other factors deemed by the management to be relevant at the time. The Management Board may make a proposal for the amount of dividends to be distributed. The Supervisory Council has the right to amend such proposal and the proposal is ultimately to be approved by the General Meeting of Shareholders of the Company.

Section D – Risks

<i>Element</i>	<i>Title</i>	<i>Disclosure</i>
D.1	Key risks specific to the Company,	Risks relating to the Group's business <i>The Group is exposed to various risks due to long duration of real estate development projects</i>

<p>to the Group or the industry</p>	<p>The core business of the Group is real estate development. The process of real estate development usually lasts several years. As a result, the Group's business is exposed to various risks. The Group's business, results of operations, financial condition and profitability of the Group may be adversely affected inter alia by any of the following:</p> <ul style="list-style-type: none"> – macroeconomic environment, market conditions and other similar circumstances, which are not under the control of the Group may change over the time causing the development costs exceeding and/or the income being lower than expected or estimated; – the Group may not be able to duly perform its obligations (e.g. obligations under financing and other agreements) due to changed circumstances; – the laws and regulations applicable to the Group may be amended; – the detailed plan, intended use of the property or other conditions vital for the development activities may be changed over the time and the Group may not be able to sufficiently influence the outcome of such changes. <p>The Group may not be able to acquire real estate for the development on acceptable terms The Group owns significant amount of properties that could be developed by it. However, if the Group needs to acquire additional real estate for the development, it needs to acquire such real estate on a timely basis and for acceptable terms. The Group may not be able to successfully acquire such properties on acceptable terms due to various reasons (including inter alia increased competition in the relevant real estate sub-markets etc.). Failure to acquire real estate could have a material adverse effect on the Group's business, results of operations and financial condition.</p> <p>The Group may not be able to obtain suitable detailed plan, necessary permits and other approvals In order to develop real estate, detailed planning 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. Valid building permit must have also been issued in order to start constructing. The Group may also need to acquire certain other permits and authorisations in order to start constructing buildings and other structures on the land units. In addition, the Group may need permits for demolition of the existing constructions located on the acquired land units. If the demolition is not permitted or its end materials (e.g. containing hazardous substances) need specific handling, it will require additional monetary resources from the Group.</p> <p>The process for obtaining suitable detailed plan, building permit and other necessary permits and authorisations is subject to detailed rules and procedures set forth in laws and may take several years (the length of such process cannot be precisely predetermined and may become significantly longer than expected). In addition, significant costs relate to such process, which the Group must bear while applying for the detailed plan or necessary permits or authorisations. Even if the Group applies for the detailed plan or other permits or authorisations necessary for its development activities, it may not be able to obtain detailed plan or permits or authorisations that are suitable for planned developments of the Group. Further, the Group must bear such costs irrespective of the outcome of respective proceedings.</p> <p>In order to develop planned properties, the Group will also need to obtain several building permits and other authorisations.</p> <p>If any such plan, authorisation or permit is not obtained on terms and conditions suitable for the planned development activities or if any such plan, authorisation or permit has any defects or is amended, it could have a material adverse effect on the Group's business, results of operations or financial condition.</p> <p>The Group may not be able to execute the disposals of real estate at acceptable prices 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. The value and price of the disposed properties are influenced by several factors, such as general economic conditions, interest rates, inflation expectations, investor yield requirements, and competitive dynamics. It may also be difficult to sell properties that the markets categorize as non-prime properties. There can be no guarantee that the Group will in the future be able to execute disposals at acceptable prices or at prices that are higher than the combined costs related to the development of the properties. Delayed disposal of properties or disposals of the properties at a loss could slow the growth of the Group and this may have a material adverse effect on the Group's business, results of operations, and financial condition.</p> <p>Properties of the Group may be expropriated in the public interests In case the land that the Group has acquired is needed for public purposes (e.g. for road construction), the state or the municipality may acquire the land in question from the Group for compensation that may not be lower than the usual value of the land.</p> <p>However, such compensation may not be sufficient to cover all the damage caused to the Group. Expropriation of any of the Group's properties could have a material adverse effect on the Group's business, results of operations or financial condition.</p> <p>Dependency on small number of large projects increases Group's exposure to risks of each project The Group plans to develop a rather small number of large projects. The Group's planned development projects will be mostly carried out in Tallinn (Estonia), Riga (Latvia) or Vilnius (Lithuania). Concentration on small number of projects could increase the volatility of the Group's results.</p> <p>Further, such concentration also increases Group's exposure to risks relating to (a) each of the Group's development projects; or (b) the property markets in Tallinn, Riga and Vilnius. Failure to complete any of Group's planned development projects could have a material adverse effect on the Group's business, results of operations or financial condition.</p> <p>Long duration of projects may result in inaccuracy of the forecasts The Group develops its properties on the basis of business plans elaborated for respective properties. Such plans are inter alia based on forecasts of future circumstances. Long duration of the projects</p>
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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, that could have a material adverse effect on Group's business, results of operations, financial condition and profitability.

The fair value of investment properties is subject to uncertainties and the value of Group's properties may decrease in the future

Changes in the fair value of investment properties constitute one of the Group's short-term risks. The fair value of investment properties is 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.

The most significant macroeconomic factors affecting the general price levels of properties are interest rates, GDP growth, consumer spending, and inflation. In addition, city planning and building projects, as well as changes in the competitive dynamics, may influence the value of properties.

The Group uses the fair values model in the valuation of its investment properties, whereupon fair value changes (i.e. fair value gains and losses) of investment properties are recognised in the statement of comprehensive income. The Group's properties have been valued in an appraisal report by Colliers International with investment value of EUR 236 million as per December 2016. The investment values of such properties have been appraised based on techniques and methodologies, which differ from the ones used in the financial statements of the Company. Therefore, the values of such properties as booked in the financial Statements of the Company significantly differ from their investment value as indicated in the appraisal report. Investment value has been appraised by Colliers International on the basis of various assumptions. Any change in the actual circumstances as compared to the used assumptions could result in inaccuracy of the appraised investment value of the Group's properties. Relevant property values may change over the time. Therefore, any valuation at a later date could result in change in the investment value as compared to the investment value reflected in that appraisal report. The changes in the fair value of the investment properties impact the statement of comprehensive income and statement of financial position of the Company for the financial year but they do not have a direct effect on the cash flow statement. Major fair value losses of the investment properties could have a material adverse effect on the Company's business, results of operations, and financial position.

The Group may not have sufficient insurance cover or specific reserves for indemnifying damages

The Group has obtained insurance against various damages and losses. However, insurance coverage is subject to limits and limitations and various risks (e.g. certain natural disasters and terrorist acts) are not covered by insurance for various reasons (e.g. because such risks are uninsurable or the cost of insurance is, according to Management Board's belief, too high when compared to risk). The Company believes that its insurance is in line with standard industry practice. However, such insurance may not be sufficient to fully compensate the Group against its all losses. For example, if the insurance is adequate to cover Group's direct losses, the Group could be adversely affected by loss of earnings caused by or relating to its properties. The occurrence of any of the above referred harmful effects or insufficient insurance coverage could result in loss of invested funds and future income and creation of additional obligations and liability for the Group, and may have a material adverse effect on the business, results of operations, profitability and financial conditions of the Group.

The Group does not maintain separate funds nor does it set aside reserves for the above-referred types of events.

The Group relies on third party building contractors

The Group relies on third party building contractors. If the Group cannot enter into design and construction agreements with third party building contractors at acceptable terms or cannot agree on reasonable amendments to concluded construction and design agreements or the building contractors breach such agreements or its obligations under mandatory requirements of law, including requirements which are pre-condition for validity of construction permit (such as – continuous constructor's liability insurance policy during all term of validity of construction permit), for any reason whatsoever, the Group may be required to incur additional costs or suffer losses or lose planned income. Any such breach may also result in delay in the completion of relevant development project. Any such event could have an adverse effect on Group's business, results of operations, financial condition and profitability.

Furthermore, pursuant to Lithuanian law, in case of a bankruptcy or liquidation of the contractor, the developer of the real estate project would be held liable against purchasers of the real estate for any defects that emerge during guarantee period in case of default of the contractor. Guarantee period for the buildings under the applicable Lithuanian laws is 5 years for open works (e.g. visible works, such as roof, windows, doors, facade, walls) and 10 years for hidden works (i.e. works, which require specific assessment, such as engineering networks, insulation, etc.) and a certain period of time (usually between 1 and 5 years) specified by the producer for any installed items (heating, electricity systems, etc.). Thus, in case of bankruptcy or liquidation of any Lithuanian building constructors of the Group Companies, they may be held liable as indicated above, which may have a material adverse effect on the results of operations and financial condition of the Group.

The Group will not be able to develop its projects according to its plans if it fails to raise additional capital or service outstanding indebtedness

The Group operates in capital intense industry and needs substantial working capital to support acquisition and development of properties. Therefore, if internally generated cash flow or cash flow received from sales of developed real estate is different than anticipated or money available from either local or global lenders is under liquidity pressures, it could have a material adverse effect on the business, results of operations and financial conditions of the Group.

The Group's debt to total assets was 43.6 percent as at 31 December 2016. The projects need to be postponed if the Group fails to raise necessary capital (e.g. if there is limited funding available on commercially attractive terms). Unless the Group manages to raise necessary capital, it will not be able to conduct its business as planned. The Group's ability to raise additional capital and the terms and

conditions thereof as well as the Group's ability to make payments on its indebtedness are dependable on various factors, including factors that the Group cannot control (e.g. general economic and market conditions, financial, and business factors, etc.). Existing indebtedness and need to raise additional capital also diminish the Group's flexibility in planning its business and implementing its projects and place the Group at a competitive disadvantage relative to its competitors with less indebtedness.

If the Group fails in servicing, refinancing or restructuring its indebtedness, it may need to sell its assets or raise additional capital. The Group may not be able to do that at terms that are favourable or acceptable to the Group. If the Group fails to raise necessary additional capital, it will not manage to implement its development projects pursuant to its plans. If the Group will fail to service, refinance or restructure its indebtedness or raise additional capital (either debt or equity), this could have a material adverse effect on the business, results of operations, profitability and financial condition of the Group.

The Group must comply with various covenants arising from financing agreements and financial instruments. Any failure to do that may result in Group losing its rights to its assets

The Group has raised external debt financing by borrowing from credit institutions pursuant to several financing agreements and by issue of bonds and convertible bonds (the "financing agreements"). Such financing agreements set out various negative and positive covenants and requirements to obtain the creditor's consent for certain actions, including inter alia for further financing, providing security or creating charges over its assets, concluding lease, rental or other agreements with regard to encumbered assets granting rights to third persons, changes in the Group's corporate structure, merging with another company, changes in the share capital of Group companies, changes in Group companies' main areas of activity or in competence of the Management Board, making investments to other enterprises or transfer of business or part thereof. Some financing agreements of the Group companies also set forth the obligation of the relevant Group company to retain certain financial levels and ratios throughout the term of such financing agreements.

The financing agreements of the Group prescribe that if any of the positive or negative covenants are breached or if the consent of the lender is not obtained prior to a transaction as required, such violation constitutes a material breach and the creditor may accelerate payments of the Group Companies as well as use other remedies set out in the agreement or the law (for example, contractual penalty and/or compensation for damage). The financing agreements concluded by the Group companies contain various additional events of default, including cross-default provisions, whereby the Group is exposed to default risks based on contract performance under other agreements with respective lender or with other creditors. In addition, pursuant to the financing agreements, it is an event of default if the borrower incurs significant additional financial obligations or if there is a change of control in the borrower without the prior consent of the lender.

In addition, the Group's financing agreements require the Group companies to pledge their assets (including immovable property, shares of the subsidiaries and other assets). Most of the Group's immovable property has been encumbered with mortgages for the benefit of relevant lenders. Some pledges and mortgages secure also all existing and potential claims of the lender against other Group companies. Failure to comply with financing agreements could result in the Group losing its rights to or ownership in the pledged assets or the Group being forced to sell such assets on unfavourable terms (e.g. for lower than market value and debt residual, thus still maintaining partial liabilities to the financiers for particular property).

Furthermore, certain Group companies (including the Company) have issued guarantee letters whereby they have guaranteed the performance of the Group's obligations arising from the financing agreements. This allows the financial institution to demand performance under the financing agreement from the issuer of such guarantee (e.g. the Company) if the borrower fails to perform its duties under the financing agreement. As a result, the Group as a whole is exposed to risks related to failure by its subsidiary to perform its obligations arising from financing agreements.

Moreover, certain loan agreements concluded by the Group companies provide that all loans issued to the respective company by its shareholder and its related parties are subordinated to credit issued by the bank. According to the indicated agreements as well as according to the respective subordination agreements, certain Group companies may not repay any part of the loan or interests to other Group companies prior to repayment of the credit to which the intra-group loans have been subordinated. Consequently, these provisions limit the flow of funds among the Group companies, which may have a material adverse effect on the financial condition of Group companies or on the Group as a whole.

As of the date of this Prospectus financial institutions have not made any demands based on possible breaches of covenants. The Management Board believes that none of the Group companies is breaching its obligations arising from the loan agreements.

Any failure to comply with financing agreements or any demand for early repayment made by a lender or any failure to receive permission by or waiver from any lender in relation to any action by the Group could have a material adverse effect on the Group's business, results of operations, profitability and financial condition.

The Company is dependent on cash flows from its subsidiaries

The Company is a holding company, which conducts its business through its subsidiaries. The Company holds 100% interest in five main subsidiaries, which in return own 100% in 11 companies – five in Latvia, one in Germany, two in Lithuania and three in Estonia, as well as 93% in an additional subsidiary in Estonia. Additionally, one Group's Estonian subsidiary, AS Tondi Kvartal, holds 100% interest in an additional subsidiary (OÜ Marsi Elu) and one Group's Lithuanian subsidiary, PK Invest UAB, holds 100% interest in an additional subsidiary (Pro Kapital Bonum UAB). The Company itself does not own significant assets other than the investment into its subsidiaries. Therefore, in order to be able to pay dividends to its shareholders and meet its own obligations, the Company is dependent on the receipt of dividends from its subsidiaries.

Each of the Estonian, Latvian, Lithuanian and German laws set out capital maintenance and other relevant rules, which limit the Group companies' ability to pay dividends or make other distributions.

The Group is exposed to the credit risk of its customers and other counterparties

The Group is exposed to the credit risk. The Group is continuously monitoring the payment behaviour of its customers and other counterparties. Moreover, in addition to contractual monetary obligations, the counterparties may not be able to compensate the Group for the damages caused as a result of breaches of their non-monetary obligations. Such defaults by counterparties could inter alia result in the Group companies defaulting under their other contracts and being obliged to pay compensation to their other counterparties without being respectively compensated by the counterparties that initially defaulted, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Risk related to lease agreements

The Group's lease agreements are divided into two categories: fixed-term lease agreements and lease agreements entered into for an unspecified term. The Group seeks to use both types of agreements, depending on the market situation and the properties in question.

Lease agreements entered into for an unspecified term involve nevertheless a risk that a large number of such agreements may be terminated within a short period of time. The Group aims at renewing the fixed term lease agreements flexibly in cooperation with its tenants. There are, however, no guarantees that the Group will be successful in this. In order to prevent tenants from terminating the lease agreements, the Group may also be forced to agree on the reduction of rent.

Contractual risks and legal proceedings

A dispute may arise between the Group and its contractual counterparties on the interpretation or the validity of a contract or fulfilling of contractual obligations. Any of this can lead to arbitration or litigation with an unfavourable outcome for the Group. Among other things, any assets acquired or sold by the Group, including inter alia real estate, may have latent defects (e.g. pollution or latent defects in construction works etc.) which become apparent only after respective asset has been acquired or sold and this may lead to disputes between the Group and the contractual counterparty and the title to the Group's assets may be disputed as a result of defects therein or relevant contract. Application of provisional legal protection or measures for securing an action against the Group companies in the course of a dispute may significantly impede the Group's business. Therefore, any of the above may also have an adverse effect on the financial condition and results of operations of the Group.

The Group is exposed to environmental liability

The Group's activities are and will continue to be 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. Furthermore, such laws are subject to possible future changes. Failure to comply with the laws and regulations and permits given thereunder and related contractual terms and conditions (including failure to adjust the Group's activities to the amended legal requirements) could result in substantial costs and liabilities for the Group. This could have a material adverse effect on the Group's business, results of operations and financial condition.

The land units, which have been or will be acquired by the Group, may subsequently be found to be polluted. Pursuant to environmental laws, a property owner is often held liable for the 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. In relation to this risk, please note that:

- when the Group has purchased land, it has not always required the seller to warrant that there is no pollution on the land. Therefore, upon the discovery of the pollution, the Group may not be entitled to claim for clean-up costs and damages from any third person;
- the Group has not carried out environmental investigations in respect of several of its land units. The historic background of some of such land units refers to possibility of pollution (e.g. (i) the territory of Tondi Quarter has been a part of Soviet army campus; (ii) 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) property of Kalaranna Residential Complex has historically been a fishing harbour and a market place). Furthermore, in Tondi Quarter a minor pollution was discovered during the construction process of a residential building. The total clean-up cost of the pollution was approximately EUR 60,000;
- should the Group fail to detect or remedy pollution, this may adversely affect the Group's ability to sell or lease property and expose the Group to claims from its customers or third parties for personal injury or property damage associated with exposure to pollution;
- upon sale of the property, the purchasers have required and are likely to require the Group to warrant that there is no pollution on the associated land; and
- amongst others, the risk related to counterparties' financial position as described above is also relevant in relation to environmental liability.

Each of the clean-up costs and costs relating to claims from Group's customers, counterparties or third parties relating to exposure to pollution of any polluted property could have a material adverse effect on the Group's financial condition and results of operations.

The Group is dependent on key personnel

The Group's business relies on the skills, diligence and performance of a relatively small number of key personnel. In order to succeed, the Group needs to have well-connected managers in each of its geographic markets with thorough and up to date knowledge of the local market. Currently the Group does not have share-linked incentive system. Even though the Group has agreed with most of key personnel regarding their non-competition obligation applicable for six months after the termination of their employment, any of these key persons may cease to work for the Group. Loss of services of Group's key personnel and failure to immediately find a replacement having at least similar qualities may adversely affect Group's results of operations.

The Group's reputation may be damaged

The Group's ability to attract purchasers of property, attract and retain tenants, raise the necessary financing for the development projects as well as retain personnel in its employment may suffer if the Group's reputation is damaged. Matters affecting the Group's reputation may include, among other

things, the quality and safety of its premises and compliance with laws and regulations. Any damage to the Group's reputation due to, for example, including but not limited to the aforementioned matters, may have a material adverse effect on the business, results of operations and financial conditions of the Group.

The Group relies on its IT systems

The Group relies on several IT systems in its operations. The Group maintains and internally exchanges its information, including business secrets, by using its IT systems. In case of a significant interruption in the operations of Group's IT systems, the Group may not be able to continue its work during such interruption resulting in costs and losses for the Group. If an unauthorised person gains access to Group's IT systems and confidential information and business secrets of the Group, that could place the Group at a competitive disadvantage relative to its competitors and result in various claims against the Group from its customers and third persons. Any of the above could have a material adverse effect on the Group's business, results of operations and financial condition.

Potential tax liability

There is 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 have an adverse effect on the Group's business, results of operations and financial condition.

Transactions with related as well as unrelated parties may carry 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 or Lithuanian tax authorities in various cases, requalification of transactions and corresponding adjustment of tax results, such as prohibition to deduct input VAT or additional income tax charge, may have an adverse effect on the Group's business, results of operations and financial condition.

Real estate developer's liability

The Group companies as real estate developers may under Estonian, Latvian and Lithuanian laws be held liable towards their clients inter alia for construction defects (quality of works and materials) and legal defects (such as restrictions of use, third party rights, restrictions deriving from planning, etc.) of the properties sold.

Estonian law allows claims connected to the deficiencies in buildings to be made against the seller of a land unit under general rules of statute of limitations for an extended period of 5 years (the general limitation period for contractual claims is 3 years). The law provides for the possibility of agreeing upon a shorter claims period in a sales contract. In accordance with Latvian law, there are three different warranty periods for buildings depending on the category of a building. Warranty period of 2 years is a mandatory minimal warranty period for the first category of buildings ("simple buildings", e.g. buildings with total area not exceeding 25m²). Buildings having five or more ground floors and at least one underground floor are classified as third category buildings and have a mandatory minimal warranty period of 5 years. Second category buildings are buildings that fall neither into first nor third category and have a mandatory warranty period of 3 years. Lithuanian law allows making claims related to the deficiencies in buildings against the contractor for the following periods: (i) 5 years for open works (e.g. visible works, such as roof, windows, doors, facade, walls), (ii) 10 years for hidden works (i.e. works, which require specific assessment, such as engineering networks, insulation, etc.) and (iii) a certain period of time (usually between 1 and 5 years) specified by the producer for any installed items (heating, electricity systems, etc.). However, in case of bankruptcy of Lithuanian contractors, such claims would be directed towards the real estate developer (please also read the risk factor "Dependence on building contractors").

The Group seeks to cover its exposure for warranty claims mainly by requiring the main contractor of the project to obtain insurance cover against all construction risks for the whole duration of the project. Such insurance must be made for the benefit of the financier of respective project (the bank), respective Group company and, if relevant, other Group companies. However, having such insurance in place may prove to be insufficient. The contractors and subcontractors of the Group, to whom the warranty liability is passed, may lack of adequate financial means to fully indemnify the Group. Additionally, losses may arise if some risks are not adequately addressed in the insurance policies or indemnity arrangements of the Group. If the Group's exposure to risks arising from design and construction liabilities cannot be effectively covered it could lead to substantial costs and potentially cause to substantial losses to the Group. Not to mention that defects in construction and design and the related liability of the Group may also damage the reputation of the Group and further lead to an adverse effect on the business and financial conditions of the Group. With the Group choosing to be a developer rather than a construction company, it faces additional risks of reduced control and timing of the projects, which might be impacted by possible delays from subcontractors, or their non-performance. This could lead to an adverse effect on the Group's business, results of operations and financial condition.

Financial assistance rules

The Group companies have concluded several intra-group loan agreements. The applicable laws set forth limitations and restrictions on certain intra-group transactions, e.g. upstream loans. For example, Estonian law permits to provide an upstream loan to a parent company only if the provision thereof is not detrimental to the financial standing of the lending subsidiary and does not impair the interests of its creditors. A violation of such limitations and restrictions could result in the invalidity of respective loan agreement, which would mean that the lending subsidiary may immediately demand repayment of the amounts lent. This could adversely affect the business, results of operations and financial conditions of the Group.

Latvian law prohibits a direct or indirect parent company as a dominant undertaking to use its influence in order to induce a subsidiary as a dependent company concluding transactions disadvantageous to it without compensating incurred losses during the financial year or granting a subsidiary rights of claim

against a parent company. A subsidiary shall prepare a dependency report for each financial year indicating all the transactions of a subsidiary with a parent company or other Group companies, as well as the transactions concluded by a subsidiary in the interests of such companies or as a result of an inducement, indicating in particular the transactions, which are completely or partially disadvantageous or which involve a special risk for a dependent company or, which differ substantially from the entrepreneurial activities normally carried out. A direct or indirect parent company and its management, who have induced a subsidiary to enter into a transaction disadvantageous to it, shall be jointly liable for the incurred losses. The management board members of a subsidiary shall be jointly liable along with a parent company and its management for failure to indicate a disadvantageous transaction in a dependency report or failure to indicate in such report that losses have been caused to a subsidiary and that compensation for such has not in fact been made. In addition, failure to submit a required correct and true report to the authorities can give rise to an administrative fine placed upon the management board members of a subsidiary, since the obligation to submit reports is placed upon the management board of a company.

In Lithuania, certain restrictions apply to intra-group loans, i.e. interest in respect of such loans must be equivalent to an arm's length price and the loan amount may not exceed the company's equity more than at a ratio 4:1. If the loan exceeds the indicated ratio, interest charged on the part of the loan exceeding the relevant ratio may not be recorded as allowable deductions.

German law allows upstream loans by a German limited liability company to shareholders if the upstream loans do not violate the capital maintenance rules. Pursuant to such capital maintenance rules, upstream loans may not be granted to the extent that the funds are needed to maintain the company's registered share capital unless a domination or profit and loss pooling agreement within the meaning of Section 291 of the German Stock Companies Act (Aktengesetz) has been concluded or the company's claim for repayment of the loan is of full value and has been granted at arms' length terms. The shareholder of a German limited liability company also incurs a liability if he induces the company to take actions that may lead to the insolvency of the company.

Risks relating to the Group's industry

- Developments in the macroeconomic environment affect Group's business. Real estate development tends to follow the general developments in the macroeconomic environment. Interest rates, unemployment, inflation, private consumption, capital expenditure and other macroeconomic indicators have significant influence on real estate developments. Adverse developments increase pressure on real estate prices, rent rates and yields. Adverse developments in the environment might lead to reconsideration of some of the Group's development plans, negative pressure on prices and rents of the Group's properties or other changes in relation to the Group's properties that might have a material adverse effect on the Group's business, results of operations, financial condition and profitability.
- Cyclical nature of the real estate sector affects Group's business
- Illiquidity of real estate. Most of the investments that the Group has made in its real estate portfolio are relatively illiquid and sales of those properties might be time consuming. If the Group's liquidity is adversely affected, the Group might not be in position to liquidate its investments promptly and/or on favourable terms and conditions.
- Competition - the Group is operating in a competitive environment with high number of other companies engaged in the real estate development in the Baltic States. Additional competitors with better access to financing may enter the Baltic real estate markets. Potential over-supply in the Baltic real estate markets may result in the decrease of average sales price and lease payments and therefore adversely affect the business and financial conditions of the Group.
- Profitability of Group's future developments and new acquisitions can be significantly impacted by increase of renovation and construction costs if competitors will pursue their developments. Additionally, if competitors will commence intended and announced projects the competition for tenants and marketing related costs will also increase.
- Changes in customer preferences - real estate sub-markets where the Group is operating in (residential housing market, retail property market, hotel market) are subject to changing customer trends, demands and preferences, which may further vary, depending on economic factors, as well as customer preferences for the style of developments. Such risks and potential changes in customer preferences are continuously assessed by the Group at different phases of a project. In case changes in customer preferences or other potential threats to the profitability of a project are found, adjustments are made to the project outline to the extent possible in respective phase of the project, in order to meet the new market expectations. This however does not assure that such changes will always be recognised and adaptations to existing or planned developments will be made in timely fashion to suit such changes in customer preferences. Should customer preferences cease to favour the Group's developments, it could have an adverse effect on the business, results of operations and financial condition of the Group.
- The Group is exposed to the credit risks of its customers and suppliers – the Group's financial performance and position are dependent, to a certain extent, on the creditworthiness of its customers and suppliers. If there are any unforeseen circumstances affecting the Group's customers' and/or suppliers' ability or willingness to pay, the Group may experience payment delays or non-payment. Each of these factors may have a material adverse impact on the Group's operations, prospects and financial results.

Political, economic and legal risks

- Risks relating to doing business in the Baltic States
- The rights of shareholders of Estonian companies may differ from the rights of the shareholders of companies organised in other jurisdictions
- Judgments of foreign courts against the Company and the Group may be more difficult to enforce than if the Company and its management were located in the respective foreign jurisdiction

		<ul style="list-style-type: none"> • Risks related to tax regime - any changes in the Estonian, Latvian, Lithuanian or German tax regime may have a material adverse effect on the Group's business, results of operations and financial condition. • Increased cost of complying with laws, government regulations and policies • Eurozone risk • Interest rate risk
D.3	Key risks that are specific to the Shares	<p>Liquidity</p> <p>The Regulated Market is substantially less liquid and more volatile than certain more established markets such as those in other countries with more highly developed securities markets. The relatively small market capitalization and low liquidity of the Regulated Market may impair the ability of investors to sell the Shares on the Regulated Market, which could increase the volatility of the price of the Shares.</p> <p>Prices on the Regulated Market may also be affected by external factors, such as the performance of world markets generally, other emerging markets, or the imposition of or changes in trading or capital gains taxes.</p> <p>The Shares may not be a suitable investment for all investors</p> <p>Each potential investor in the Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:</p> <ul style="list-style-type: none"> – have sufficient knowledge and experience to make a meaningful evaluation of the Shares, the merits and risks of investing in the Shares and the information in this Prospectus; – have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Shares and the impact the Shares will have on its overall investment portfolio; – have sufficient financial resources and liquidity to bear all of the risks of an investment in the Shares; – thoroughly understand the term sheet for the Shares; and – 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. <p>The market price of the shares may be volatile</p> <p>The market price of the shares of the Company could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of shares, as well as other factors, some of which are described herein. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Company's shares without regard to the Group's operating results, financial position or prospects. During given time periods, it may be difficult or impossible to sell the shares (at all or at reasonable terms) due to, e.g., severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.</p> <p>The Offering may be suspended or cancelled</p> <p>There may be various circumstances, on which the Company has no or very limited influence, that may affect the Offering. Therefore, the Company may be entitled to suspend or cancel the Offering, in case such circumstances would have disadvantageous impact on the results of the Offering. Please also read Section 25.2 (Offer Period).</p> <p>In light of the above, there is a risk that the investors may not be able to subscribe for the Shares. Furthermore, in such case payments made by investors during the Offering, may be returned without any compensation or interest.</p> <p>The trading in Shares on the Regulated Market may be suspended or terminated</p> <p>If the Company will fail to comply with certain requirements or fulfil certain obligations arising from the laws of Estonia or the rules adopted by Nasdaq Tallinn and applicable to the Regulated Market (the "Nasdaq Tallinn Rules"), the trading in Shares on the Regulated Market may be suspended or terminated. Further, the Company may apply for the suspension or termination of trading in Shares on the Regulated Market. There is no guarantee that the trading in Shares will never be suspended or terminated. This could decrease the liquidity of the Shares and affect the ability to sell the Shares at a satisfactory price by the Investors. Although it is the Company's intention to make all endeavours in order to comply with all applicable regulations to avoid suspension or termination of trading in Shares on the Regulated Market, future suspensions or termination cannot be fully excluded. Further, the Company may apply for the suspension or termination of trading in shares on the Regulated Market. The Share price may be adversely affected by any suspension or termination of trading in the Shares on the Regulated Market.</p> <p>The Company may not pay dividends</p> <p>The Company may not be able to pay dividends in the future. The declaration and payment by the Company of any future dividends and the amount thereof will depend inter alia on the Company's financial conditions, results of operations and availability of funds that can be paid as dividends. The payment and the amount of any dividend will be subject to the discretion of the General Meeting of Shareholders of the Company and will depend on available cash balances, anticipated cash needs, results of operations and financial condition of the Group and any financing agreement restrictions binding the Company as well as other relevant factors.</p> <p>The shareholders may not be able to exercise preferential right to subscribe for new Shares and may face dilution as a result</p> <p>Pursuant to the Estonian Commercial Code, shareholders of a company have generally the preferential right to subscribe for new shares in proportion to their existing shareholding. However, such preferential right can be barred by a resolution of the General Meeting of Shareholders by a majority of 3/4 of the votes represented at such General Meeting of Shareholders. As a result of an issuance of additional</p>

shares with exclusion of preferential right to subscribe for new Shares, the shareholding and voting rights in the Company and the earnings per Share may be diluted.

In addition, if the above-referred pre-emptive rights are not barred, shareholders of certain jurisdictions, e.g. the United States, may not be able to exercise preferential right to subscribe for new Shares unless certain actions are taken in those jurisdictions or an exemption is available therefrom. The Company is unlikely to take the above-referred actions and exemptions therefrom may not be available for certain shareholders.

If a shareholder is unable to exercise preferential right to subscribe for new Shares, such shareholder's shareholding may be diluted as a result.

Holding of Shares in a nominee account

Shares may be held in a nominee account. Pursuant to the Estonian law, any Shares held in a nominee account shall be considered as the Shares legally owned by the owner of the nominee account. This could result for the investors holding Shares in a nominee account in deprivation of certain rights or privileges as compared to the investors, who hold Shares in their own securities' account. This is in particular the case when changes are being made to the share capital of the Company or the Shares (e.g. while conducting reverse split of Shares or providing pre-emptive right to the shareholders while issuing new Shares), where the Company will treat all Shares held in a nominee account as held by one investor. Notwithstanding the above, the voting rights and rights to dividend and to other distributions attached to the Shares held in nominee accounts and ordinary securities' accounts are the same.

Limited analyst cover

The price and the Shares are partly influenced by analyst cover. If one or many analysts lower their ratings on Shares, it may result in lower price and liquidity of Shares. If one or many analysts end their coverage of Shares, it may result in smaller attention to the Company by investors, which again may bring along lower price and liquidity of Shares. There cannot be any assurance, which kind of analyst coverage the Company receives in the future.

The transferability of Shares may be restricted by laws

The Shares have not been registered in the United States under the Securities Act or under any other applicable securities laws or any other jurisdiction. The transfer of Shares may be subject to restrictions set forth in such laws. The Company does not plan to apply for admission to trading of Shares on any regulated market other than the Regulated Market or otherwise create a public market in any jurisdiction. The Shares constitute "restricted securities" as defined in Rule 144(a)(3) under the Securities Act and are not freely tradable in the United States. The free transferability of the Shares may also be subject to the requirements from the laws of other jurisdictions.

Turmoil in emerging markets could cause the value of the Shares to suffer

Financial or other turmoil in emerging markets has in the recent past adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from future financial turmoil, or other factors, such as political, that may arise in other emerging markets or otherwise, will not adversely affect the value of the Shares even if the Estonian economy remains relatively stable.

Tax treatment for investors in an Estonian company may vary depending on tax residence of the investors

The Company is a company established and existing under the laws of Estonia and as such the Estonian tax regime applies to distribution of profit and other payments from the Company to its shareholders. The taxation of incomes from such payments as well as other incomes, from the disposal of shares, may vary depending on tax residence of particular investors as well as on provision of double tax treaties with Estonia in force. Provisions applying to particular investors may be unfavourable or may change adversely.

The Company's possible status as a passive foreign investment company (the "PFIC") for U.S. federal income tax purposes must be determined annually and therefore may be subject to change. The Company has not undertaken to make the analysis on an annual basis as to whether it is a PFIC. Therefore, U. S. investors should consider that they may have to make such an analysis on an annual basis. If the Company were to be a PFIC in any year materially adverse tax consequences could result for each U.S. holder of Shares (i.e. each beneficial owner of Shares that is (i) a citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation, or other entity treated as a corporation, created or organized under the laws of the United States of any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its sources or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust)).

Each investor may be subject to taxation outside Estonia and should therefore consult with its own tax adviser. There can be no assurance that any activities, which the Group may conduct at any time in the future, would result in the investor becoming subject to any further taxes.

The Estonian legal persons do not pay corporate income tax on capital gains received from the sale or exchange of Shares until distribution. As a general rule, income tax is not charged on gains realized also by non-residents (whether legal persons or individuals). However, Estonian income tax is charged on the capital gain realized from the sale or exchange of Shares of a "real estate company" if the non-resident's holding exceeds 10%. A "real estate company" for these purposes is a company, contractual investment fund or other pool of assets of whose property, at the time of the transfer or during a period within 2 years before transfer, more than 50% was directly or indirectly made up of immovable properties or structures as movables located in Estonia. Therefore, should the Company be considered as a "real estate company", that would bring along the requirement to pay Estonian income tax on the capital gain realized from the sale or exchange of Shares by a non-resident, whose holding exceeded 10% of the share capital of the Company prior to such sale or exchange.

Limitations on enforcing judgments against the Company

Foreign judgements against the Company could be difficult to enforce.

		<p>The Company is incorporated in Estonia. The recognition and enforcement of the judgments and other execution documents of member states of the European Union is subject to the restrictions and limitations set forth in Regulation (EU) 1215/2012 or Regulation (EC) No 805/2004 of the European Parliament and of the Council.</p> <p>The recognition and enforcement of the judgments and other execution documents of any other foreign country is subject to the restrictions and limitations set forth in the Estonian Code of Civil Procedure. A judgment of any such foreign countries is not recognised in Estonia inter alia if that judgement is (a) clearly contrary to the essential principles of Estonian law (public order), (b) the decision is in conflict with an earlier decision made in Estonia in the same matter between the same parties or if an action between the same parties has been filed with an Estonian court; (c) in conflict with a decision of a foreign court in the same matter between the same parties which has been earlier recognised or enforced in Estonia; (d) in conflict with a decision made in a foreign state in the same matter between the same parties which has not been recognised in Estonia, provided that the earlier court decision of the foreign state is subject to recognition or enforcement in Estonia. Such judgement is not recognised in Estonia also in case the defendant was unable to reasonably defend the rights thereof or the court which made the decision could not make the decision in compliance with the provisions of Estonian law regulating international jurisdiction.</p>
Section E – Offer		
<i>Element</i>	<i>Title</i>	<i>Disclosure</i>
E.1	Total net proceeds. Estimate of total expenses of the Admission (including estimated expenses charged to the investor)	The Company plans to raise EUR 10.8 million to EUR 13.8 million from the Offering if all Shares will be subscribed for (and the Offer Price will be in the Offer Price Range, i.e. EUR 1.80 to EUR 2.30 per Share). The estimated total expenses of the Offering and Admission amount to approximately EUR 480 thousand to EUR 600 thousand. Thus, the total net proceeds from the issuance of the Shares is expected to amount to approximately EUR 10.3 million to EUR 13.2 million.
E.2a	Reasons for the Offering / Use of proceeds / Estimated net amount of proceeds	<p>The Prospectus has been prepared solely for making the Offering and for the Admission.</p> <p>The Company plans to use the net proceeds received from the Offering for: (1) financing the Group's existing real estate development activities (please see section 6.2) and (2) general corporate purposes (i.e. for strengthening the working capital of the Company).</p> <p>The Company has not made any firm determination regarding the allocation of the proceeds between the real estate development activities and general corporate purposes. As at the date of the prospectus, the Company contemplates using the proceeds as follows:</p> <ul style="list-style-type: none"> • 50 – 100% for financing the Group's existing real estate development activities; • 0 – 50% for general corporate purposes. <p>The allocation between the existing development projects (i.e. T1 shopping centre, Ülemiste 5, Tondi Quarter, Kalaranna District, Tallinas Quarter, Kliversala District, Zvaigznes Quarter, Šaltīniņi Namai) has not been determined by the Company. The allocation will be made by the Company based on the progress of each project (e.g. obtaining necessary licenses, progress in construction and the ability to finance each project from other sources) and the real estate market conditions, including (a) the Group's ability to receive positive cash-flow from each development project that could be applied for the development of other projects, (b) the Group's ability to finance each project from other sources (e.g. by debt financing), (c) any changes in the market conditions affecting each development project etc.</p> <p>The total net proceeds from the issuance of the Shares is expected to amount to approximately EUR 10.3 million to EUR 13.2 million.</p>
E.3	Terms and conditions of the Offering	<p>The Company is offering up to 6,000,000 newly issued shares with the nominal value of EUR 0.2 each (the "Shares"). The Shares will be of the same class as all existing shares of the Company. The Offering is made to (a) the shareholders of the Company, who own any shares of the Company on 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date) pursuant to the date registered in the Securities Register (the "Existing Shareholders"), (b) natural and legal persons selected by the Supervisory Council of the Company to whom the Shares are offered for a total consideration of at least EUR 100,000 per person (except for the persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company) (the "Institutional Investors"), (c) the members of the Management Board and the Supervisory Council of the Company (the "Management") and (d) Estonian natural and legal persons other than Institutional Investors and Existing Shareholders (the "Estonian Retail Investors") (the Existing Shareholders, the Institutional Investors, the Management and the "Estonian Retail Investors" are the "Investors").</p> <p>The subscription period for the Shares will start on 20 September 2017 at 10:00 (Tallinn time) and end on 4 October 2017 at 16:00 (Tallinn time) (the "Offer Period"). The Management Board has the right to prolong the Offer Period for up to 15 days.</p> <p>The Offer Price payable for each Share will determined by the Supervisory Council and made public via the Regulated Market within three business days after the end of the Offer Period. The Offer Price will be in the range of EUR 1.80 to 2.30 (the "Offer Price Range").</p> <p>Each Investor may subscribe for any number of Shares (i.e. one to six million Shares) by submitting a written Subscription Undertaking. The Company also accepts Subscription Undertakings, which are signed with a digital signature.</p>

	<p>A Subscription Undertaking may be submitted by delivery to (a) the office of AS LHV Pank located at Tartu mnt 2, Tallinn 10145, Estonia or (b) in case of an Existing Shareholder or a member of the Management, via e-mail to prokapital@prokapital.ee</p> <p>Each Subscription Undertaking must be appended by (a) in case the Investor is a natural person, a copy of his or her valid identification document; (b) in case the Investor is a legal person, an extract from the relevant register, where that legal person has been registered; (c) in case the Subscription Undertaking has been signed on behalf of the Investor by a representative, a document (e.g. a power of attorney) proving the authority of the representative to sign the Subscription Undertaking on behalf of the respective Investor; and (d) in case the existing shares of the Company are held via a nominee account, a document issued by the owner of the respective nominee account confirming the identity of the person on whose behalf those shares are held on 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date).</p> <p>The documents referred to above must be sent or delivered to (a) the office of AS LHV Pank located at Tartu mnt 2, Tallinn 10145, Estonia, or (b) if the Subscription Undertaking has been submitted via e-mail, to the office of AS Pro Kapital Grupp located at Sõjakooli 11, 11316 Tallinn. Each document issued by a foreign country's official must be either legalized or authenticated with a document certificate apostille and translated into English.</p> <p>Each Subscription undertaking must set out the following:</p> <ul style="list-style-type: none"> • the name of the Investor; • the personal identification or registration number of the Investor (or, in the absence thereof, his or her date of birth); • the number of Shares, which the Investor subscribes for; • the Subscription Price (the highest price per Share, which the Investor is willing to pay for each Share subscribed by it; i.e. EUR 1.80, EUR 1.90, EUR 2.00, EUR 2.10, EUR 2.20 or EUR 2.30); • the details of the securities account opened in the Securities Register to which the issued Shares must be transferred, including (a) the name of the owner of the securities account and (b) the number of the securities account; • the number (IBAN) of the bank account from which the Subscription Price is paid; • a representation by the Investor that: (a) the Investor is aware of all information set out in the Prospectus and accepts all terms and conditions of the Offering and agrees with the Company on the application of them; (b) the Offering to the Investor and the issuance of Shares pursuant to the Subscription Undertaking does not require any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company; (c) the Investor acknowledges and agrees that by submitting the Subscription Undertaking, the Investor undertakes to acquire the Shares, which are subscribed for pursuant to the Subscription Undertaking and allocated by the Company on the basis thereof; (d) the Investor acknowledges that if the Subscription Price is lower than the Offer Price determined by the Supervisory Council, no Shares will be issued pursuant to the Subscription Undertaking; (e) all information set out in the Subscription Undertaking and its appendixes is correct, complete and accurate in all respects; (f) the Investor accepts that if the Investor has not duly subscribed for the respective Shares in accordance with all requirements set out in the Prospectus (including if the Subscription Undertaking does not comply with all requirements or the Subscription Price is delivered or the Subscription Price is paid after the end of the relevant deadline etc.) the Company may (but does not have any obligation to) issue Shares pursuant to the Subscription Undertaking and the Investor is obliged to acquire such Shares despite of the incompliance, (g) the Investor accepts that the final Offer Price payable for each Share will be determined by the Supervisory Council after the end of the Offer Period pursuant to Clause 24.6.3 of the Prospectus and Company may issue 1 to 6,000,000 Shares to the Investors. <p>In addition, each Existing Shareholder, who has a pre-emptive right to acquire Shares, may (a) also exercise the pre-emptive right pursuant to the procedure set forth in applicable laws and (b) indicate in their Subscription Undertaking the number of Shares they wish to subscribe for in consideration of each potential Offer Price within the Offer Price Range (i.e. the number of Shares they wish to subscribe for if the Offer Price is EUR 1.80 per Share, EUR 1.90 per Share, EUR 2.00 per Share, EUR 2.10 per Share, EUR 2.20 per Share and EUR 2.30 per Share).</p> <p>If an Investor submits several Subscription Undertakings, the Company shall treat all of them as one Subscription Undertaking submitted to subscribe for the aggregate number of Shares indicated therein. An Investor may amend or cancel a Subscription Undertaking until the end of the Offer Period on 4 October 2017. Furthermore, if the Company publishes a supplement to the prospectus, the Investors who have submitted Subscription Undertakings before the announcement of the supplement may cancel their Subscription Undertakings within 2 (two) business days after the announcement regarding the supplement. Investors who have not cancelled their Subscription Undertakings within the above-referred period shall be deemed to have accepted all changes information set out in and amendments made by the supplement.</p> <p>To cancel or amend a Subscription Undertaking, the Investor must send a notice specifying (a) the Subscription Undertaking, which the Investor wants to amend or cancel and (b) in case of an amendment, the respective amendments. The notice must be delivered by following the procedure, which is applicable to the submission of the Subscription Undertakings.</p> <p>An Investor, who has delivered a Subscription Undertaking, must also pay the Subscription Price for the Shares pursuant to the Subscription Undertaking. The payment must be made as follows:</p> <ul style="list-style-type: none"> • the transfer must be completed latest on the last day of the Offer Period; the payment must be made by transfer to the following bank account of the Company: EE727700771000914548 (AS LHV Pank Tartu mnt 2, 10145 Tallinn, BIC/SWIFT: LHVBE22); • the explanation of the transfer order must set out the name of the Existing Shareholder and the date of the Subscription Undertaking;
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		<ul style="list-style-type: none"> the amount, which must be paid to the Company shall be equal to the number of Shares indicated in the Subscription Undertaking multiplied by the Subscription Price indicated in the Subscription Undertaking. <p>The Company shall allocate the Shares to the Investors in the following tranches:</p> <ol style="list-style-type: none"> first, each Existing Shareholder has the right to acquire and will be allocated the number of Shares, which is proportional to the number of shares, which that Existing Shareholders owned at the time of fixing the list of Existing Shareholders (i.e. 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date) pursuant to the data entered in the Securities Register. The maximum number of Shares allocated to an Existing Shareholder in this tranche is calculated in accordance with the following formula and the result is rounded downwards to a whole number: $S_m = S_a \times s_e / s_a$. In this formula: (a) S_m refers to the maximum number of Shares, which the Existing Shareholder may acquire; (b) S_a refers to the number of all Shares (i.e. 6,000,000); (c) s_e refers to the number of shares, which the Existing Shareholder owned at the time of fixing the list of Existing Shareholders; and (d) s_a refers to the number of all shares of the Company before the issuance of the Shares (i.e. 54,271,722); second, one Share will be allocated to each Existing Shareholder if the whole number of Shares allocated to him or her in the first tranche was found by application of rounding (see above); third, the remaining Shares will be allocated to the Investors based on a resolution of the Supervisory Council to be adopted after the end of the Subscription Period (the allocation will be determined by the Supervisory Council in its absolute discretion). <p>If less than all Shares subscribed for are allocated to an Investor and if pursuant to the Subscription Undertaking the Investor applied to the transfer of issued Shares to several securities accounts, the Company may, in its discretion, choose to which of those securities account(s) the allocated Shares should be transferred upon their issuance. The allocation will be determined and made public by the Company via Nasdaq Tallinn on or about 6 October 2017.</p> <p>In the event the Offering is cancelled, the Investor cancels or amends the Subscription Undertaking, the Offer Price is lower than the Subscription Price paid by a n Investor or less Shares are allocated and issued to the Investor than he or she subscribed for, the surplus amount (i.e. the amount of Subscription Price deducted by (i) the amount of Offer Price for the Shares issued to him or her and (ii) the reasonable costs and expenses incurred in connection with the payment of the surplus) will be returned to the Investor in accordance with the following terms and conditions: (a) the respective payment will be made to the same bank account from which the Subscription Price was paid; (b) the payment will be made within 5 business days after the end of the Offer Period; (c) no interest or any other similar amounts will accrue and be payable to the Investor for the time when the respective amount was held by the Company.</p>
E.4	Interests material to the Offering / Conflicting interests	The Company is unaware of any conflicts of interests related to the Offering. Mr. Paolo Michelozzi plans to subscribe for at least 25,000 Shares for any Offer Price within the Offer Price Range. The Company is not aware whether any major Existing Shareholder, or any other member of the Management Board or Supervisory Council intends to subscribe for any Shares.
E.5	Name of the person or entity offering to sell the security. Lock-up agreements: parties involved; period of lock-up	Not applicable.
E.6	Immediate dilution. Amount and percentage of immediate dilution if Existing Shareholder not Subscribing during Offering	<p>The issue of Shares comprises of approximately 11 per cent of the Company's authorised share capital prior to its increase if all Shares will be issued. Each Existing Shareholder has the right to acquire the number of Shares, which is proportional to the number of shares, which that Existing Shareholders owned at the time of fixing the list of Existing Shareholders, i.e. on 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date), pursuant to the data entered in the Securities Register and thus avoid dilution.</p> <p>If none of the Existing Shareholders participate in the Offering and all Shares will be issued to other Investors, the dilution would amount to approximately 9.95 per cent, i.e. the Company's shareholders that existed before the increase of the share capital and issuance of Shares would own approximately 90.05 per cent of the Company's shares after the issue.</p>
E.7	Estimated Expenses charged to the Investor by the Company	There are no direct expenses charged to the Investor by the Company when subscribing for the Shares, i.e. no product charges, no entry charges, no management charges, and no exit charges apply.

3. RISK FACTORS

Investment in the Shares involves a high degree of risk. Any of the risks highlighted below could have a material adverse effect on the Group's business, financial condition and result of operations, in which case the trading price of the Shares could decline, resulting in the loss of all or part of their investment in the Shares. Any person who is in any doubt regarding the actions it should take in connection with the Shares should consult a professional adviser who specialises in advising on the acquisition of shares and other financial instruments.

The risk factors described below are not intended to be exhaustive and are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not currently known to the Company or that the Company currently considers immaterial may also have the effect set forth above.

3.1 Risks relating to the Group's business

The Group is exposed to various risks due to long duration of real estate development projects

The core business of the Group is real estate development. The process of real estate development usually lasts several years. As a result, the Group's business is exposed to various risks. The Group's business, results of operations, financial condition and profitability of the Group may be adversely affected inter alia by any of the following:

- macroeconomic environment, market conditions and other similar circumstances, which are not under the control of the Group may change over the time causing the development costs exceeding and/or the income being lower than expected or estimated;
- the Group may not be able to duly perform its obligations (e.g. obligations under financing and other agreements) due to changed circumstances;
- the laws and regulations applicable to the Group may be amended;
- the detailed plan, intended use of the property or other conditions vital for the development activities may be changed over the time and the Group may not be able to sufficiently influence the outcome of such changes.

The Group may not be able to acquire real estate for the development on acceptable terms

The Group owns significant amount of properties that could be developed by it. However, if the Group needs to acquire additional real estate for the development, it needs to acquire such real estate on a timely basis and for acceptable terms. The Group may not be able to successfully acquire such properties on acceptable terms due to various reasons (including inter alia increased competition in the relevant real estate sub-markets etc.). Failure to acquire real estate could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may not be able to obtain suitable detailed plan, necessary permits and other approvals

In order to develop real estate, detailed planning 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. Valid building permit must have also been issued in order to start constructing. The Group may also need to acquire certain other permits and authorisations in order to start constructing buildings and other structures on the land units. In addition, the Group may need permits for demolition of the existing constructions located on the acquired land units. If the demolition is not permitted or its end materials (e.g. containing hazardous substances) need specific handling, it will require additional monetary resources from the Group.

The process for obtaining suitable detailed plan, building permit and other necessary permits and authorisations is subject to detailed rules and procedures set forth in laws and may take several years (the length of such process cannot be precisely predetermined and may become significantly longer than expected). In addition, significant costs relate to such process, which the Group must bear while applying for the detailed plan or necessary permits or authorisations. Even if the Group applies for the detailed plan or other permits or authorisations necessary for its development activities, it may not be able to obtain detailed plan or permits or authorisations that are suitable for planned developments of the Group. Further, the Group must bear such costs irrespective of the outcome of respective proceedings.

In order to develop planned properties, the Group will also need to obtain several building permits and other authorisations.

If any such plan, authorisation or permit is not obtained on terms and conditions suitable for the planned development activities or if any such plan, authorisation or permit has any defects or is amended, it could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group may not be able to execute the disposals of real estate at acceptable prices

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. The value and price of the disposed properties are influenced by several factors, such as general economic conditions, interest rates, inflation expectations, investor yield requirements, and competitive dynamics. It may also be difficult to sell properties that the markets categorize as non-prime properties. There can be no guarantee that the Group will in the future be able to execute disposals at acceptable prices or at prices that are higher than the combined costs related to the development of the properties. Delayed disposal of properties or disposals of the properties at a loss could slow the growth of the Group and this may have a material adverse effect on the Group's business, results of operations, and financial condition.

Properties of the Group may be expropriated in the public interests

In case the land that the Group has acquired is needed for public purposes (e.g. for road construction), the state or the municipality may acquire the land in question from the Group for compensation that may not be lower than the usual value of the land.

However, such compensation may not be sufficient to cover all the damage caused to the Group. Expropriation of any of the Group's properties could have a material adverse effect on the Group's business, results of operations or financial condition.

Dependency on small number of large projects increases Group's exposure to risks of each project

The Group plans to develop a rather small number of large projects. The Group's planned development projects will be mostly carried out in Tallinn (Estonia), Riga (Latvia) or Vilnius (Lithuania). Concentration on small number of projects could increase the volatility of the Group's results.

Further, such concentration also increases Group's exposure to risks relating to (a) each of the Group's development projects; or (b) the property markets in Tallinn, Riga and Vilnius. Failure to complete any of Group's planned development projects could have a material adverse effect on the Group's business, results of operations or financial condition.

Long duration of projects may result in inaccuracy of the forecasts

The Group develops its properties on the basis of business plans elaborated for 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, that could have a material adverse effect on Group's business, results of operations, financial condition and profitability.

The fair value of investment properties is subject to uncertainties and the value of Group's properties may decrease in the future

Changes in the fair value of investment properties constitute one of the Group's short-term risks. The fair value of investment properties is 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.

The most significant macroeconomic factors affecting the general price levels of properties are interest rates, GDP growth, consumer spending, and inflation. In addition, city planning and building projects, as well as changes in the competitive dynamics, may influence the value of properties.

The Group uses the fair values model in the valuation of its investment properties, whereupon fair value changes (i.e. fair value gains and losses) of investment properties are recognised in the statement of comprehensive income. The Group's properties have been valued in an appraisal report by Colliers

International with investment value of EUR 236 million as per December 2016. The investment values of such properties have been appraised based on techniques and methodologies, which differ from the ones used in the financial statements of the Company. Therefore, the values of such properties as booked in the financial Statements of the Company significantly differ from their investment value as indicated in the appraisal report. Investment value has been appraised by Colliers International on the basis of various assumptions. Any change in the actual circumstances as compared to the used assumptions could result in inaccuracy of the appraised investment value of the Group's properties. Relevant property values may change over the time. Therefore, any valuation at a later date could result in change in the investment value as compared to the investment value reflected in that appraisal report.

The changes in the fair value of the investment properties impact the statement of comprehensive income and statement of financial position of the Company for the financial year but they do not have a direct effect on the cash flow statement. Major fair value losses of the investment properties could have a material adverse effect on the Company's business, results of operations, and financial position.

The Group may not have sufficient insurance cover or specific reserves for indemnifying damages

The Group has obtained insurance against various damages and losses. However, insurance coverage is subject to limits and limitations and various risks (e.g. certain natural disasters and terrorist acts) are not covered by insurance for various reasons (e.g. because such risks are uninsurable or the cost of insurance is, according to Management Board's belief, too high when compared to risk). The Company believes that its insurance is in line with standard industry practice. However, such insurance may not be sufficient to fully compensate the Group against its all losses. For example, if the insurance is adequate to cover Group's direct losses, the Group could be adversely affected by loss of earnings caused by or relating to its properties. The occurrence of any of the above referred harmful effects or insufficient insurance coverage could result in loss of invested funds and future income and creation of additional obligations and liability for the Group, and may have a material adverse effect on the business, results of operations, profitability and financial conditions of the Group.

The Group does not maintain separate funds nor does it set aside reserves for the above-referred types of events.

The Group relies on third party building contractors

The Group relies on third party building contractors. If the Group cannot enter into design and construction agreements with third party building contractors at acceptable terms or cannot agree on reasonable amendments to concluded construction and design agreements or the building contractors breach such agreements or its obligations under mandatory requirements of law, including requirements which are pre-condition for validity of construction permit (such as – continuous constructor's liability insurance policy during all term of validity of construction permit), for any reason whatsoever, the Group may be required to incur additional costs or suffer losses or lose planned income. Any such breach may also result in delay in the completion of relevant development project. Any such event could have an adverse effect on Group's business, results of operations, financial condition and profitability.

Furthermore, pursuant to Lithuanian law, in case of a bankruptcy or liquidation of the contractor, the developer of the real estate project would be held liable against purchasers of the real estate for any defects that emerge during guarantee period in case of default of the contractor. Guarantee period for the buildings under the applicable Lithuanian laws is 5 years for open works (e.g. visible works, such as roof, windows, doors, facade, walls) and 10 years for hidden works (i.e. works, which require specific assessment, such as engineering networks, insulation, etc.) and a certain period of time (usually between 1 and 5 years) specified by the producer for any installed items (heating, electricity systems, etc.). Thus, in case of bankruptcy or liquidation of any Lithuanian building constructors of the Group Companies, they may be held liable as indicated above, which may have a material adverse effect on the results of operations and financial condition of the Group.

The Group will not be able to develop its projects according to its plans if it fails to raise additional capital or service outstanding indebtedness

The Group operates in capital intense industry and needs substantial working capital to support acquisition and development of properties. Therefore, if internally generated cash flow or cash flow received from sales of developed real estate is different than anticipated or money available from either

local or global lenders is under liquidity pressures, it could have a material adverse effect on the business, results of operations and financial conditions of the Group.

The Group's debt to total assets was 43.6 percent as at 31 December 2016. The projects need to be postponed if the Group fails to raise necessary capital (e.g. if there is limited funding available on commercially attractive terms). Unless the Group manages to raise necessary capital, it will not be able to conduct its business as planned. The Group's ability to raise additional capital and the terms and conditions thereof as well as the Group's ability to make payments on its indebtedness are dependable on various factors, including factors that the Group cannot control (e.g. general economic and market conditions, financial, and business factors, etc.). Existing indebtedness and need to raise additional capital also diminish the Group's flexibility in planning its business and implementing its projects and place the Group at a competitive disadvantage relative to its competitors with less indebtedness.

If the Group fails in servicing, refinancing or restructuring its indebtedness, it may need to sell its assets or raise additional capital. The Group may not be able to do that at terms that are favourable or acceptable to the Group. If the Group fails to raise necessary additional capital, it will not manage to implement its development projects pursuant to its plans. If the Group will fail to service, refinance or restructure its indebtedness or raise additional capital (either debt or equity), this could have a material adverse effect on the business, results of operations, profitability and financial condition of the Group.

The Group must comply with various covenants arising from financing agreements and financial instruments. Any failure to do that may result in Group losing its rights to its assets

The Group has raised external debt financing by borrowing from credit institutions pursuant to several financing agreements and by issue of bonds and convertible bonds (the "financing agreements"). Such financing agreements set out various negative and positive covenants and requirements to obtain the creditor's consent for certain actions, including inter alia for further financing, providing security or creating charges over its assets, concluding lease, rental or other agreements with regard to encumbered assets granting rights to third persons, changes in the Group's corporate structure, merging with another company, changes in the share capital of Group companies, changes in Group companies' main areas of activity or in competence of the Management Board, making investments to other enterprises or transfer of business or part thereof. Some financing agreements of the Group companies also set forth the obligation of the relevant Group company to retain certain financial levels and ratios throughout the term of such financing agreements.

The financing agreements of the Group prescribe that if any of the positive or negative covenants are breached or if the consent of the lender is not obtained prior to a transaction as required, such violation constitutes a material breach and the creditor may accelerate payments of the Group Companies as well as use other remedies set out in the agreement or the law (for example, contractual penalty and/or compensation for damage). The financing agreements concluded by the Group companies contain various additional events of default, including cross-default provisions, whereby the Group is exposed to default risks based on contract performance under other agreements with respective lender or with other creditors. In addition, pursuant to the financing agreements, it is an event of default if the borrower incurs significant additional financial obligations or if there is a change of control in the borrower without the prior consent of the lender.

In addition, the Group's financing agreements require the Group companies to pledge their assets (including immovable property, shares of the subsidiaries and other assets). Most of the Group's immovable property has been encumbered with mortgages for the benefit of relevant lenders. Some pledges and mortgages secure also all existing and potential claims of the lender against other Group companies. Failure to comply with financing agreements could result in the Group losing its rights to or ownership in the pledged assets or the Group being forced to sell such assets on unfavourable terms (e.g. for lower than market value and debt residual, thus still maintaining partial liabilities to the financiers for particular property).

Furthermore, certain Group companies (including the Company) have issued guarantee letters whereby they have guaranteed the performance of the Group's obligations arising from the financing agreements. This allows the financial institution to demand performance under the financing agreement from the issuer of such guarantee (e.g. the Company), if the borrower fails to perform its duties under the financing agreement. As a result, the Group as a whole is exposed to risks related to failure by its subsidiary to perform its obligations arising from financing agreements.

Moreover, certain loan agreements concluded by the Group companies provide that all loans issued to the respective company by its shareholder and its related parties are subordinated to credit issued by

the bank. According to the indicated agreements as well as according to the respective subordination agreements, certain Group companies may not repay any part of the loan or interests to other Group companies prior to repayment of the credit to which the intra-group loans have been subordinated. Consequently, these provisions limit the flow of funds among the Group companies, which may have a material adverse effect on the financial condition of Group companies or on the Group as a whole.

As of the date of this Prospectus financial institutions have not made any demands based on possible breaches of covenants. The Management Board believes that none of the Group companies is breaching its obligations arising from the loan agreements.

Any failure to comply with financing agreements or any demand for early repayment made by a lender or any failure to receive permission by or waiver from any lender in relation to any action by the Group could have a material adverse effect on the Group's business, results of operations, profitability and financial condition.

The Company is dependent on cash flows from its subsidiaries

The Company is a holding company, which conducts its business through its subsidiaries. The Company holds 100% interest in five main subsidiaries, which in return own 100% in 11 companies – five in Latvia, one in Germany, two in Lithuania and three in Estonia, as well as 93% in an additional subsidiary in Estonia. Additionally, one Group's Estonian subsidiary, AS Tondi Kvartal, holds 100% interest in an additional subsidiary (OÜ Marsi Elu) and one Group's Lithuanian subsidiary, PK Invest UAB, holds 100% interest in an additional subsidiary (Pro Kapital Bonum UAB). The Company itself does not own significant assets other than the investment into its subsidiaries. Therefore, in order to be able to pay dividends to its shareholders and meet its own obligations, the Company is dependent on the receipt of dividends from its subsidiaries.

Each of the Estonian, Latvian, Lithuanian and German laws set out capital maintenance and other relevant rules, which limit the Group companies' ability to pay dividends or make other distributions. According to Estonian law, a company may only pay dividends or make other distributions, if its current profits and retained earnings are sufficient for such distribution.

According to Latvian law, dividends may be declared more than once per financial year by a decision of the annual general meeting of the shareholders or extraordinary meeting of the shareholders on division of profit based on the proposal of the management board on the distribution of profit. If a company has retained earnings, shareholders may request the management board to convene an extraordinary meeting of the shareholders in order to adopt decision on the distribution of profit. In addition, provided the articles of association of a company allow interim dividends, dividends may be determined and calculated also from the profit acquired during the current accounting year. In such case a company may pay out as interim dividends not more than 85% of the profit earned in the period for which interim dividends are determined. Interim dividends can only be paid out no sooner than three months after the last resolution to pay dividends was adopted, and only if the company has no tax debt, no postponed tax payments, no installment plan to pay tax debts and has not had its advance tax payment reduced. Dividends may not be determined, calculated and paid out, if the net value of the own funds of a company at the time of the end of the accounting year fall below, or as a result of this payment would fall below the total amount of the share capital of a company.

According to Lithuanian law, dividends may be declared by a decision of the general meeting of shareholders and paid for the full financial year and for period, shorter than the financial year. Dividends paid for the full financial year shall be declared by a decision of the annual general meeting of shareholders based on the proposal of the management board on the distribution of profit. A decision to pay dividends for the financial year may not be adopted if the company has liabilities, which are overdue at the adoption of the decision regarding dividend payment, if the company's distributable result of the respective financial year is negative (i.e. losses were incurred), and if the equity capital of the company is below or as a result of the dividend payment would fall below the total amount of the registered capital and reserves formed in the company (the legal reserve, the revaluation reserve and the reserve for acquisition of own shares of the company). As indicated above, dividends may also be paid for the period shorter than a financial year. In this case, the shareholders holding not less than 1/3 of all votes shall request payment of dividends and an interim financial statement shall be prepared. Decision to pay dividends for the period shorter than a financial year may not be adopted if the company has liabilities, which are overdue at the adoption of the decision regarding dividend payment or the company, upon payment of dividend, will be not able to fulfil its financial obligations for the current financial year, or if the company suffers losses at the end of a respective accounting period.

According to German law, German limited liability companies may pay dividends and make other distributions to shareholders only if the payments do not violate the capital maintenance rules. Pursuant to such capital maintenance rules, payments to shareholders may not be made to the extent that the funds are needed to maintain the company's registered share capital unless a domination or profit and loss pooling agreement within the meaning of Section 291 of the German Stock Companies Act (Aktiengesetz) has been concluded.

Therefore, the Company's financial position is dependent on the subsidiaries' ability to pay dividends. Furthermore, the ability to pay dividends is also restricted by contractual covenants binding on the Group companies.

The Group is exposed to the credit risk of its customers and other counterparties

The Group is exposed to the credit risk. The Group is continuously monitoring the payment behaviour of its customers and other counterparties. Moreover, in addition to contractual monetary obligations, the counterparties may not be able to compensate the Group for the damages caused as a result of breaches of their non-monetary obligations. Such defaults by counterparties could inter alia result in the Group companies defaulting under their other contracts and being obliged to pay compensation to their other counterparties without being respectively compensated by the counterparties that initially defaulted, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Risk related to lease agreements

The Group's lease agreements are divided into two categories: fixed-term lease agreements and lease agreements entered into for an unspecified term. The Group seeks to use both types of agreements, depending on the market situation and the properties in question.

Lease agreements entered into for an unspecified term involve nevertheless a risk that a large number of such agreements may be terminated within a short period of time. The Group aims at renewing the fixed term lease agreements flexibly in cooperation with its tenants. There are, however, no guarantees that the Group will be successful in this. In order to prevent tenants from terminating the lease agreements, the Group may also be forced to agree on the reduction of rent.

Contractual risks and legal proceedings

A dispute may arise between the Group and its contractual counterparties on the interpretation or the validity of a contract or fulfilling of contractual obligations. Any of this can lead to arbitration or litigation with an unfavourable outcome for the Group. Among other things, any assets acquired or sold by the Group, including inter alia real estate, may have latent defects (e.g. pollution or latent defects in construction works etc.) which become apparent only after respective asset has been acquired or sold and this may lead to disputes between the Group and the contractual counterparty and the title to the Group's assets may be disputed as a result of defects therein or relevant contract. Application of provisional legal protection or measures for securing an action against the Group companies while a dispute may significantly impede the Group's business. Therefore, any of the above may also have an adverse effect on the financial condition and results of operations of the Group.

The Group is exposed to environmental liability

The Group's activities are and will continue to be 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. Furthermore, such laws are subject to possible future changes. Failure to comply with the laws and regulations and permits given thereunder and related contractual terms and conditions (including failure to adjust the Group's activities to the amended legal requirements) could result in substantial costs and liabilities for the Group. This could have a material adverse effect on the Group's business, results of operations and financial condition.

The land units, which have been or will be acquired by the Group, may subsequently be found to be polluted. Pursuant to environmental laws, a property owner is often held liable for the 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. In relation to this risk, please note that:

- when the Group has purchased land, it has not always required the seller to warrant that there is no pollution on the land. Therefore, upon the discovery of the pollution, the Group may not be entitled to claim for clean-up costs and damages from any third person;

- the Group has not carried out environmental investigations in respect of several of its land units. The historic background of some of such land units refers to possibility of pollution (e.g. (i) the territory of Tondi Quarter has been a part of Soviet army campus; (ii) 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) property of Kalaranna Residential Complex has historically been a fishing harbour and a market place). Furthermore, in Tondi Quarter a minor pollution was discovered during the construction process of a residential building. The total clean-up cost of the pollution was approximately EUR 60,000;
- should the Group fail to detect or remedy pollution, this may adversely affect the Group's ability to sell or lease property and expose the Group to claims from its customers or third parties for personal injury or property damage associated with exposure to pollution;
- upon sale of the property, the purchasers have required and are likely to require the Group to warrant that there is no pollution on the associated land; and
- amongst others, the risk related to counterparties' financial position as described above is also relevant in relation to environmental liability.

Each of the clean-up costs and costs relating to claims from Group's customers, counterparties or third parties relating to exposure to pollution of any polluted property could have a material adverse effect on the Group's financial condition and results of operations.

The Group is dependent on key personnel

The Group's business relies on the skills, diligence and performance of a relatively small number of key personnel. In order to succeed, the Group needs to have well-connected managers in each of its geographic markets with thorough and up to date knowledge of the local market. Currently the Group does not have share-linked incentive system. Even though the Group has agreed with most of key personnel regarding their non-competition obligation applicable for six months after the termination of their employment, any of these key persons may cease to work for the Group. Loss of services of Group's key personnel and failure to immediately find a replacement having at least similar qualities may adversely affect Group's results of operations.

The Group's reputation may be damaged

The Group's ability to attract purchasers of property, attract and retain tenants, raise the necessary financing for the development projects as well as retain personnel in its employment may suffer if the Group's reputation is damaged. Matters affecting the Group's reputation may include, among other things, the quality and safety of its premises and compliance with laws and regulations. Any damage to the Group's reputation due to, for example, including but not limited to the aforementioned matters, may have a material adverse effect on the business, results of operations and financial conditions of the Group.

The Group relies on its IT systems

The Group relies on several IT systems in its operations. The Group maintains and internally exchanges its information, including business secrets, by using its IT systems. In case of a significant interruption in the operations of Group's IT systems, the Group may not be able to continue its work during such interruption resulting in costs and losses for the Group. If an unauthorised person gains access to Group's IT systems and confidential information and business secrets of the Group, that could place the Group at a competitive disadvantage relative to its competitors and result in various claims against the Group from its customers and third persons. Any of the above could have a material adverse effect on the Group's business, results of operations and financial condition.

Potential tax liability

There is 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 have an adverse effect on the Group's business, results of operations and financial condition.

Transactions with related as well as unrelated parties may carry 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 or Lithuanian tax authorities in various cases, requalification of transactions and corresponding adjustment of tax results, such as prohibition to deduct input VAT or additional income tax charge, may have an adverse effect on the Group’s business, results of operations and financial condition.

Real estate developer’s liability

The Group companies as real estate developers may under Estonian, Latvian and Lithuanian laws be held liable towards their clients *inter alia* for construction defects (quality of works and materials) and legal defects (such as restrictions of use, third party rights, restrictions deriving from planning, etc.) of the properties sold.

Estonian law allows claims connected to the deficiencies in buildings to be made against the seller of a land unit under general rules of statute of limitations for an extended period of 5 years (the general limitation period for contractual claims is 3 years). The law provides for the possibility of agreeing upon a shorter claims period in a sales contract. In accordance with Latvian law, there are three different warranty periods for buildings depending on the category of a building. Warranty period of 2 years is a mandatory minimal warranty period for the first category of buildings (“simple buildings”, e.g. buildings with total area not exceeding 25m²). Buildings having five or more ground floors and at least one underground floor are classified as third category buildings and have a mandatory minimal warranty period of 5 years. Second category buildings are buildings that fall neither into first nor third category and have a mandatory warranty period of 3 years. Lithuanian law allows making claims related to the deficiencies in buildings against the contractor for the following periods: (i) 5 years for open works (e.g. visible works, such as roof, windows, doors, facade, walls), (ii) 10 years for hidden works (i.e. works, which require specific assessment, such as engineering networks, insulation, etc.) and (iii) a certain period of time (usually between 1 and 5 years) specified by the producer for any installed items (heating, electricity systems, etc.). However, in case of bankruptcy of Lithuanian contractors, such claims would be directed towards the real estate developer (please also read the risk factor “Dependence on building contractors”).

The Group seeks to cover its exposure for warranty claims mainly by requiring the main contractor of the project to obtain insurance cover against all construction risks for the whole duration of the project. Such insurance must be made for the benefit of the financier of respective project (the bank), respective Group company and, if relevant, other Group companies. However, having such insurance in place may prove to be insufficient. The contractors and subcontractors of the Group, to whom the warranty liability is passed, may lack of adequate financial means to fully indemnify the Group. Additionally, losses may arise if some risks are not adequately addressed in the insurance policies or indemnity arrangements of the Group. If the Group’s exposure to risks arising from design and construction liabilities cannot be effectively covered it could lead to substantial costs and potentially cause to substantial losses to the Group. Not to mention that defects in construction and design and the related liability of the Group may also damage the reputation of the Group and further lead to an adverse effect on the business and financial conditions of the Group. With the Group choosing to be a developer rather than a construction company, it faces additional risks of reduced control and timing of the projects, which might be impacted by possible delays from subcontractors, or their non-performance. This could lead to an adverse effect on the Group’s business, results of operations and financial condition.

Financial assistance rules

The Group companies have concluded several intra-group loan agreements. The applicable laws set forth limitations and restrictions on certain intra-group transactions, e.g. upstream loans. For example, Estonian law permits to provide an upstream loan to a parent company only if the provision thereof is not detrimental to the financial standing of the lending subsidiary and does not impair the interests of its creditors. A violation of such limitations and restrictions could result in the invalidity of respective loan agreement, which would mean that the lending subsidiary may immediately demand repayment of the amounts lent. This could adversely affect the business, results of operations and financial conditions of the Group.

Latvian law prohibits a direct or indirect parent company as a dominant undertaking to use its influence in order to induce a subsidiary as a dependent company concluding transactions disadvantageous to it without compensating incurred losses during the financial year or granting a subsidiary rights of claim against a parent company. A subsidiary shall prepare a dependency report for each financial year indicating all the transactions of a subsidiary with a parent company or other Group companies, as well as the transactions concluded by a subsidiary in the interests of such companies or as a result of an inducement, indicating in particular the transactions, which are completely or partially disadvantageous

or which involve a special risk for a dependent company or, which differ substantially from the entrepreneurial activities normally carried out. A direct or indirect parent company and its management, who have induced a subsidiary to enter into a transaction disadvantageous to it, shall be jointly liable for the incurred losses. The management board members of a subsidiary shall be jointly liable along with a parent company and its management for failure to indicate a disadvantageous transaction in a dependency report or failure to indicate in such report that losses have been caused to a subsidiary and that compensation for such has not in fact been made. In addition, failure to submit a required correct and true report to the authorities can give rise to an administrative fine placed upon the management board members of a subsidiary, since the obligation to submit reports is placed upon the management board of a company.

In Lithuania, certain restrictions apply to intra-group loans, i.e. interest in respect of such loans must be equivalent to an arm's length price and the loan amount may not exceed the company's equity more than at a ratio 4:1. If the loan exceeds the indicated ratio, interest charged on the part of the loan exceeding the relevant ratio may not be recorded as allowable deductions.

German law allows upstream loans by a German limited liability company to shareholders if the upstream loans do not violate the capital maintenance rules. Pursuant to such capital maintenance rules, upstream loans may not be granted to the extent that the funds are needed to maintain the company's registered share capital unless a domination or profit and loss pooling agreement within the meaning of Section 291 of the German Stock Companies Act (Aktiengesetz) has been concluded or the company's claim for repayment of the loan is of full value and has been granted at arms' length terms. The shareholder of a German limited liability company also incurs a liability if he induces the company to take actions that may lead to the insolvency of the company.

3.2 Risks relating to the Group's industry

Developments in the macroeconomic environment affect Group's business

Real estate development tends to follow the general developments in the macroeconomic environment. Interest rates, unemployment, inflation, private consumption, capital expenditure and other macroeconomic indicators have significant influence on real estate developments and hence the operations and the potential profitability of the Group.

Favourable developments in the macroeconomic environment increase demand for residential properties, allow the real estate companies to increase rent rates of retail properties and prices for accommodation in hotels. Adverse developments increase pressure on real estate prices, rent rates and yields. Hence the Group's results are dependent on general macroeconomic environment and adverse developments in the environment might lead to reconsideration of some of the Group's development plans, negative pressure on prices and rents of the Group's properties or other changes in relation to the Group's properties that might have a material adverse effect on the Group's business, results of operations, financial condition and profitability.

Cyclical nature of the real estate sector affects Group's business

Real estate development is a cyclical sector. The number of real estate related transactions fluctuates significantly depending on the stage of the real estate cycle.

Illiquidity of real estate

Most of the investments that the Group has made in its real estate portfolio are relatively illiquid and sales of those properties might be time consuming. If the Group's liquidity is adversely affected, the Group might not be in position to liquidate its investments promptly and/or on favourable terms and conditions.

Ownership of premium properties in the Baltic capitals partially mitigates this risk. However, relative illiquidity of real estate properties might have a material adverse effect on Group's business, results of operations, financial condition and profitability.

Competition

The Group is operating in a competitive environment with high number of other companies engaged in the real estate development in the Baltic States. The Group competes with several local, national and international real estate developers. Additional competitors with better access to financing may enter the Baltic real estate markets. Potential over-supply in the Baltic real estate markets may result in the

decrease of average sales price and lease payments and therefore adversely affect the business and financial conditions of the Group.

Profitability of Group's future developments and new acquisitions can be significantly impacted by increase of renovation and construction costs if competitors will pursue their developments. Additionally, if competitors will commence intended and announced projects the competition for tenants and marketing related costs will also increase.

All of the above aspects related to the competitive landscape of the Group's industry might have an adverse effect on the Group's business, results of operations, financial condition and profitability.

Changes in customer preferences

Real estate sub-markets where the Group is operating in (residential housing market, retail property market, hotel market) are subject to changing customer trends, demands and preferences, which may further vary, depending on economic factors, as well as customer preferences for the style of developments. Such risks and potential changes in customer preferences are continuously assessed by the Group at different phases of a project. In case changes in customer preferences or other potential threats to the profitability of a project are found, adjustments are made to the project outline to the extent possible in respective phase of the project, in order to meet the new market expectations. This however does not assure that such changes will always be recognised and adaptations to existing or planned developments will be made in timely fashion to suit such changes in customer preferences. Should customer preferences cease to favour the Group's developments, it could have an adverse effect on the business, results of operations and financial condition of the Group.

The Group is exposed to the credit risks of its customers and suppliers

The Group's financial performance and position are dependent, to a certain extent, on the creditworthiness of its customers and suppliers. If there are any unforeseen circumstances affecting the Group's customers' and/or suppliers' ability or willingness to pay, the Group may experience payment delays or non-payment. Each of these factors may have a material adverse impact on the Group's operations, prospects and financial results.

3.3 Political, economic and legal risks

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. And the volume will increase further due to the obligation to apply European Community law. The civil codes and corporate, competition, securities, environmental and other laws having close connection with doing business have been significantly revised during the period of Estonia's, Latvia's and Lithuania's transition to a market economy and in order to meet EU requirements and standards. There is still little court practice about the new legislation and no clear administrative or judicial practice has evolved.

Further, due changed global geopolitical situation, the current macroeconomic and political events in some countries beyond EU, including Russia, applied sanctions by the EU and counter-sanctions applied by Russia, the Group is exposed to additional political and economic risks that could have a negative impact on the Group's sales and profitability, and the value of its assets.

The rights of shareholders of Estonian companies may differ from the rights of the shareholders of companies organised in other jurisdictions

The Company is organized under the laws of Estonia and consequently the rights of the Company's shareholders are governed by the laws of Estonia and by the Articles of Association. Accordingly, the Company's corporate structure as well as the rights and obligations of its shareholders may be different from the rights and obligations of the shareholders of companies organised in other jurisdictions. Estonian regulations may provide shareholders with particular rights and privileges which could not exist in other jurisdictions and, *vice versa*, certain rights and privileges that shareholders may benefit from in another jurisdiction may not be available in Estonia.

The exercise of some of the shareholders' rights in the Company could be more complicated or expensive for investors from other countries than the exercise of similar rights in their country of

residence. Resolutions of the General Meeting of Shareholders may be adopted with majorities different from the majorities required for adoption of equivalent resolutions in companies organised in other jurisdictions. Rectification of the Company's registers and/or some corporate actions may require the approval of Estonian courts. Please also read Section 24.5 (Information Concerning the Securities to be Admitted to Trading).

Judgments of foreign courts against the Company and the Group may be more difficult to enforce than if the Company and its management were located in the respective foreign jurisdiction

The Company was formed in accordance with the Estonian laws and its registered office is in Estonia. The majority of the assets of the Group are located in Estonia and the majority of the management personnel working for the Group reside in Estonia. For this reason, foreign investors may encounter difficulties in serving summons and other documents relating to court proceedings on any of the entities within the Group and/or the management personnel working for the Group. For the same reason, it may be more difficult for foreign investors to enforce a judgment of the Estonian court issued against any entities within the Group and/or the management personnel working for the Group than if those entities and/or the management personnel were located in the respective foreign jurisdiction.

Risks related to tax regime

Any changes in the Estonian, Latvian, Lithuanian or German tax regime may have a material adverse effect on the Group's business, results of operations and financial condition.

Increased cost of complying with laws, government regulations and policies

It cannot be assured that no new regulations or fiscal or monetary policies, or amendments to existing regulations, will be implemented by the governments in the Group's core markets. Substantial amendments to the existing regulations or implementing of any new regulations could result in significant additional costs for the Group, which the latter may not be able to pass to its customers. Thus, any significant amendment to the existing regulations or implementing of any new regulations could impose restrictions on the operations of the Group which could further have a material adverse effect on the Group's business, results of operations and financial condition.

Eurozone risk

Recent turmoil related to some of the Eurozone economies may affect the Company's operating environment, either directly or indirectly through common currency and monetary policy changes. Prolonged and deep national budget deficits may adversely impact all the area's attractiveness. Full or partial collapse of the Eurozone might have a material impact on the Company's business.

Interest rate risk

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 of the Group.

Lending rates affect the activity of real estate market and high interest rates usually reduce the demand for real estate. Low demand in turn can adversely affect the value of Group's properties and, consequently, the Group's revaluation gains. Comparisons of potential losses arising from interest rate fluctuation against the cost of hedging are regularly and continuously being made by the Group. In such comparisons, the hedging expenses tend to exceed the potential losses arising from interest rate fluctuations, therefore there have been no hedging in majority of case in Group's practice.

3.4 Risks relating to the Shares and Admission to Trading

Liquidity

The Regulated Market is substantially less liquid and more volatile than certain more established markets such as those in other countries with more highly developed securities markets. The relatively small market capitalization and low liquidity of the Regulated Market may impair the ability of investors to sell the Shares on the Regulated Market, which could increase the volatility of the price of the Shares.

Prices on the Regulated Market may also be affected by external factors, such as the performance of world markets generally, other emerging markets, or the imposition of or changes in trading or capital gains taxes.

The Shares may not be a suitable investment for all investors

Each potential investor in the Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Shares, the merits and risks of investing in the Shares and the information in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Shares and the impact the Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Shares;
- thoroughly understand the term sheet for the Shares; and
- 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.

The market price of the shares may be volatile

The market price of the shares of the Company could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of shares, as well as other factors, some of which are described herein. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Company's shares without regard to the Group's operating results, financial position or prospects. During given time periods, it may be difficult or impossible to sell the shares (at all or at reasonable terms) due to, e.g., severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

The Offering may be suspended or cancelled

There may be various circumstances, on which the Company has no or very limited influence, that may affect the Offering. Therefore, the Company may be entitled to suspend or cancel the Offering, in case such circumstances would have disadvantageous impact on the results of the Offering. Please also read Section 24.6 (Terms and Conditions of the Offering).

In light of the above, there is a risk that the investors may not be able to subscribe for the Shares. Furthermore, in such case payments made by investors during the Offering, may be returned without any compensation or interest.

The trading in Shares on the Regulated Market may be suspended or terminated

If the Company will fail to comply with certain requirements or fulfil certain obligations arising from the laws of Estonia or the rules adopted by Nasdaq Tallinn, which are applicable to the Company, the trading in Shares on the Regulated Market may be suspended or terminated. Further, the Company may apply for the suspension or termination of trading in Shares on the Regulated Market. There is no guarantee that the trading in Shares will never be suspended or terminated. This could decrease the liquidity of the Shares and affect the ability to sell the Shares at a satisfactory price by the Investors. Although it is the Company's intention to make all endeavours to comply with all applicable regulations to avoid suspension or termination of trading in Shares on the Regulated Market, future suspensions or termination cannot be fully excluded. Further, the Company may apply for the suspension or termination of trading in shares on the Regulated Market. The Share price may be adversely affected by any suspension or termination of trading in the Shares on the Regulated Market.

The Company may not pay dividends

The Company may not be able to pay dividends in the future. The declaration and payment by the Company of any future dividends and the amount thereof will depend inter alia on the Company's financial conditions, results of operations and availability of funds that can be paid as dividends. The payment and the amount of any dividend will be subject to the discretion of the General Meeting and will depend on available cash balances, anticipated cash needs, results of operations and financial

condition of the Group and any financing agreement restrictions binding the Company as well as other relevant factors.

The shareholders may not be able to exercise preferential right to subscribe for new Shares and may face dilution as a result

Pursuant to the Estonian Commercial Code, shareholders of a company have generally the preferential right to subscribe for new shares in proportion to their existing shareholding. However, such preferential right can be barred by a resolution of the General Meeting by a majority of 3/4 of the votes represented at such General Meeting. As a result of an issuance of additional shares with exclusion of preferential right to subscribe for new Shares, the shareholding and voting rights in the Company and the earnings per Share may be diluted.

In addition, if the above-referred pre-emptive rights are not barred, shareholders of certain jurisdictions, e.g. the United States, may not be able to exercise preferential right to subscribe for new Shares unless certain actions are taken in those jurisdictions or an exemption is available therefrom. The Company is unlikely to take the above-referred actions and exemptions therefrom may not be available for certain shareholders.

If a shareholder is unable to exercise preferential right to subscribe for new Shares, such shareholder's shareholding may be diluted as a result.

Holding of Shares in a nominee account

Shares may be held in a nominee account. Pursuant to the Estonian law, any Shares held in a nominee account shall be considered as the Shares legally owned by the owner of the nominee account. This could result for the investors holding Shares in a nominee account in deprivation of certain rights or privileges as compared to the investors, who hold Shares in their own securities' account. This is in particular the case when changes are being made to the share capital of the Company or the Shares (e.g. while conducting reverse split of Shares or providing pre-emptive right to the shareholders while issuing new Shares), where the Company will treat all Shares held in a nominee account as held by one investor. Notwithstanding the above, the voting rights and rights to dividend and to other distributions attached to the Shares held in nominee accounts and ordinary securities' accounts are the same.

Limited analyst cover

The price and the Shares are partly influenced by analyst cover. If one or many analysts lower their ratings on Shares, it may result in lower price and liquidity of Shares. If one or many analysts end their coverage of Shares, it may result in smaller attention to the Company by investors, which again may bring along lower price and liquidity of Shares. There cannot be any assurance, which kind of analyst coverage the Company receives in the future.

The transferability of Shares may be restricted by laws

The Shares have not been registered in the United States under the Securities Act or under any other applicable securities laws or any other jurisdiction. The transfer of Shares may be subject to restrictions set forth in such laws. The Company does not plan to apply for admission to trading of Shares on any regulated market other than the Regulated Market or otherwise create a public market in any jurisdiction. The Shares constitute "restricted securities" as defined in Rule 144(a)(3) under the Securities Act and are not freely tradable in the United States. The free transferability of the Shares may also be subject to the requirements from the laws of other jurisdictions.

Turmoil in emerging markets could cause the value of the Shares to suffer

Financial or other turmoil in emerging markets has in the recent past adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from future financial turmoil, or other factors, such as political, that may arise in other emerging markets or otherwise, will not adversely affect the value of the Shares even if the Estonian economy remains relatively stable.

Tax treatment for investors in an Estonian company may vary depending on tax residence of the investors

The Company is a company established and existing under the laws of Estonia and as such the Estonian tax regime applies to distribution of profit and other payments from the Company to its shareholders. The taxation of incomes from such payments as well as other incomes, from the disposal

of shares, may vary depending on tax residence of particular investors as well as on provision of double tax treaties with Estonia in force. Provisions applying to particular investors may be unfavourable or may change adversely.

The Company's possible status as a passive foreign investment company (the "PFIC") for U.S. federal income tax purposes must be determined annually and therefore may be subject to change. The Company has not undertaken to make the analysis on an annual basis as to whether it is a PFIC. Therefore, U. S. investors should consider that they may have to make such an analysis on an annual basis. If the Company were to be a PFIC in any year materially adverse tax consequences could result for each U.S. holder of Shares (i.e. each beneficial owner of Shares that is (i) a citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation, or other entity treated as a corporation, created or organized under the laws of the United States of any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its sources or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust)).

Each investor may be subject to taxation outside Estonia and should therefore consult with its own tax adviser. There can be no assurance that any activities, which the Group may conduct at any time in the future, would result in the investor becoming subject to any further taxes.

The Estonian legal persons do not pay corporate income tax on capital gains received from the sale or exchange of Shares until distribution. As a general rule, income tax is not charged on gains realized also by non-residents (whether legal persons or individuals). However, Estonian income tax is charged on the capital gain realized from the sale or exchange of Shares of a "real estate company" if the non-resident's holding exceeds 10%. A "real estate company" for these purposes is a company, contractual investment fund or other pool of assets of whose property, at the time of the transfer or during a period within 2 years before transfer, more than 50% was directly or indirectly made up of immovable properties or structures as movables located in Estonia. Therefore, should the Company be considered as a "real estate company", that would bring along the requirement to pay Estonian income tax on the capital gain realized from the sale or exchange of Shares by a non-resident, whose holding exceeded 10% of the share capital of the Company prior to such sale or exchange.

Limitations on enforcing judgments against the Company

Foreign judgements against the Company could be difficult to enforce.

The Company is incorporated in Estonia. The recognition and enforcement of the judgments and other execution documents of member states of the European Union is subject to the restrictions and limitations set forth in the Regulation (EU) 1215/2012 or Regulation (EC) No 805/2004 of the European Parliament and of the Council.

The recognition and enforcement of the judgments and other execution documents of any other foreign country is subject to the restrictions and limitations set forth in the Estonian Code of Civil Procedure. A judgment of any such foreign countries is not recognised in Estonia inter alia if that judgement is (a) clearly contrary to the essential principles of Estonian law (public order), (b) the decision is in conflict with an earlier decision made in Estonia in the same matter between the same parties or if an action between the same parties has been filed with an Estonian court; (c) in conflict with a decision of a foreign court in the same matter between the same parties which has been earlier recognised or enforced in Estonia; (d) in conflict with a decision made in a foreign state in the same matter between the same parties which has not been recognised in Estonia, provided that the earlier court decision of the foreign state is subject to recognition or enforcement in Estonia. Such judgement is not recognised in Estonia also in case the defendant was unable to reasonably defend the rights thereof or the court which made the decision could not make the decision in compliance with the provisions of Estonian law regulating international jurisdiction.

4. STATUTORY AUDITORS

The annual financial statements for the year ended 31 December 2015 and 31 December 2016 were audited by AS Deloitte Audit Eesti (Estonian Central Commercial Register code: 10687819). AS Deloitte Audit Eesti headquarters are registered at Roosikrantsi 2 10119 Tallinn Estonia, tel: +372 640 6500, web page: www.deloitte.ee. AS Deloitte Audit Eesti' audit licence number is 27. The audit of the financial

statements for the year ended 31 December 2015 and 31 December 2016 were both executed by Mr. Erki Usin, auditor's licence No. 496.

Based on the decision of the annual General Meeting shareholders adopted on 24 May 2017, AS Deloitte Audit Eesti was elected as the auditor of the Company for the financial year of 2017.

5. SELECTED FINANCIAL INFORMATION

5.1 Introduction

The tables below present certain selected financial information of the Group for the years ended 31 December 2016, 31 December 2015 and for the six months periods ended 30 June 2016 and 30 June 2017. This information is extracted without material adjustment from the audited Annual Financial Statements and unaudited Interim Financial Statements.

The tables below also present certain key ratios and indicators. These ratios and indicators are provided to illustrate certain aspects of the business of the Group and its financial performance. These ratios and indicators are calculated from the data extracted from the Annual Financial Statements and Interim Financial Statements. The Management Board believes that the ratios and indicators set forth below are customary and often used by public companies to illustrate their business and financial performance.

5.2 Selected Financial Information

Selected Information from the Consolidated Statements of Comprehensive Income

<i>in thousands of euros</i>	6 months ended 30 June		12 months ended 31 December		
	2017	2016	2016	2015	2014
Revenue	7,566	8,203	20,652	18,322	10,335
Gross profit	2,347	1,409	6,054	4,448	2,495
Operating Profit	-524	-1,268	-309	1,424	25,859
Profit/loss before income tax	-2,269	-3 135	-3,808	-1,169	23,143
Net profit/loss for the period	-2,310	- 3 149	-4,025	-2,010	21,235

Source: Reports, the Company

Selected Information from the Consolidated Statement of Financial Position

<i>in thousands of euros</i>	30 June	31 December		
	2017	2016	2015	2014
Current Assets	37,442	24,001	20,438	18,879
Non-Current Assets	114,502	118,313	109,885	106,152
Total Assets	151,944	142,314	130,323	125,031
Current Liabilities	18,388	19,541	15,150	22,839
Non-Current Liabilities	56,141	42,569	31,741	16,404
Total Liabilities	74,529	62,110	46,891	39,243
Equity	77,415	80,204	83,432	85,788

Source: Reports, the Company

Selected Information from the Consolidated Interim Statements of Cash Flows

<i>in thousands of euros</i>	6 months ended 30 June	12 months ended 31 December
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	2017	2016	2016	2015	2014
Cash flows from operating activities	-2,135	-437	648	3,498	-1,069
Cash flows from investing activities	-9,219	-7,321	-9,740	-1,368	-775
Cash flows from financing activities	9,153	14,008	8,082	2,381	966
Net change in cash and cash equivalents	-2,201	6,250	-1,010	4,511	-878

Source: Reports, the Company

5.3 Ratios and Indicators

<i>in thousands of euros</i>	6 months ended 30 June		12 months ended 31 December		
	2017	2016	2016	2015	2014
Gross profit margin	31.0%	17.2%	29.3%	24.3%	24.1%
EBITDA margin	-2.3%	-11.1%	1.9%	11.6%	257.5%
Operating margin	-6.9%	-15.5%	-1.5%	7.8%	250.2%
EBT margin	-30.0%	-38.2%	-18.4%	-6.4%	223.9%
Net margin	-30.5%	-38.4%	-19.5%	-11.0%	205.5%
Net margin to shareholders	-29.9%	-38.0%	-18.9%	-10.6%	206.9%
Earnings per share (EPS)	-0.04	-0.06	-0.07	-0.04	0.39
Share closing price (the Regulated Market)	2.15	2.19	1.96	2.23	2.50
P/E ratio	-50.51	-37.70	-28.00	-55.75	6.41

Source: Reports, the Company

<i>in thousands of euros</i>	30 June	31 December		
	2017	2016	2015	2014
Equity ratio	50.9%	56.4%	64.0%	68.6%
Debt to equity ratio	74.6%	57.6%	41.9%	34.9%
Net debt to capital	41.4%	33.7%	25.5%	24.6%
Debt to EBITDA ratio	-334.0	119.7	16.5	1.1
Current Ratio	2.0	1.2	1.3	0.8
Return to assets	-1.6%	-3.0%	-1.6%	19.0%
Return to equity	-2.8%	-4.8%	-2.3%	28.4%

Source: Reports, the Company

Formulas used for calculating financial ratios:

Gross profit margin, %	Gross profit / revenue*100
EBITDA margin, %	EBITDA / revenue*100
Operating margin, %	Operating result / revenue*100
EBT margin, %	EBT / revenue*100
Net margin, %	Net result / revenue*100

Net margin to shareholders, %	Net result for shareholders / revenue * 100
Earnings per share (EPS)	Net result/ average number of shares
P/E ratio	Share closing price / EPS
Equity ratio, %	Equity / total assets * 100
Debt to equity ratio, %	Interest bearing liabilities / equity * 100
Net debt to capital, %	(Interest bearing liabilities - cash and cash equivalents) / (interest bearing liabilities - cash and cash equivalents + equity) * 100
Debt to EBITDA ratio	Interest bearing liabilities / EBITDA
Current ratio	Current assets / current liabilities
Return on assets, %	Net result / average total assets * 100
Return on equity, %	Net result for shareholders / average equity * 100

6. INFORMATION ABOUT THE COMPANY

6.1 History and Development

Basic information about the Company:

- the legal and commercial name of the Company: AS Pro Kapital Grupp
- the place of registration of the Company (registered office): Sõjakooli 11, 11316 Tallinn, Estonia
- the registration number of the Company: 10278802
- the legal form of the Company: Estonian public limited liability company (Est. aktsiaselts)
- the legislation under which the Company operates: Estonian
- the country of incorporation of the Company: The Republic of Estonia
- the telephone number: +372 614 4920

AS Pro Kapital was established and registered in the Estonian Register of Enterprises (Est. *ettevõttere register*) in 1994. In 1996, Mr. Ernesto Preatoni acquires control over the Company. The Company expanded to Latvia in 1997 and to Lithuania in 1998.

The Company's financial instruments have been admitted to trading on regulated markets as follows:

- The shares of the Company were admitted to trading on the supplementary list of the Tallinn Stock Exchange between 1998 – 2001;¹
- The shares of the Company (ISIN EE3100006040; PKG1) are traded on the Regulated Market since August of 2012;
- The secured, callable, fixed rate bonds of the Company (ISIN: SE0006504379; APKG 001) are listed on the Corporate Bond List at Nasdaq Stockholm since July of 2015.

The Group started investing in the real estate and development projects. The Company was incorporated and registered in the Estonian Commercial Register on 26 September 1997 and is established for an indefinite period.

Since its establishment in 1994, Pro Kapital has completed more than 20 development projects with ca 190 000 square meters of total saleable area. The Company has been one of the first players on the Baltic markets and its projects have been milestones in the Baltic real estate market. Some of the most significant development projects, which the Company has developed in the past, include the following:

¹ On 28 August 2001, the Listing Committee of Nasdaq Tallinn AS adopted resolution regarding the delisting of shares of the Company as of 29 August 2001. An internal audit discovered that not all information disclosed to the stock exchange, under the responsibility of the CFO, was accurate. Consequently, the stock exchange decided to delist the Company. The Company challenged this decision, but dropped the proceedings upon assurances by the Nasdaq Tallinn AS that it could relist its shares in the future. Entirely new Management Board and Supervisory Council have been appointed since.

- Kristiine Shopping Centre in Tallinn, Estonia (one of the largest shopping centres in the Baltic countries; building volume: 69,800 m²; parking places: 1,100 cars, total investment: EUR 57 million). Kristiine Shopping Centre was developed in stages: first stage was completed in 1999, second in 2002 and third in 2010;
- Ilmarine Quarter in Tallinn, Estonia (the first renovation project of Pro Kapital in Tallinn, which included a whole housing block; building volume: 19,000 m², total investment: EUR 25 million). Ilmarine Quarter was developed in stages, first building in 1999 and last in 2008;
- Domina Shopping in Riga, Latvia (one of Riga's largest shopping centres; building volume: 48,500 m² (total commercial area); total investment: EUR 60 million). Domina Shopping was developed in stages: first stage was completed in 2003, second and third in 2004;
- Kuģu street 26 in Riga, Latvia (an old five storey office building, which was converted into an apartment building; building volume: 11,400 m²; total investment: EUR 14 million). The development was completed in 2006;
- First stage of Saltiniu Namai in Vilnius, Lithuania (apartment buildings, building volume: 19,200 m², total investment: EUR 29 million). The first building was completed in 2009 and the last in 2016.

Information on the main events in the Company's development and operations since 2015 may be found in the Annual Reports and Interim Reports, including in:

- the Management Report regarding 2015 (see pages 6-7 of the 2015 Annual Report);
- the Management Report regarding 2016 (see pages 6-7 of the 2016 Annual Report);
- the Management Report regarding 2017 Q2 (see page 3 of the Interim Report).

6.2 Investments

The Company's investments are mainly composed of real estate, including real estate classified as property as well as investment property.

The following table sets out information on the Company's assets:

<i>in thousands of euros</i>	30 June	31 December		
	(unaudited)	(audited)		
	2017	2016	2015	2014
Inventories	29,524	14,144	12,438	14,535
Other Current Assets	7,918	9,857	8,000	4,344
Total Current Assets	37,442	24,001	20,438	18,879
Property, plant and equipment	18,130	18,336	17,103	17,619
Investment property	96,038	99,660	92,457	88,110
Other Non-Current Assets	334	317	325	423
Total Non-Current Assets	114,502	118,313	109,885	106,152
Total Assets	151,944	142,314	130,323	125,031

Source: Reports, the Company

Since 2015, the Company has been developing the following development projects:

Project	Description	Status (as of 30 June 2017)
T1 shopping centre	One of the most dynamic shopping developments in the Baltics as well as the newest and largest regional shopping centre project in Tallinn. 54,726 square meters of leasable area.	Building licence obtained. Projecting and construction works continuing, financing agreement signed for the full financing of the project.
Ülemiste 5	Ülemiste 5 is situated next to T1 shopping centre and is expected to be used partly as an extension for T1 shopping centre. It is planned to develop office and	Detail plan adopted, project not started. New detail plan under process in collaboration with the city in connection with Rail Baltica

	retail spaces with total leasable area of 6,061 square meters.	terminal. No financing agreement has been signed.
Tondi Quarter	Tondi Quarter is one of the largest residential blocks in the Baltics, located close to the city centre. It has been planned to develop the property in 5 phases. The first phase – renovation of a red brick barrack - has been completed and all of the apartments have been sold. The second phase includes a set of 10 new buildings being built on Marsi, Sōjakooli and Sammu Streets. Construction works of three Marsi street buildings are completed and works for fourth and fifth building have started. Construction works for barrack Marsi 6 has started.	Building license for ten residential buildings obtained. Construction works completed for small historical building on Tondi 53 land plot. Three buildings of Kristina houses development completed, apartments almost sold, construction works and presales of the fourth and fifth building continuing. Financing agreement for fourth building of Kristina houses signed, terms of financing for fifth building of Kristine houses received, loan agreement will be signed when need of bank financing will be required. Financing agreement for Marsi 6 barrack has been signed.
Kalaranna District	Kalaranna is an attractive residential area located directly by the sea, close to Tallinn Old Town and the city centre. Company plans to develop mainly residential buildings with net sellable area of 27,600 square meters, commercial spaces with net sellable area of 1,520 square meters and also rentable social and commercial purpose premises with combined net area of 4,731 thousand square meters.	Detailed plan approved. Architectural competition completed and negotiations for projecting contract ongoing. No financing agreement signed.
Tallinas Quarter	Tallinas is a residential development project located in Riga at the right bank of river Daugava, right next to the border of Riga's historical City Centre. The project for the residential area foresees a series of apartment buildings with commercial functions on the first floor with net sellable area of 22,960 square meters and 974 square meters respectively.	Building license issued, technical project in process. No financing agreement signed.
Kliversala District	Kliversala is a residential and commercial development project located on the left bank of river Daugava. The land is located between two main bridges, next to one of the biggest parks in Riga and has a long coastline. The project for the residential area foresees a series of exclusive apartment buildings coupled with commercial premises. It has been planned to develop the property in 4 phases.	New detail plan approved, construction works and presales continued for the first building. Projecting of second phase started. Financing agreement signed for first building.
Zvaigznes Quarter	Zvaigznes is a mixed development project located at one of the main transport arteries heading through the City, next to the railways within a former industrial area. The project foresees renovation of the existing industrial building into mostly office buildings with total net rentable area of 17,065 square meters.	Projecting works to get new building license in process. No financing agreement signed.
Šaltinių Namai	Šaltinių Namai is a residential development project located in Vilnius next to the Old Town. The business plan for the Šaltinių Namai residential quarter foresees a series of apartment buildings built in two major stages. The first stage of Šaltinių Namai project has been completed. The second stage of the project foresees development of net sellable area of apartments 12,603 square meters and net sellable area of commercial area 1,293 square meters.	1 st stage completed, almost sold out. For 2 nd stage presales and construction works started. Financing agreement signed for 2 nd stage four buildings under construction.

Source: Reports, the Company

During 2015 – 2016, the Company has made the following investments:

Development project	Amount of Investment (in thousands of euros; audited)
T1 shopping centre	8,688
Tondi Quarter	8,848
Kliversala District	7,376
Šaltinių Namai	3,180
TOTAL	28,092

Source: the Company

The Company's investments in progress are set out in the following table:

Development project	Location	Method of Financing
T1 shopping centre	Tallinn, Estonia	equity, corporate debt, investment loan
Tondi Quarter	Tallinn, Estonia	equity, corporate debt, bank loans
Kliversala District	Riga, Latvia	equity, corporate debt, bank loan
Šaltinių Namai	Vilnius, Lithuania	equity, corporate debt, bank loan

Source: the Company

In addition to the development of the projects described above, the Company has not made any firm commitments in respect of any principal future investments.

6.3 Principal Activities and Markets

Geographical segmentation

The Company operates in Estonia, Latvia, Lithuania and Germany. The key financial data of the geographical segments is set out in the following table:

<i>in thousands of euros</i>	6 months ended 30 June		12 months ended on 31 December		
	2017	2016	2016	2015	2014
Consolidated Revenue	7,566	8,203	20,652	18,322	10,335
* PKG holding	12	0	523	386	371
* Estonia	3,612	4,602	7,230	8,279	3,382
* Latvia	789	735	1,565	1,624	1,585
* Lithuania	1,546	1,335	8,965	4,925	2,441
* Germany	1,841	1,775	3,421	3,937	3,363
* <i>eliminations</i>	-234	-244	-1,052	-829	-807
Consolidated Operating Profit	-524	-1,268	-309	1,424	25,859
* PKG holding	-932	-902	-1,307	-1,395	-1,618
* Estonia	215	134	-829	-2,438	23,214
* Latvia	-41	-260	-689	-3,311	5,492
* Lithuania	386	-84	3,109	8,476	1,959
* Germany	-152	-156	-593	92	-103
* <i>eliminations</i>	0	0	0	0	-3,085
Consolidated Net profit/loss for the period attributable to Owners of the Company	-2,265	-3,116	-3,913	-1,934	-21,381
* PKG holding	-3,191	-3,514	-6,220	-5,467	-5,088
* Estonia	1,279	1,358	1,630	153	26,113

* Latvia	-331	-432	-1,016	-3,240	3,677
* Lithuania	211	-323	-2,399	6,773	1,117
* Germany	-233	-205	-706	-10	-219
* <i>eliminations</i>	0	0	0	-143	-4,219

Source: Reports, the Company

Company's Business Segments

The object of the Group's business is to acquire, develop and sell real estate with a focus on modern large-scale commercial and residential real estate in the capitals of Estonia, Latvia and Lithuania. The Group is also active in renting real estate and operating one hotel in Germany.

The Company's operations are divided into the following business segments: (a) real estate, (b) rent, (c) hotels and (d) real estate maintenance and other. The two significant business segments in terms of generating revenue are real estate and hotels².

The revenue from the business segments is set out in the following table:

<i>in thousands of euros</i>	6 months ended 30 June		12 months ended on 31 December		
	2017	2016	2016	2015	2014
Real Estate	3,442	4,364	12,902	10,055	2,720
Rent	91	90	170	205	205
Hotels	3,162	2,929	5,943	6,489	5,880
Real estate maintenance and other	871	820	1,637	1,573	1,530

Source: Reports, the Company

Real Estate

Real Estate business segment is composed of the development of real estate projects and sale thereof. The Company is focusing on development of existing land plots, which, in its turn, will expand its sellable asset base. The real estate development is carried out by the Company in the following phases:

After 2014, the revenues from the real estate business segment has increased significantly (270% in 2015 and 28% in 2016). Since 2015, the revenue has been generated mainly by the sale of residential real estate. In 2017, the Company has been actively continuing with sales of current stock and presales of Tondi Residential Quarter in Tallinn and Šaltinių Namai Residential Complex in Vilnius and Kliversala first building in Riga.

Please also see section 6.2 (*Investments*) in respect of the Company's development projects.

Hotels

Until recently the Company was operating three hotels – PK Ilmarine Hotel in Tallinn, PK Riga Hotel in Riga and PK Parkhotel Kurhaus in Bad Kreuznach, Germany. However, the Company disposed of PK Ilmarine Hotel in Tallinn, PK Riga Hotel in Riga in July and August of 2017.³

After 2014, the revenues from the hotel business segment increased by 10% in 2015 but decreased 8% in 2016. The increase in the revenue in 2015 resulted from the successful changes in sales strategy in Germany. The decrease in 2016 resulted from renovation works in Germany and influence of competitive market in Riga.

² On 25 July 2017, the Company concluded the contracts for the sale of group hotels PK Ilmarine and PK Riga. For further details, please see Section 22 (Material Contracts) of the Prospectus.

³ On 25 July 2017, the Company concluded the contracts for the sale of group hotels PK Ilmarine and PK Riga. As a result, the Company exited Tallinn hotel market in July 2017 and Riga hotel market in August 2017. For further details, please see Section 22 (Material Contracts) of the Prospectus.

7. ORGANISATIONAL STRUCTURE

The Company is the operating parent company of the Group. The Company is engaged in investor relations management and ensuring necessary capitalisation for the Group companies. As at the date of this Prospectus, 17 direct or indirect subsidiaries of the Company belong to the Group.

The list of the Group companies, including their name, country of incorporation and operation, proportion of ownership interest and voting power held by the Group, and principal activities of the Company and its subsidiaries as at the date of this prospectus are provided in the table below:

Name of the Entity	Shareholders (shareholding ≥ 5%)	Country of incorporation and operation	Proportion of ownership interest and voting power held by the Group	Principal activity
AS Pro Kapital Grupp	<ul style="list-style-type: none"> • Nordea Bank Finland Plc Clients • Eurofiduciaria S.r.l. • OÜ Svalbork Invest • Clearstream Banking Luxembourg S.A. Clients 	Estonia	N/A	Holding activities, parent company
AS Pro Kapital Eesti	AS Pro Kapital Grupp	Estonia	100.00%	Real estate development
OÜ Ilmarise Kvartal	AS Pro Kapital Eesti	Estonia	100.00%	Real estate development
AS Tondi Kvartal	AS Pro Kapital Eesti	Estonia	100.00%	Real estate development
OÜ Marsi Elu	AS Tondi Kvartal	Estonia	100.00%	Real estate development
OÜ Pro Halduse	AS Pro Kapital Eesti	Estonia	100.00%	Real estate management
AS Tallinna Moekombinaat	AS Pro Kapital Eesti	Estonia	93.35%	Real estate development
Pro Kapital Vilnius Real Estate UAB	AS Pro Kapital Grupp	Lithuania	100.00%	Real estate development
PK Invest UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100.00%	Real estate development
Pro Kapital Bonum UAB	PK Invest UAB	Lithuania	100,00%	Real estate development
In Vitam UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100.00%	Real estate management
Pro Kapital Latvia PJSC	AS Pro Kapital Grupp	Latvia	100.00%	Real estate development
Klīversala SIA	Pro Kapital Latvia PJSC	Latvia	100.00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Pro Kapital Latvia PJSC	Latvia	100.00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Pro Kapital Latvia PJSC	Latvia	100.00%	Real estate development
OÜ Pro Kapital Germany Holdings	AS Pro Kapital Grupp	Estonia	100.00%	Real estate development
Pro Kapital Germany GmbH	AS Pro Kapital Grupp	Germany	100.00%	Real estate development
PK Hotel Management Services GmbH	OÜ Pro Kapital Germany Holdings	Germany	100.00%	Hotel management

Source: Reports, the Company

8. PROPERTY, PLANT AND EQUIPMENT

The Group's activities are and will continue to be 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. Failure to comply with the laws and regulations and permits given thereunder and related contractual terms and conditions could affect the Group's utilisation of the tangible fixed assets.

As at the date of this prospectus, the Company is not aware of any material environmental issues concerning the tangible fixed assets owned by the Group. However, no thorough environmental investigations have been carried out in respect of each of the Group's properties.

The land units, which have been or will be acquired by the Group, may subsequently be found to be polluted. Pursuant to environmental laws, a property owner is often held liable for the 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. When the Group has purchased land, it has not always required the seller to warrant that there is no pollution on the land. Should the Group fail to detect or remedy pollution, this may affect the Group's utilisation of such tangible fixed asset.

9. OPERATING AND FINANCIAL REVIEW

9.1 Financial Condition and Results of Operations

Information on the financial condition of the Company and its results of operations is set out in the Reports. Please also see Section 5 (*Selected Financial Information*).

9.2 Factors Affecting Operations

The following are the main factors that are affecting and may also in the future affect the results of Company's operations:

- changes in business environment of the markets where the Company is operating, including fluctuations in macroeconomic factors (e.g. economic growth, demographical factors, availability of financing, interest rates, inflation, unemployment, disposable income, consumer confidence etc.);
- length of development of real estate – most of the revenue from real estate development projects is deferred to the period after the completion of the respective project; furthermore, development projects are subject to regulation by state and local authorities, who may adopt new regulations during the development of a real estate project; in addition,
- successful planning and execution of development projects depends on the vision and experience of the Management Board who has obtained unique real estate development know-how in the Estonia, Latvia and Lithuania;
- continuous solvency of tenants – insolvency of significant tenants can have a material adverse effect on the Company's revenues and thus ability to execute its plans;
- revaluation of Company's property;
- competition and operations by the Company's competitors (e.g. new developments in the residential real estate market in Tallinn, Riga and Vilnius and development, extension or alternations of new or existing shopping centres in Tallinn);
- changes in credit market and interest rate fluctuations;
- changes in the cost of construction;
- ability to acquire suitable land for the real estate development.

9.3 Changes in Financial Results

<i>in thousands of euros</i>	6 months ended 30 June		12 months ended 31 December		
	2017	2016	2016	2015	2014
Revenue	7,566	8,203	20,652	18,322	10,335
Gross profit	2,347	1,409	6,054	4,448	2,495
Operating Profit	-524	-1,268	-309	1,424	25,859
Profit/loss before income tax	-2,269	-3,135	-3,808	-1,169	23,143
Net profit/loss for the period	-2,310	-3,149	-4,025	-2,010	21,235

Source: Reports, the Company

The revenues of the Company have increased since 2014 due to completion of new developments and sales of properties. Gross profit has increased accordingly. Operating profit is influenced by revaluation of investment properties of the company. At the end of 2014 the Company decided to review its real estate assets considering short and long-term development strategy. The properties that were not planned to be developed in the nearest upcoming years were transferred from Inventories to Investment Property as long-term assets. Reclassified properties had been recorded in Inventories at cost. After reclassification, they were recorded in fair value, the total effect of increase of value was 29.6 million euros. Operating profit was influenced by change in fair value positively in 2015 - 3.0 million euros and negatively in 2016 - 0.6 million euros. Net results are influenced by financial costs.

10. CAPITAL RESOURCES

The Company aims to maintain capital ratios at the level necessary to comply with requirements arising from agreements concluded by the Company, and to support its business and the value of its shares.

The Company monitors its capital by using debt to equity ratio. The Management Board and the Supervisory Council have not set any target to the debt to equity ratio.

However, the current ratios presented in the table below are treated as good performance indicators, considering the changes in the Group:

<i>in thousands of euros</i>	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Total Liabilities	74,529	62,110	46,891	39,243
Current Liabilities	18,388	19,541	15,150	22,839
Non-Current Liabilities	56,141	42,569	31,741	16,404
Equity	77,415	80,204	83,432	85,788
Debt to equity ratio⁴	74.6%	57.6%	41.9%	34.9%

Source: Reports, the Company

The Group's funding structure is presented in the tables below:

Current debts

<i>in thousands of euros</i>	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Bank loans and overdrafts	2,991	3,141	931	6,877
Convertible bonds	4,320	5,104	6,052	5,167
Non-convertible bonds	0	0	1,000	0
Payables to related parties	0	0	0	4,284

⁴ Interest bearing liabilities / equity * 100

Current portion of finance lease	8	16	21	20
Total	7,319	8,261	8,004	16,348

Source: Reports, the Company

Non-current debts

<i>in thousands of euros</i>	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Bank loans and overdrafts	15,435	4,365	6,924	3,728
Convertible bonds	6,176	5,930	5,104	6,052
Non-convertible bonds	28,546	27,337	14,640	2,240
Payables to related parties	418	400	362	1,365
Non-current portion of finance lease	5	8	24	45
Total	50,580	38,040	27,054	13,430

Source: Reports, the Company

Creditors

Information on the Group's creditors is set out in the table below:

<i>in thousands of euros</i>	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Swedbank AS (EE)	1,252	1,303	1,405	1,507
Swedbank AS (EE)	1,860	1,942	2,107	2,271
Swedbank AS (EE)	0	0	0	18
Nordea Bank AB Estonian branch (EE)	0	0	220	659
Nordea Bank AB Estonian branch (EE)	488	501	0	0
Nordea Bank AB Estonian branch (EE)	189	0	0	0
AS Swedbank (LV)	2,697	2,874	3,245	3,605
AS Swedbank (LV)	3,603	0	0	0
AS Swedbank (LT)	0	0	878	1,871
AS Swedbank (LT)	0	0	0	674
Lintgen Adjacent Investments (Agent) incl. long-term interests	8,338	886	0	0
Lease agencies	13	24	0	0
Fiducaria Emiliana S.r.l including long-term interests payable	270	259	235	211
Nikasi Overseas SA including long-term interests payable	147	141	127	114
Svalbork Invest OÜ	0	0	0	3,738
Combrimat Ltd	0	0	0	1,000
Estrella Ltd	0	0	0	800
Colosseum OÜ	0	0	30	0
Convertible bonds, various investors	10,496	11,034	11,157	11,219
Non-convertible bonds, various investors	1,240	1,240	2,240	2,240
Secured bonds, various investors	27,306	26,097	13,400	0
Total	57,899	46,301	35,044	29,927

Source: Reports, the Company

In addition to loans, the Company has financed its operations by issuance of convertible bonds and bonds.

Convertible Bonds

Each convertible bond entitles the holder to redeem and exchange one bond to one share of the Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by the Company. Additional information on the convertible bonds is set out in section 21.1 (*Share Capital*).

Non-convertible unsecured bonds

The company has issued unsecured non-convertible bonds with issue price of EUR 10,000. The interest accrues on the bonds at the rate of 5% p.a. The final redemption date of the bonds is 24 September 2019.

Non-convertible secured bonds

On 2 April 2015, the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the Company. The Management Board of the Company was authorized to issue the bonds in several tranches maximum up to 50 million euros. As at 30 June 2017, the Company has issued 293 bonds with the total value of 29.3 million euros with redemption date on 1 June 2020 and with a fixed rate of 8% p.a. As at 30 June 2017, 17 bonds were held by the Company itself and the liability on the balance sheet has been reduced by 1.7 million euros. The last emission of the bonds was issued with a discount, therefore 150 bonds are accounted for at a discounted rate. The total value of the bonds on the balance sheet on 30 June 2017 was 27.3 million euros.

Secured, callable, fixed rate bonds of the Company are secured with the shares of all subsidiaries of the Group. Since 8 July 2015 the bonds have been listed on Nasdaq Stockholm.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

The Company does not have any research and development policies or patents and licenses, nor has it had any such policies, patents or licenses during the periods covered by the historical financial information.

12. TREND INFORMATION

Based on the Management Board estimation since the end of last financial year there are no significant recent trends or information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.

13. PROFIT FORECASTS OR ESTIMATES

The Company does not provide any profit forecast or estimate.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

The Company is managed by the General Meeting (Est. *aktsionäride üldkoosolek*), the Supervisory Council (Est. *nõukogu*) and the Management Board (Est. *juhatas*).

There are no family relationships between the members of the Management Board, the Supervisory Council and the Senior Management. No member of the Management Board, the Supervisory Council or the Senior Management of the Company has been convicted in relation to fraudulent offences, associated with any bankruptcies, receiverships or liquidations, associated with any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional

bodies), or been disqualified by a court from acting as a member of the management or supervisory bodies in the previous 5 years.

14.1 Management Board

The Management Board is a directing body of the Company that represents and directs the Company, makes independent day-to-day decisions based on the best interests of the Company and the 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: Mr Paolo Vittorio Michelozzi, Mr Allan Remmelkoor and Mr Edoardo Axel Preatoni. The business address for all members of the Management Board is c/o AS Pro Kapital Grupp, Sõjakooli 11, 11316 Tallinn, Estonia.

Paolo Vittorio Michelozzi

Mr. Michelozzi was born in 1961 and is an Italian citizen. He holds the General Certificate of Education (building surveyor) from Collegio Arcivescovile, Saronno, Italy, has been employed by the Company since 1994, and is a member of the Management Board and CEO of the Company since 2001. Currently Mr. Michelozzi is the Chairman of the Management Board.

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. He was also a member of the management board of AS Domina Vacanze Holding from 2011 to 2012 and the Chairman of the Board of Directors of Domina Vacanze SpA from 2008 to 2012. Since 2006, Mr. Michelozzi is the member of the management board of SIA PB11 (Latvia), a company owned by himself.

Allan Remmelkoor

Mr. Remmelkoor was born 1971 and is an Estonian citizen. He holds bachelor degree in small business administration from Tallinn University of Technology. Mr Remmelkoor has been employed by the Company since 1997, and is a member of the Management Board since 2008.

In addition to being a member of the Management Board of the Company and several other Group Companies, Mr. Remmelkoor is a member of the Management Board of Hypermarket SIA and was a member of the Management Board of AS Domina Vacanze Holding until May 2012. He was also a member of Supervisory Council of AS BALTIKA from 2006 to 2012.

Edoardo Axel Preatoni

Mr. Preatoni was born in 1987 and is an Italian citizen. He holds a diploma in classical studies from Istituto De Amicis, Milano Italy. He has been a member of the Management Board since 2016.

Mr. Preatoni has experience in hotel and real estate development business and is the founder, a member of the management board and CEO of Preatoni Real Estate Development LLC in Dubai, UAE.

14.2 Supervisory Council

The Supervisory Council is a directing body of the Company that determines and regularly reviews the Company's strategy, general plan of action, principles of risk management and annual budget, organises the management of the Company and supervises the activities of the Management Board. The members of the Supervisory Council are elected and removed by the General Meeting.

The Supervisory Council currently consists of three members: Mr Emanuele Bozzone, Mr Pertti Huuskonen and Mr Petri Olkinuora. The business address for all members of the Management Board is c/o AS Pro Kapital Grupp, Sõjakooli 11, 11316 Tallinn, Estonia.

Emanuele Bozzone

Mr. Bozzone was born in 1964 and is a Swiss citizen. He holds a degree in economics and trade and is a member of the Supervisory Council since 2010. Currently Mr. Bozzone is the Chairman of the Supervisory Council.

Mr. Bozzone has a vast experience in finance. He is a director, wealth manager and partner in Regis Invest SA in Lugano, Switzerland, a sole director, founder and partner in EBTG e Associati SA (formerly named Bozzone E Associati SA) in Chiasso, Switzerland, and sole director, founder and partner in EBCO Fiduciaria SA in Chiasso, Switzerland. Additionally, Mr. Bozzone is also holding a senior managing position in EBCO Trustees Sagl in Chiasso, Switzerland.

Pertti Huuskonen

Mr. Huuskonen was born in 1956 and is a Finnish citizen. He holds M.Sc. (Eng.) and eMBA degrees from the University of Oulu, and has been a member of the Supervisory Council since 2012.

Mr. Huuskonen has a vast experience in planning and preparation of mergers and acquisitions and has considerable experience in developing modern service concepts in the field of real estate and executing business, in planning and leasing of commercial premises, land consolidation, property transaction and property development. He has been a member of the Board of Directors of Technopolis Plc. in 2008-2012. Since 2011 he is holding several positions (including CEO) in the investment and consulting company Lunacon Oy, which is a Company owned by Mr. Huuskonen. He is also a member of the Board of Kaleva Oy, the Chairman of the Board of Suomen Hoivatilat Oyj, Chairman of the Board of Lehto Group Oyj and Vice Chairman of Ahlström Kiinteistöt OY.

Petri Olkinuora

Mr. Olkinuora was born in 1957 and is a Finnish citizen. He holds M.Sc. (construction engineering) and MBA degrees, and has been a member of the Supervisory Council since 2012.

Mr. Olkinuora is a member of the Board of A-Insinöörit Oy, A-Insinöörit Suunnittelu Oy, A-Insinöörit Rakennuttaminen Oy, Hartela-yhtiöt Oy, HCS Security Oy, Koja Oy, Koja-yhtiöt Oy, A/S Northern Horizon Capital, Northern Horizon Russia Partners I Oy, Rapal Oy, Restamax Oyj, Tamturbo Oy, Tapiolan jalkapallostadion Oy, TPI Control Oy. He is also Chairman of As Oy Hus 30, East Finland Real Estate Oy, Forbia Oy, Northern Horizon Capital AIFM Oy, Salo IoT Park Oy, Tampereen Messu- ja Urheilukeskus Oy and member of the Supervisory Council of Pro Kapital Grupp AS.

14.3 Senior Management

The Company considers Ms Angelika Annus, Mr Ervin Nurmela, Ms Olga Rudzika and Ms Neringa Rasimaviciene as its Senior Management.

Angelika Annus

Ms. Annus was born in 1971 and is an Estonian citizen. She holds a degree in business management from Estonian Business School and has worked as the CFO of the Company since 2014. Her business address is c/o AS Pro Kapital Grupp, Sõjakooli 11, 11316 Tallinn, Estonia.

Ms. Annus is currently a member of the management board of OÜ Ramaris, a company owned by her.

Ervin Nurmela

Mr. Nurmela was born in 1982 and is an Estonian citizen. He holds BA degree in law from Tartu University Law Institute and has worked as the chief legal counsel of the Company since 2007. His business address is c/o AS Pro Kapital Grupp, Sõjakooli 11, 11316 Tallinn, Estonia.

In addition to being a member of the management board and the supervisory council of several Group Companies, Mr. Nurmela is currently a member of the management board of E.N.Co Holdings OÜ, OÜ E.N.Co Retail, E.N.Co Retail SIA, Nurmela & Co Law Firm OÜ, OÜ Coffee Distribution (under liquidation – liquidator), OÜ Scholar, OÜ Õuehaldus, Korterühistu Telliskivi 2.

Olga Rudzika

Ms. Rudzika was born in 1973 and is a Latvian citizen. She holds a bachelor's degree in English philology and a master's degree in social sciences (public administration) from the University of Latvia. She has been working for the Group since 2001 and has been the managing director of AS Pro Kapital Latvia since 2008. Her business address is c/o AS "Pro Kapital Latvia", Pulkveža Brieža street 15-12, Riga, Latvia.

In addition to being a member of the management board of several Group Companies, Ms. Rudzika is currently a member of the board of Condominium's Dzīvokļu īpašnieku kooperatīvā sabiedrība "Kuģu 26".

Neringa Rasimaviciene

Ms. Rasimaviciene was born in 1973 and is a Lithuanian citizen. She holds a bachelor's degree in International Trade from International Business School of Vilnius University and graduated from Management School at "Johnson & Wales" University in United States. She has been working for the Group since 2001, been acting as a member of the management board and general manager of PK Invest UAB since 2006, and is a member of the management board and director of Pro Kapital Vilnius

Real Estate UAB since 2008. Her business address is c/o Pro Kapital Vilnius Real Estate UAB, Agonuų g. 12, LT03213 Vilnius, Lithuania.

Ms. Rasimaviciene has not been a member of any management or supervisory bodies outside of the Group Companies in the previous 5 years.

14.4 Conflicts of Interests

None of the members of the Management Board or Supervisory Council have a private interest that may be in conflict with the interests of the Company. The Chairman of the Management Board Paolo Vittorio Michelozzi has a financial interest in the Company through his indirect holding of shares in 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 Management Board and the Supervisory Council have duties, as described above, and the Company.

15. REMUNERATION AND BENEFITS

The gross amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted by the Group to the members of the Management Board and the Supervisory Council in 2016 was EUR 872,000 (including income tax).

The gross amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted by the Group to its Senior Management in 2016 was EUR 260 805 (including income tax).

The Group has not set aside or accrued any amounts to provide pension, retirement or similar benefits to any member of the Management Board, the Supervisory Council or the Senior Management.

The remuneration for the members of the Management Board is determined as follows:

- Remuneration of Chairman of the Management Board Paolo Vittorio Michelozzi is determined by the Supervisory Council and agreed in the service contract concluded for three years with the Chairman of the Management Board. The Chairman of the Management Board in addition to his remuneration is compensated accommodation costs of living in Tallinn.
- Remuneration of the member of the Management Board Allan Remmelkoor is determined by the Chairman of the Management Board and approved by the supervisory councils of the group's subsidiary holding companies in Estonia and Latvia and by supervisory council of AS Tallinna Moekombinaat.
- There is no remuneration determined to the member of the Management Board Edoardo Axel Preatoni.

Additionally, bonus systems with Paolo Vittorio Michelozzi and Allan Remmelkoor are agreed, which are based on explicit and pre-determined factors taking place. There is no bonus system agreed with Edoardo Axel Preatoni.

In the opinion of the Company disclosing the remuneration on individual basis for the Management Board would harm the interest of the Company, by allowing this sensitive information to be disclosed to the competitors of the Company.

In addition to the remunerations referred to above, other benefits granted to the members of the Management Board and the Senior Management include:

- benefits required to be granted to the employees pursuant to applicable laws;
- documented expenses incurred by the members of the Management Board related to their tasks are reimbursable by the Group Companies and the members of the Management Board have the right to a compensated holiday of up to 30 days per year;
- right to use company cars or reimbursement of costs of use of cars and compensation of costs of parking;
- compensation of travel expenses;

- compensation of mobile phone costs.

The amount and procedure of payment of remuneration of a member of the Supervisory Council was decided by the annual General Meeting of the shareholders which took place on 17 June 2016. Supervisory Council members are paid EUR 25,000 (gross) per year. Chairman of the Supervisory Council is paid EUR 27,500 (gross) per year. In addition, a fee of EUR 600 (gross) is paid to the Supervisory Council member for each attended meeting. Supervisory Council members are reimbursed their travel and accommodation expenses relating to participation in the Council meetings and in the meetings of committees. No other remuneration or bonuses are paid to members of the Supervisory Council.

16. BOARD PRACTICES

16.1 Term of office

The term of office of the current members of the Management Board and the Supervisory Council, as well as the period during which the person has served in the respective office, is as follows:

Name	Position	Member since	Current term expires
Paolo Vittorio Michelozzi	Chairman of the Management Board	22.11.2001	31.07.2018
Allan Remmelkoor	Member of the Management Board	30.05.2008	16.05.2020
Edoardo Axel Preatoni	Member of the Management Board	01.03.2016	28.02.2019
Emanuele Bozzone	Chairman of the Supervisory Council	05.07.2010	05.07.2019
Pertti Huuskonen	Member of the Supervisory Council	13.04.2012	05.07.2019
Petri Olkinuora	Member of the Supervisory Council	13.04.2012	05.07.2019

16.2 Service Contracts of the Members of the Management

Under their service and employment agreements, the following members of the Management Board are entitled to compensation in the event of their dismissal from the Management Board:

- Chairman of the Management Board Paolo Vittorio Michelozzi is entitled to a compensation in the amount of 24 monthly fees (i) upon expiration of his term, if he is not elected to the Management Board for the subsequent term on equivalent terms, (ii) if he is removed from the Management Board by the Supervisory Council (unless it is due to a just cause), he dies or the Company is dissolved, or (iii) if he applies for the resignation from the Management Board for the reason that the Company has breached obligations towards him arising from his service agreement, the laws, Company's Articles of Association, resolutions of the Supervisory Council, the Management Board or the General Meeting;
- member of the Management Board Allan Remmelkoor is entitled to a compensation in the amount his 8 months' fixed remuneration payable to him by the Company (i) upon expiration of his term, if he is not elected to the Management Board for the subsequent term or (ii) if he is removed from the Management Board by the Supervisory Council (unless he is removed due to the breach of his duties or if he has applied for his removal).

Members of the Supervisory Council are not entitled to any compensation upon dismissal from the Supervisory Council.

16.3 Audit Committee and Remuneration Committee

Pursuant to Estonian laws a company whose shares are admitted to trading on a regulated market must have an audit committee. Audit committee is an advisory body of the Supervisory Council in matters involving accounting, auditing, risk management, internal control and audit, budget preparation and exercising oversight over the legality of the activities of the Company. The audit committee of the

Company operates in accordance with Estonian laws and its charter that has been adopted by the Supervisory Council on 16 May 2012.

The function of the audit committee is to monitor and analyse:

- the processing of financial information;
- the efficiency of risk management and internal control;
- the process of auditing of annual accounts and consolidated accounts;
- the independence of an audit firm and a sworn auditor representing the audit firm on the basis of legal acts, and compliance of the activities thereof with other requirements arising from the Auditors Activities Act (Est. audiitortegevuse seadus).

The audit committee is required to make recommendations or proposals to the Supervisory Council regarding the following issues:

- appointment or removal of an audit firm;
- appointment or removal of an internal auditor;
- prevention or elimination of problems and inefficiencies in an organization;
- compliance with legislation and the good practice of professional activities.

The members of the audit committee are elected or removed by the Supervisory Council. Currently the members of the audit committee are Emanuele Bozzone and Pertti Huuskonen.

The Company has a remuneration committee consisting of two members – Emanuele Bozzone and Petri Olkinuora. The remuneration committee was formed by a resolution of the Supervisory Council for advising the Supervisory Council regarding remuneration and benefits of the Management Board.

16.4 Compliance with the Corporate Governance Regime

Corporate governance constitutes of a system of principles for the management of the Company. Such principles are regulated by legal acts, the Articles of Association, the internal rules of the Company, and the Corporate Governance Recommendations issued by the Estonian Financial Supervision Authority.

The Company complies with the Estonian legal acts setting forth the requirements to corporate governance as well as its Articles of Association.

The Company should, in accordance with the “Comply or Explain” principle, confirm its compliance with the Corporate Governance Recommendations or explain the reasons for its noncompliance. The Company hereby confirms the compliance with the Corporate Governance Recommendations, except to the extent of non-compliance as described and explained below:

- The Company has not followed the recommendation to make participation in the General Meeting possible by means of communication equipment (Internet). The reason for not following the recommendation is that there is no good and cost-efficient technical solution to verify the identities of foreign shareholders, who form the majority of the Company’s shareholders. Therefore, allowing the participation of the shareholders by means of communication equipment poses legal risks to the Company, in verifying the list of participants of the shareholders’ meeting.
- The Company has only partially followed the recommendation for the Chairman of the Supervisory Council to conclude a contract of service with each member of the Management Board for the discharge of their functions. Members of the Management Board Allan Remmelkoo and Edoardo Preatoni do not have a service contract with the Company. The subsidiary holding companies in Estonia and Latvia, and AS Tallinna Moekombinaat have concluded service contracts with Allan Remmelkoo. Allan Remmelkoo is also the Management Board member of Estonian and Latvian subgroup holding companies. Member of the Management Board Edoardo Preatoni has not concluded service contract with any subsidiary of the Company.
- The Company has not followed the recommendation to publish the basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) in clear and unambiguous form on website of the Company and in the

Corporate Governance Recommendations Report. The Company is of the opinion that disclosing the remuneration on individual basis for the Management Board would harm the interest of the Company, by allowing this sensitive information to be disclosed to the competitors of the Company. Same practice of non-disclosure is used by most of the Nasdaq Tallinn listed companies. The Company is publishing in the annual report of the Company the remuneration of all management board and supervisory council members of all group companies as an aggregate amount.

Further information on the compliance can be found in the Annual Reports, including the Corporate Governance Recommendations Reports added thereto. Please see:

- pages 21-35 of the 2016 Annual Report and
- pages 20-33 of the 2015 Annual Report.

17. EMPLOYEES

17.1 Number of Employees

The following table presents the number of employees at the end of the financial years of 2015 and 2016, at the end of the second quarter of 2017, broken down by geographical coverage and business segments:

	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Country				
* Estonia	42	41	38	39
* Latvia	28	26	24	24
* Lithuania	10	10	10	9
* Germany	44	44	36	35
Business segment				
* Real estate	36	35	30	30
* Hotels ⁵	81	79	71	70
* Rent	N/A	N/A	N/A	N/A
* Maintenance and other	7	7	7	7
TOTAL	124	121	108	107

Source: Reports, the Company

17.2 Shareholdings and Stock Options

Participation of the members of the Management Board, Supervisory Council and Senior Management in the Company's share capital as at 30 June 2017 is as follows:

	Number of Shares	Participation in %
Paolo Vittorio Michelozzi	252,647	0.47%
Allan Remmelkoor	0	0
Edoardo Axel Preatoni	0	0
Emanuele Bozzone (Chairman of Council)	0	0
Pertti Huuskonen	12 553	0.02%
Petri Olkinuora	0	0
Angelika Annus	0	0

⁵ On 25 July 2017, the Company concluded the contracts for the sale of group hotels PK Ilmarine and PK Riga. As a result, the Company exited Tallinn hotel market in July 2017 and Riga hotel market in August 2017. For further details, please see Section 22 (Material Contracts) of the Prospectus.

Ervin Nurmela	0	0
Olga Rudzika	0	0
Neringa Rasimaviciene	0	0

Source: the Estonian Central Register of Securities, the Company

None of the above-referred persons has any stock options enabling them to acquire any shares of the Company.

17.3 Arrangements for Involving the Employees in the Capital of the Company

The Company has not made any arrangements for involving the employees in its capital.

18. MAJOR SHAREHOLDERS

According to the data provided in the Company's list of shareholders maintained in the Securities Register, as at the date of the Prospectus, the Company has issued a total of 54,271,722 shares with the nominal value EUR 0.20.

As of 31 July 2017, the shares were held in 82 securities accounts opened with the Securities Register, including 15 nominee accounts.

The following table provides information on shareholders of the Company having more than 5% of authorised capital of the Company as of 31 July 2017:

Shareholder	Number of shares	Participation
Nordea Bank Ab Finland Branch-Non-Treaty Clients	25,135,426	46.31%
Eurofiduciaria S.R.L.	6,770,370	12.47%
OÜ Svalbork Invest	5,994,539	11.05%
Clearstream Banking Luxembourg S.A. Clients	4,883,075	9.00%

Source: the Estonian Central Register of Securities

According to the knowledge of the Management Board, none of the shareholders of the Company have any different voting rights compared to other shareholders of the Company.

As at 30.06.2017, the largest shareholders of AS Pro Kapital Grupp are Mr. Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as at the date of the Prospectus, Mr. Ernesto Preatoni and his affiliates control 38.94% of shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Mr. Preatoni because the Management Board believes that Mr. Preatoni can control the use of voting rights by such persons:

- OÜ Svalbork Invest, Estonian company controlled by Mr. Ernesto Preatoni, which holds 5,994,539 Shares representing 11.05% of the total shares of the Company;
- Katmandu Stiftung, Liechtenstein company controlled by Mr Ernesto Preatoni which holds 2,149,681 Shares representing 3.96% of the total shares of the Company;
- 12,600,885 Shares representing 23.22% of the total shares of the Company, which are held through a nominee account opened by Nordea Bank Finland PLC;
- Eginvest Limited, Liechtenstein company controlled by Mr Ernesto Preatoni which holds 389,980 Shares representing 0.72% of the total shares of the Company.

To ensure that the control over the Company is not abused, the Company complies with the Estonian Commercial Code and the Estonian Securities Market Act. In addition, the Company acts in compliance with the rules of Nasdaq Tallinn. There are no other measures in place to ensure that the above control is not abused.

As of the date of the Prospectus, the Company is not aware of any existing agreements between the shareholders of the Company or other agreements, the operation of which may at a subsequent date result in a change in the control over the Company.

19. RELATED PARTY TRANSACTIONS

Transactions with related parties are considered to be transactions between the entities within the consolidated Group, its shareholders, the members of the Supervisory Council and the Management Board, their families and the companies in which they hold majority interest or have significant influence.

The amount of transactions with related parties that have occurred since the end of the last financial period for which audited financial information have been published (i.e. from 31.12.2016) is indicated in the unaudited Interim Report (*Note 16. Transactions with related parties*), which is available on the website of the Company at <http://prokapital.com/investors/financials/financials/?lang=en>.

The related party transactions concluded since 1 January 2017 include the following:

- On 24 January 2017, AS Pro Kapital Eesti, a company belonging to group of companies of AS Pro Kapital Grupp, concluded a contract with Katmandu Stiftung for purchase of minority shareholding of its subsidiary AS Tallinna Moekombinaat. Based on the purchase contract AS Pro Kapital Eesti bought 300,000 of the A-shares of AS Tallinna Moekombinaat for EUR 480,000, which represents 1.4% of all AS Tallinna Moekombinaat shares. The shares were paid for on 24 January 2017. After the acquisition AS Pro Kapital Eesti holds 93.3% of AS Tallinna Moekombinaat shares.
- On 8 March 2017, the Company decided to redeem 186,495 PKG6 convertible bonds with issue price of EUR 522,186.00.
- On 23 May 2017, the Company decided to redeem 5,937 PKG7 convertible bonds were redeemed with issue price of EUR 16,623.60.

According to the Company's knowledge, no new related party transactions have taken place after 30 June 2017, the Issuer has continued to perform obligations from previously concluded related party transactions.

20. FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 Unaudited Interim Financial Information

The financial position of the Company as at 30 June 2017 is set out in the Interim Report, which is incorporated hereto by reference. The financial statements are electronically available on the website of the Company at <http://prokapital.com/investors/financials/financials/?lang=en>.

20.2 Audited Financial Information

The audited historical financial information covering the years that ended on 31 December 2015 and 31 December 2016, which is set out in the Annual Reports, has been prepared pursuant to the Regulation (EC) No 1606/2002. Accordingly, the audit of the consolidated financial statements for the year ended on 31 December 2016 and the year ended on 31 December 2015 were conducted in accordance with IFRS. The financial statements of the Company are electronically available on the website of the Company at <http://prokapital.com/investors/financials/financials/?lang=en>.

The following tables provide information on the financial position and comprehensive income of the Group and the Company.

<i>in thousands of euros</i>	The Group			The Company		
	31 December			31 December		
	2016	2015	2014	2016	2015	2014
ASSETS						
Total Current Assets	24,001	20,438	18,879	3,790	5,777	3,168
Total Non-Current Assets	118,313	109,885	106,152	50,545	48,867	47,107
Total Assets	142,314	130,323	125,031	54,335	54,644	50,275

LIABILITIES AND EQUITY						
Total Current Liabilities	19,541	15,150	22,839	29,597	29,035	29,778
Total Non-Current Liabilities	42,569	31,741	16,404	77,876	72,687	62,323
Total Liabilities	62,110	46,891	39,243	107,473	101,722	92,101
Total equity	80,204	83,432	85,788	-53,138	-47,078	-41,826
Total Liabilities and Equity	142,314	130,323	125,031	54,335	54,644	50,275

Source: the Annual Reports

<i>in thousands of euros</i>	The Group			The Company		
	2016	2015	2014	2016	2015	2014
Revenue	20,652	18,322	10,335	523	385	371
Gross profit	6,054	4,448	2,495	523	385	345
Marketing expenses	-518	-466	-446	-38	-20	-45
Administration expenses	-5,396	-5,250	-5,160	-1,799	-1,735	-1,906
Other operating income	254	3,353	29,050	10	1	0
Other operating expenses	-703	-661	-80	-5	-26	-38
Operating Profit	-309	1,424	25,859	-1,309	-1,395	-1,618
Profit before Tax	-3,808	-1,169	23,143	-6,220	-5,467	-5,087
Profit for the Year	-4,025	-2,010	21,235	-6,220	-5,467	-5,087

Source: the Annual Reports

20.3 Summary of Independent Auditor's Reports

The separate and consolidated financial statements of the Company for the years, which ended on 31 December 2015 and 31 December 2016, which are set out in the Annual Reports and incorporated by reference to this Prospectus, have been audited by AS Deloitte Audit Eesti, who issued independent auditor's reports thereon, stating that in the opinion of the auditor, these financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and 31 December 2015 respectively, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission. Complete statements of auditor's opinions are annexed to the Annual Reports, which are incorporated by reference to this Prospectus.

No other information has been audited.

20.4 Dividend Policy

The Company has historically been financing its operations mainly from retained earnings. Hence there have been limited dividend payments in the past. For the year 1998 dividends in amount of 345 123 euros were paid and for 2004 dividends in amount of 2 039 501 euros were paid.

No dividends have been distributed by the Company since 2015.

Based on current management forecast on future operating results, the management estimates to propose to the shareholders to start regular dividend payments starting for the financial year 2019. Provided the forecasted operating results are exceeded, regular dividend payment proposal may be made also for the financial year 2018. It should be considered that dividend payments depend on the Company's results of operations, financial condition, cash requirement, future prospects, profits available for distribution, debt covenants and other factors deemed by the management to be relevant at the time.

The Management Board may make a proposal for the amount of dividends to be distributed. The Supervisory Council has the right to amend such proposal and the proposal is ultimately to be approved by the general meeting of shareholders.

Nevertheless, each Investor must acknowledge that:

- the Company cannot assure that dividends will be paid in the future or if dividends are paid, how much they will amount to. The declaration and payment by the Company of any future dividends and the amount will depend on the Company's results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed by the Management to be relevant at the time;
- Furthermore, the Management Board merely makes a proposal for the amount of dividends to be distributed. The Supervisory Council has the right to amend such proposal and the proposal is ultimately to be approved by the General Meeting.

20.5 Legal and Arbitration Proceedings

Pursuant to the Company's internal policies, it discloses in its financial reporting all pending court litigation disputes, which might have material financial effect on the Company and its share price. As per the policy all disputes which might have financial effect of at least EUR 100,000 (at once or during the period of one financial year) are disclosed in the reporting.

According to the opinion of the Management Board, neither the Company nor any of its Subsidiaries have, during the 12 months preceding the date of this Prospectus, been or are currently involved in:

- any disputes which might have financial effect of at least EUR 100,000 (at once or during the period of one financial year), or
- any other material governmental, legal or arbitral proceedings (including any such proceedings which are pending or threaten of which the Company is aware) or material disputes which may have or have had a significant adverse effect on the business, results of operations or financial position or profitability of the Company and/or the Group as a whole.

20.6 Significant change in the Company's financial or trading position

There have been no significant changes in the Group's financial or trading position, which has occurred since 30 June 2017, except for the sale of PK Ilmarine and PK Riga hotels, which have affected positively the cash position of the Group and reduced the liabilities of the Group, but which will have a negative effect on the revenue and profit of the Group in the future.

21. ADDITIONAL INFORMATION – SHARE CAPITAL

21.1 Share Capital

According to its articles of association, the Company's share capital shall be no less than EUR 6,000,000 and not more than EUR 24,000,000. The Company's current share capital amounts to EUR 10,854,344.40. It is divided into 54,271,722 shares with a par value of EUR 0.2. The Company does not have any other classes of shares other than ordinary shares. The share entitles the holder to one vote per share. The shares are denominated in EUR.

The Shares have been issued under the laws of the Republic of Estonia and registered in book-entry form in the Securities Register. All shares of the Company are fully paid and grant their owners equal rights set by the legal acts and Statutes of the Company.

The Company has not issued shares, not representing its capital.

The Company has no shares of its own, held by itself or which are held on behalf of the Company or which are held by the Subsidiaries.

The Company has issued the following convertible bonds:

Name	No. of bonds	Issue price (EUR)	Registration date	Maturity	Interest rate (%)	Payment interval
Pro Kapital Grupp convertible bond PKG1 13.08.2013	1,081,076	2.8	13.08.2009	13.08.2019	7.0	twice a year
Pro Kapital Grupp convertible bond PKG2 20.01.2014	378,070	2.8	20.01.2010	20.01.2018	7.0	twice a year

Pro Kapital Grupp convertible bond PKG3 10.08.2014	840,184	2.8	10.08.2010	10.08.2018	7.0	twice a year
Pro Kapital Grupp convertible bond PKG4 16.09.2014	516,029	2.8	16.09.2010	16.09.2018	7.0	twice a year
Pro Kapital Grupp convertible bond PKG5 29.11.2014	383,634	2.8	29.11.2010	29.11.2018	7.0	twice a year
Pro Kapital Grupp convertible bond PKG6 08.03.2015	382,778	2.8	07.03.2011	08.03.2019	7.0	twice a year
Pro Kapital Grupp convertible bond PKG7 25.05.2015	82,950	2.8	25.05.2011	25.05.2019	7.0	twice a year

Remaining total value of issued bonds as of date of this prospectus is 10,261 thousand euros.

Each convertible bond entitles the holder to redeem and exchange one bond to one share of the Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by AS Pro Kapital Grupp.

To subscribe for the shares of the Company and exchange the bonds, the bondholder must submit an application to the Company at least 10 (ten) Business Days before the Exchange Date. The Exchange Date shall be each Business Day (a day other than (a) a Saturday, (b) a Sunday, (c) Estonian national holiday, (d) public holiday or (e) another day when the registrar of the Register does not register securities) until the expiration date of the Bond, i.e. until the date of its redemption.

Exchange Application must contain following information:

- the Bondholder's name, registration code or personal identification code (or date of birth if the Subscriber does not have Estonian personal identification code);
- contact data of the Bondholder (including at least address, e-mail, phone number);
- the securities' account (kept with the Register) in which the Bonds are registered and the Shares must be registered;
- the amount of the Bonds that shall be exchanged to Shares.

The Company has not issued any acquisition rights and has no obligations over authorised but unissued capital or an undertaking to increase the capital.

Any capital of any member of the Group is not under option or agreed conditionally or unconditionally to be put under option.

Amendments to share capital of the Company since 2015 are set out in the following table:

Registration of the amended share capital	Amendment	Share capital prior to the amendment (EUR)	Share capital after the amendment (EUR)
09 November 2015	The Company issued 97,363 shares, with nominal value EUR 0.20 per share. Share capital was increased by EUR 19,472.6	10,821,315.00	10,840,787.60
19 December 2016	The Company issued 67,784 shares, with nominal value EUR 0.20 per share. Share capital was increased by EUR 13,556.8	10,840,787.60	10,854,344.40

21.2 Articles of Association

Objects and Purposes, Fields of activity

The Company's objects and purposes do not have to be set forth in its Articles of Association. Following the applicable Estonian laws, the planned principal activity of the Company is notified with the Commercial Register upon its establishment. Upon submission of an annual report to the Commercial

Register, the annual report must indicate the fields of activity during the financial year that has ended and the planned fields of activity during the following financial year. If the company's fields of activity change in the middle of a financial year, notice must be given of changes in the fields of activity upon submission of the annual report.

Pursuant to the 2016 Annual Report, the fields of business activity of the Company are:

- activities of holding companies;
- purchase and sales of real estate;
- rent and operation of real estate;
- management of real estate;
- hotel operations⁶.

The Company has not amended its fields of business activity after 2016.

Governing Bodies and their Authority

Pursuant to Part 4, 5 and 6 of the Articles of Association, corporate bodies of the Company are:

- the General Meeting;
- the Supervisory Council;
- the Management Board.

According to Article 4.8 of the Articles of Association, the General Meeting is competent to:

- (i) amend the Articles of Association;
- (ii) increase and reduce share capital;
- (iii) issue convertible bonds;
- (iv) elect and remove members of the Supervisory Council;
- (v) elect an auditor;
- (vi) designate a special audit;
- (vii) approve the annual report and distribute profits;
- (viii) amend the rights attaching to a type of shares;
- (ix) decide on the dissolution, merger, division or transformation of the Company;
- (x) decide on other matters placed in the competence of the General Meeting by law.

A resolution of a General Meeting is adopted if over one-half of the votes represented at the General Meeting are in favour unless the law prescribes a greater majority requirement. The resolutions indicated in items (i), (ii) and (ix) of the above list as well as the decision to remove the Supervisory Council members require the qualified majority of at least 2/3 votes represented at the General Meeting. The decision to cancel pre-emptive right to subscribe for new shares requires the qualified majority of at least 3/4 votes represented at the General Meeting. In the election of a person at the General Meeting, the candidate who receives more votes than the others shall be deemed to be elected.

Pursuant to Section 5 of the Articles of Association, the Supervisory Council is a directing body of the Company which plans the activities of the Company, organises the management of the Company and supervises the activities of the Management Board. The Supervisory Council is accountable before the shareholders of the Company (acting through the General Meeting).

In accordance with the Commercial Code, before the annual General Meeting is held, the Supervisory Council must review the annual accounts and provide the General Meeting with a written report on the annual accounts indicating whether Supervisory Council approves the accounts but also providing information on how the Supervisory Council has organised and supervised the activities of the

⁶ On 25 July 2017, the Company concluded the contracts for the sale of group hotels PK Ilmarine and PK Riga. As a result, the Company exited Tallinn hotel market in July 2017 and Riga hotel market in August 2017. For further details, please see Section 22 (Material Contracts) of the Prospectus.

Company. In practise, the referred report is made available along with the notice on convocation of the annual General Meeting.

The Supervisory Council shall have the minimum of three (3) and the maximum of seven (7) members. The members of the Supervisory Council shall be elected by the General Meeting for a term of up to five (5) years. A member of the Supervisory Council may be removed by a resolution of the General Meeting regardless of the reason.

Following Article 5.14 of the Articles of Association, the Management Board needs the consent of the Supervisory Council for concluding transactions which are beyond the scope of everyday economic activities of the Company and, above all, for concluding transactions which bring about:

- the acquisition or termination of holdings in other companies; or
- the acquisition, transfer or dissolution of a business; or
- the transfer of immovables or registered movables the value whereof exceeds 300,000 euros, and encumbrance of immovables or registered immovables (of any value); or
- the foundation or closure of foreign branches; or
- the making of investments exceeding a prescribed sum of expenditure for the current financial year; or
- the assumption of loans or debt obligations exceeding a prescribed sum for the current financial year (except intra-group loans); or
- the granting of loans or the guarantee of debt obligations (except intra-group loans) if this is beyond the scope of everyday economic activities.

The General Meeting may grant the Supervisory Council the right to increase share capital to the extent and pursuant to the procedure provided by the Commercial Code.

Pursuant to Section 6 of the Articles of Association, the Management Board is a directing body of the Company which represents and directs the Company. The Management Board must have one (1) to five (5) members. The members of the Management Board are elected and removed by a resolution of the Supervisory Council. The term of authority of a member of the Management Board is three (3) years unless the Supervisory Council decides otherwise. To elect a member of the Management Board, his or her written consent is required.

Each member of the Management Board may represent the Company alone in all legal acts. The Management Board appoints and dismisses the Company's directors and person responsible for accounting (the executive management). The Management Board approves the scope of authority of such persons.

Rights, Preferences and Restrictions Attaching to Shares

The Company has one class of shares. The rights conferred by the shares of the Company are as follows:

- to receive a portion of the Company's profit (dividends);
- to receive the Company's funds when the capital of the Company is reduced with a view to paying out the Company's funds to the shareholders;
- to receive shares without payment if the capital is increased from the shareholders' equity (bonus issue);
- to have a pre-emption right in acquiring the shares or convertible debentures issued by the Company, except in the case when the General Meeting decides to withdraw the pre-emption right for all the shareholders;
- to receive a part of the assets of the Company in liquidation;
- to attend General Meetings;
- to vote at General Meetings according to voting rights carried by their shares;
- to receive information on the activities of the Company from the Management Board at the General Meeting, unless this may cause significant damage to the interests of the Company;

- to demand the calling of a General Meeting, if this is demanded by shareholders whose shares represent at least one-twentieth of the share capital of the Company;
- to call a General Meeting, if the Management Board does not call a General Meeting within one month after receipt of such a demand by shareholders whose shares represent at least one-twentieth of the share capital of the Company;
- to demand at the General Meeting a resolution on conduct of a special audit on matters regarding the management or financial situation of the Company, if this is demanded by shareholders whose shares represent at least one-tenth of the share capital of the Company;
- other property and non-property rights set out in the Commercial Code.

All shares of the Company confer equal rights to all the shareholders.

The rights attached to shares may be amended by amending the Articles of Association. The respective resolution may be adopted by the General Meeting if at least 2/3 of all votes present at the General Meeting are in favour thereof.

General Meetings

The right of initiative to convene the General Meeting is vested in the shareholders representing at least 1/20 of the share capital, the Supervisory Council or the auditor. As a rule, the General Meetings are convened by a decision of the Management Board. However, If the Management Board fails to convene the extraordinary General Meeting within one month after the receipt of a relevant demand from the shareholders (or the Supervisory Council or the auditor), then the respective shareholders (or, respectively, the Supervisory Council or the auditor) have the right to convene the extraordinary General Meeting themselves.

Pursuant to law and the Articles of Association, an annual General Meeting shall be called by the Management Board once a year but not later than six months after the end of the financial year. An extraordinary General Meeting shall be called in the cases and pursuant to the procedure provided by the Commercial Code. An application for calling an extraordinary General Meeting shall be submitted to the Management Board of the Company in writing. The Management Board of the Company shall give the shareholders notice of an extraordinary General Meeting as prescribed by law.

The Management Board shall send a notice of the General Meeting to the addresses entered in the share register or shall publish a relevant notice in a daily national newspaper. A notice of the General Meeting shall be prepared in accordance with the Commercial Code. A General Meeting shall be held at the seat of the Company or in another location specified by the Management Board. The General Meeting may adopt resolutions if over one-half of the votes represented by shares are present. If the required number of shares is not present, the Management Board shall call a new meeting with the same agenda within three weeks but not earlier than after seven days. The new General Meeting is competent to adopt resolutions regardless of the votes represented at the meeting.

The annual General Meeting is held once a year pursuant to the procedure and at the time set forth by law and the Articles of Association. Even though according to the Commercial Code the annual General Meeting must be held within six months as from the end of a financial year, the Securities Market Act further specifies that the audited annual accounts of listed and publicly traded companies must be made public within four months as from the end of a financial year. In accordance with the Commercial Code, before the annual General Meeting is held, the Supervisory Council must review the annual accounts and provide the General Meeting with a written report on the annual accounts indicating whether the Supervisory Council approves the accounts or not but also providing information on how the Supervisory Council has organised and supervised the activities of the management of the Company.

The Management Board must call an extraordinary General Meeting, if: (i) the net assets of the Company are less than one-half of the share capital or less than EUR 25,000; or (ii) this is demanded by shareholders whose shares represent at least one-twentieth of the share capital; or (iii) this is demanded by the Supervisory Council or the auditor; or (iv) this is clearly in the interests of the Company. Nevertheless, an extraordinary General Meeting shall not be called if the time between becoming aware of the decrease of assets or submission of the demand and the annual General Meeting is less than two months.

A notice on convocation of a General Meeting shall be given at least three weeks in advance through Nasdaq Tallinn distribution system as a material event, and is also to be published on the Company's

website <http://prokapital.com>. According to applicable Estonian law, the notice on convening the General Meeting must also be published in at least one national daily newspaper in Estonia.

Once the Shares will be listed on the WSE, a notice of convocation of the General Meeting is to be also made public through the WSE stock exchange information distribution system as a material event as well.

According to the Commercial Code, if there is a material breach of the requirements of convening a General Meeting, such General Meeting does not have the capacity to adopt resolutions, except if all the shareholders participate at the meeting. Resolutions adopted at such meeting are void unless the shareholders with respect to whom the procedure for calling the General Meeting was violated approve of the resolutions.

As a rule, the agenda of a General Meeting is determined by the Supervisory Council. However, if the General Meeting is convened by the shareholders or the auditor, the agenda is determined by them. Furthermore, the Management Board or the shareholders whose shares represent at least 1/20 of the share capital of the Company may demand the inclusion of a certain item in the agenda. An item which is initially not in the agenda of a General Meeting may be included in the agenda upon the consent of at least 9/10 of the Shareholders who participate in the General Meeting if their shares represent at least 2/3 of the share capital.

A General Meeting may adopt resolutions if shareholders who own over one-half of the votes represented by shares participate in the General Meeting. If an insufficient number of shareholders are present, the Management Board shall, within three weeks but not earlier than after seven calendar days, call another meeting with the same agenda. This General Meeting is competent to adopt resolutions regardless of the number of votes represented at the meeting.

The set of shareholders entitled to take part in a General Meeting shall be determined as at the seventh calendar day before the date of holding the General Meeting. A shareholder in person or a representative of a shareholder may participate in a General Meeting. The representation right of a representative must be proven with a written document (proxy) or the Company must be notified thereof in a secure manner, if the Company provides with such a possibility. The participation of a representative does not deprive the shareholder of the right to participate in the General Meeting.

A person attending the General Meeting and entitled to vote must present a document which is a proof of his identity. A person who is not a shareholder must additionally present a document attesting to his right to vote at the General Meeting.

Miscellaneous

The Articles of Association does not contain any provision that would have an effect of delaying, deferring or preventing a change in control of the Company.

The Articles of Association does not contain any provision governing the ownership threshold above which shareholder ownership must be disclosed.

The information on shareholder ownership must be disclosed following the procedure stipulated in § 185 to 187¹ of the Securities Market Act.

Conditions governing changes in the share capital of the Company are set according to the applicable laws. The Articles of Association does not provide for any special conditions in this respect.

However, section 2.1 of the Articles of Association foresee that the Company's authorised share capital must be at least EUR 6,000,000 and not more that EUR 24,000,000. This means that within the limits of the indicated minimum and maximum authorised share capital, the Company's authorised share capital may be increased or reduced, without amending the Articles of Association.

22. MATERIAL CONTRACTS

Following is a summary of the material contracts concluded by the Group since 2015:

- On 2 April 2015, the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the company. The Management Board was authorized to issue the bonds in several tranches maximum up to 50 million euros. On 20 April 2015, the Management Board decided to announce the start of the subscription process of the first

tranche of the bonds in amount of 10 – 15 million euros. On 27 May 2015, the Management Board decided on the allocation of the first subscription of the bonds with issue price 7 million euros with redemption date on 1 June 2020. The company applied respectively for the listing of the bonds on Nasdaq Stockholm and starting from 8 July the bonds were listed.

- On 25 May 2015, the Company prolonged the redemption date of 88,887 PKG7 convertible bonds by 2 years. New redemption date was set to occur on 25 May 2017.
- On 29 May 2015, the subsidiary of the Company AS Tallinna Moekombinaat signed a contract for performing the design and construction works of a shopping and entertainment centre T1, located at Peterburi road 2, Tallinn, Estonia, with AS Merko Ehitus Eesti, 100% owned subsidiary part of AS Merko Ehitus group. The works started in June 2015. The value of the contract is approximately 70 million euros, plus value added tax.
- On 28 July 2015, the Management Board decided on the allocation of the second subscription of secured, callable, fixed rate bonds with total nominal value 6,400,000 euros and issue price 6,483,911 euros with redemption date on 1 June 2020.
- On 6 August 2015, the Management Board prolonged the redemption date of 1,164,807 PKG1 convertible bonds by 2 years. New redemption date was set to occur on 13 August 2017.
- On 25 September 2015, the extraordinary General Meeting decided to issue 97,363 new shares with subscription price 2,20 euros/share. The right to subscribe for the new shares was given to the member of the Management Board Paolo Michelozzi. During the offering period, all shares were subscribed with total value of 214,200 euros.
- On 28 December 2015, subsidiary of the Company AS Tondi Kvartal concluded the contract for purchase of minority shareholding of 35% in its subsidiary OÜ Marsi Elu from Katmandu Stiftung, Liechtenstein company controlled by Mr Ernesto Preatoni. As a result, AS Tondi Kvartal acquired 100% of the share capital of OÜ Marsi Elu. In addition, AS Tondi Kvartal refinanced the shareholder loan of 1,000,000 euros granted by the minority shareholder and accrued interest.
- On 19 January 2016, the Company prolonged the redemption date of 378,070 PKG2 convertible bonds by 2 years. New redemption date was set to occur on 20 January 2018.
- In March 2016, the Management Board decided on the allocation of the third subscription of secured, callable, fixed rate bonds with nominal value of 900,000 euros and total issue price of 919,726 euros with redemption date on 1 June 2020. After the third subscription, the total nominal value of the issued bonds was 14.3 million euros.
- In May 2016, the Management Board of AS Pro Kapital Grupp decided on the allocation of the fourth subscription of secured, callable, fixed rate bonds with nominal value of 15,000,000 euros and total issue price of 15,083,333 euros with redemption date on 1 June 2020. After the fourth subscription, the total nominal value of the issued bonds is 29.3 million euros.
- On 13 June 2016, the group company Kliversala SIA concluded a construction agreement for River Breeze Residence in Riga, Kliversala district. Construction was started in July with total period of 18 months and presumed commissioning in winter 2017-2018. The volume of the construction agreement is 12.6 million euros excluding VAT. Total area of the building is 12 850 square meters, it has 7 floors with 47 apartments, areas ranging from 56 to 316 square meters, and 2 underground parking sites.
- On 17 June 2016, the General Meeting decided to increase the share capital of AS Pro Kapital Grupp by issuing the new shares in amount of 67,784 shares with price 2.37 euros per share. During the offering period 20 - 22 June 2016 in total 33,892 shares were offered for subscription with the right to subscribe issued to Paolo Vittorio Michelozzi, the Member of the Management Board. All offered shares were subscribed with total value of 80,324.04 euros.
- On 10 August 2016, the Company prolonged the redemption date of 840,184 PKG3 convertible bonds by 2 years. New redemption date was set to occur on 10 August 2018.
- On 16 September 2016, the Company prolonged the redemption date of 516,029 PKG4 convertible bonds by 2 years. New redemption date was set to occur on 16 September 2018.

- On 18 November 2016, the group company AS Tallinna Moekombinaat signed a contract for financing the design and construction works of the T1 shopping and entertainment centre, located at Peterburi road 2, Tallinn, with Lintgen Adjacent Investments S.A.R.L., 100% owned subsidiary of San Francisco based private equity firm TPG. The total volume of the financing agreement is 65 million euros to fully fund T1 shopping and entertainment centre project to be opened in autumn 2018. Loan repayment date is 5 years from first utilisation date. Early repayment rights may be exercised after 4 years without early repayment fee. The costs of the financing agreement include fix interest cost and exit costs based on the value of the property.
- On 24 November 2016, AS Pro Kapital Grupp subsidiary OÜ Marsi Elu and Nordecon AS concluded the contract for construction of four residential apartment buildings and semi-underground parking to be located in Kristiine City in Tondi. The cost of the first construction phase will be over three million euros, to which VAT is added. In the first construction phase a 5-story residential building with 31 apartments and semi-underground parking floor shall be completed in December 2017. In addition, OÜ Marsi Elu and Nordecon AS have agreed on option for the three remaining construction phases for 93 additional apartments. The cost of the whole project is more than 10 million euros to which VAT will be added.
- On 29 November 2016, the Company prolonged the redemption date of 383,634 PKG5 convertible bonds by 2 years. New redemption date was set to occur on 29 November 2018.
- On 21 December 2016, AS Pro Kapital Group company AS Pro Kapital Eesti, concluded the contract for purchase of minority shareholding of its subsidiary AS Tallinna Moekombinaat in amount of 343,750 of the A-shares of AS Tallinna Moekombinaat for 550,000 euros, which represents 1.61% of all AS Tallinna Moekombinaat shares. On 24 January 2017, additional purchase agreement was concluded in amount of 300,000 A-shares of AS Tallinna Moekombinaat for 480,000 euros, which represents 1.4 % of all AS Tallinna Moekombinaat shares. After both acquisitions, AS Pro Kapital Eesti holds 93.3% of AS Tallinna Moekombinaat shares. The goal of purchase of the participation was to increase Pro Kapital's shareholding in the company developing T1 shopping and entertainment centre.
- On 12 January 2017, AS Pro Kapital Grupp group company PK Invest UAB has concluded the contract for construction of four residential apartment buildings and underground parking to be located in Vilnius City, in the existing Šaltinių Namai quarter in the Old Town. The price of the construction contract is 10.8 million euros, excluding VAT and works have the duration of 24 months.
- On 3 February 2017, AS Pro Kapital Grupp subsidiary AS Tondi Kvartal and Tarrest LT OÜ concluded the contract for reconstruction of historical caserm building Marsi 6 to an apartment building with 45 flats. The cost of the construction works will be close to 2.5 million euros, to which VAT is added and shall have the duration of ca 1 year.
- On 8 March 2017, the Company prolonged the redemption date of 382,778 PKG6 convertible bonds by 2 years. New redemption date was set to occur on 8 March 2019.
- On 6 April 2017, group company OÜ Marsi Elu notified Nordecon AS to start with the second construction phase of Kristina houses. In the second phase, a 5-story residential building with 31 apartments shall be completed. The planned completion of the works is June 2018 and the price of the construction works is slightly over two million euros, to which VAT is added.
- On 23 May 2017, the Company prolonged the redemption date of 82,950 PKG7 convertible bonds by 2 years. New redemption date was set to occur on 25 May 2019.
- On 25 July 2017, the Company concluded the contracts for the sale of group hotels PK Ilmarine and PK Riga. The object of the transaction is the sale of both operating activities and real-estate of hotels.

The transaction concerning Estonian segment involved the sale of 100% shares of OÜ Hotel Management Services (operator of PK Ilmarine hotel) and sale of real-estate used by PK Ilmarine hotel, including parking.

The transaction concerning Latvian segment involved the conclusion of sale contract for sale of 100% shares of SIA Hotel Management Services (operator of PK Riga hotel) and sale of 100% shares of SIA Investhotel (owner or real-estate of PK Riga hotel).

Buyers of the real-estate related assets are Sisne Invest OÜ in Estonia and SIA Sisne Invest Riga in Latvia and buyers of hotel operating activity are companies connected to BBH Hotel Group OÜ.

The transaction is not a transaction with related party in the meaning of the stock-exchange rules and the Supervisory Council and Management Board are not personally interested in the transaction. The amount of the transaction is EUR 14,114,537, of which EUR 6,878,741.00 is the price for PK Ilmarine hotel (Estonia) and EUR 7,235,796.00 is the price for PK Riga hotel.

As a result of the transaction, the Company has exited the Tallinn and Riga hotel markets.

- On 26 July 2017, a lease agreement was concluded with Selver AS for hypermarket premises within T1 Shopping Centre with the area of proximately 6,000m².
- On 14 August 2017, the Company prolonged the redemption date of 1,081,076 PKG1 convertible bonds by 2 years. New redemption date was set to occur on 13 August 2019.

In addition to the agreements described above, on 13 March 2014, subsidiary of the Company AS Tondi Kvartal sold 35% of all the shares in OÜ Marsi Elu to a financial investor COMBRIMAT Limited, as a result of which AS Tondi Kvartal was holding 65% of the share capital of OÜ Marsi Elu. Price of the transaction was EUR 3500 EUR, which corresponded to the nominal value of the sellable shares and the value of the equity of OÜ Marsi Elu attributable to the transferable shares as of incorporation of the company. The obligation of the buyer, prior to the transfer of the ownership of the shares, was to provide OÜ Marsi Elu with an unsecured shareholder loan in amount of EUR 1,000,000, with repayment date of 5 years and interest of 5% per year. Loan is unsecured.

The Group has raised debt financing under several loan agreements and by issuing bonds and convertible bonds. The Group has also provided collateral to secure the repayment of such debt. Information on the respective agreements and instruments is set out in Section 10 hereof, the 2016 Annual Report in Notes 15-17 and the Interim Report in Note 8.

23. INFORMATION ON HOLDINGS

In addition to the holdings of shares in the Subsidiaries, which are set out in Section 7 (*Organisational Structure*), the Company does not hold in any undertaking a proportion of the capital likely to have a significant effect on the assessment of the Company's own assets and liabilities, financial position or profits and losses.

24. SHARE SECURITIES NOTE

24.1 Working Capital Statement

As at 30 June 2017, the Company's current assets amounted to EUR 37,442 thousand and current liabilities amounted to EUR 18,388 thousand.

In the Company's opinion, its working capital (i.e. the difference between the Company's consolidated current assets and current liabilities), which amounts to EUR 19,054 thousand as at 30 June 2017, is sufficient to meet the Company's needs for at least the next 12 months from the date of the Prospectus.

24.2 Capitalisation and Indebtedness

The capitalisation and indebtedness of the Company as at 30 June 2017 is set out in the table below. The table should be interpreted in conjunction with the Reports and other sections of the Prospectus.

<i>in thousands of euros (unaudited)</i>	<i>as at 30 June 2017</i>
CAPITALISATION	
Total current debt	18,388
Secured	2,999
<i>of which guaranteed</i>	0
unsecured	15,389

Total non-current debt	56,141
Secured	42,741
<i>of which guaranteed</i>	0
unsecured	13,400
Shareholders' equity	77,415
Non-controlling interest	1,449
Equity attributable to equity holders of the parent	75,966
share capital in nominal value	10,854
share premium	1,816
Reserves	10,544
retained earnings	52,752
currency translation adjustment	0
Total Capitalisation	151,944
NET INDEBTEDNESS	
Cash	23
Bank Accounts	3,158
Trading securities	0
Liquidity (1)	3,181
Current financial receivable	4,737
Current bank debt	2,697
Current portion of non-current bank loans	302
Other current financial debt	15,389
Current financial debt (2)	18,388
Net current financial indebtedness (3)	10,470
Non-current bank loans	15,440
Bonds issued	34,722
Other non-current loans	418
Non-current financial indebtedness (4)	50,580
NET FINANCIAL INDEBTEDNESS (5)	61,050
(1) Aggregate of cash and cash equivalents and trading securities	
(2) Aggregate of current bank debt, current portion of non-current debt and other current financial debt	
(3) Current financial debt deducted by current financial receivables and liquidity	
(4) Aggregate of non-current bank loans and other non-current loans (excluding current portion of long-term debt)	
(5) Aggregate of net current financial indebtedness and non-current financial indebtedness	

Source: the Company

24.3 Interest of Natural and Legal Persons Involved in the Issue/Offer

The Prospectus has been prepared solely for the purposes of making the Offering and Admission. The Existing Shareholders may subscribe for the Shares by exercising their pre-emptive rights.

Mr. Paolo Michelozzi plans to subscribe for at least 25,000 Shares for any Offer Price within the Offer Price Range. The Company is not aware whether any major Existing Shareholder, or any other member of the Management Board or Supervisory Council intends to subscribe for any Shares.

No Institutional Investor has taken a binding undertaking to subscribe for the Shares.

The Company is not aware of any other interest, including conflicting ones, of any natural or legal person involved in the Offering, which the Company considers material to the Offering.

24.4 Reasons for the Offer and Use of Proceeds

The Company plans to raise EUR 10.8 million to EUR 13.8 million from the Offering if all Shares will be subscribed for (and the Offer Price will be in the Offer Price Range, i.e. EUR 1.80 to EUR 2.30 per Share). The estimated total expenses of the Offering and Admission amount to approximately EUR 480 thousand to 600 thousand. Thus, the total net proceeds from the issuance of the Shares is expected to amount to approximately EUR 10.3 million to EUR 13.2 million.

The Company plans to use the net proceeds received from the Offering for:

- (1) financing the Group's existing real estate development activities (please see section 6.2) and
- (2) general corporate purposes (i.e. for strengthening the working capital of the Company).

The Company has not made any firm determination regarding the allocation of the proceeds between the real estate development activities and general corporate purposes. As at the date of the prospectus, the Company contemplates using the proceeds as follows:

- 50 – 100% for financing the Group's existing real estate development activities;
- 0 – 50% for general corporate purposes.

The allocation between the existing development projects (i.e. T1 shopping centre, Ülemiste 5, Tondi Quarter, Kalaranna District, Tallinas Quarter, Kliversala District, Zvaigznes Quarter, Šaltinių Namai) has not been determined by the Company. The allocation will be made by the Company based on the progress of each project (e.g. obtaining necessary licenses, progress in construction and the ability to finance each project from other sources) and the real estate market conditions, including (a) the Group's ability to receive positive cash-flow from each development project that could be applied for the development of other projects, (b) the Group's ability to finance each project from other sources (e.g. by debt financing), (c) any changes in the market conditions affecting each development project etc.

24.5 Information Concerning the Securities to be Offered and Admitted to Trading

Description of Shares

Type of the Shares:	ordinary registered shares with a nominal value of EUR 0.20 each
ISIN number:	EE3100006040 (the Shares will be given a temporary ISIN for the period until the completion of the increase of the Company's share capital and issuance of the Shares, such ISIN is not known at the date of the prospectus)
Number of Shares:	6,000,000
Currency of Shares:	EUR
Form of Shares:	registered dematerialised shares in book-entry form held in the Securities Register
Applicable laws:	the Shares are created and issued under Estonian laws

Rights attached to Shares

All the Shares and other existing shares of the Company rank *pari passu* (at an equal pace without preference) with each other regarding property and non-property rights they grant to shareholders. Exercise of rights granted by the Shares may be limited only on the grounds and under the procedure prescribed by laws. The Articles of Association do not provide for any exceptions to this rule.

The list of the shareholders' rights indicated in the Articles of Association is provided in Section 21.2 (Articles of Association). Below is the brief description of certain material rights of the Company's shareholders.

Dividend Rights

Pursuant to the Commercial Code, the Company may distribute its profits by paying dividends.

All the shareholders of the Company have the right to participate in the distribution of profit of the Company and have the right to receive dividends proportionally to their shareholdings in the Company. If the share is not fully paid-up and the time limit for the payment has expired, no dividend is paid.

Resolving the distribution of profit and the payment of dividends is in the competence of the General Meeting. The resolution of the distribution of profit and the payment of dividends is adopted based on the approved annual report for the preceding financial year, whereas according to the Commercial Code, the Management Board is under an obligation to make a proposal for the distribution of profit and the payment of dividends in the annual reports or in a separate document accompanying the annual reports. Such a proposal of the Management Board is subject to a review by the Supervisory Council, which is entitled to introduce amendments to the proposal.

The resolution regarding distribution of profit and payment of dividends must include the following information:

- the amount of net profit;
- the payments into the statutory capital reserve;
- the payments into other reserves if such exist according to applicable law or the Articles of Association (which is not the case for the Company);
- the amount of profit being distributed among the shareholders; and
- using the profit for other purposes, if applicable.

The shareholders who are entitled to participate in the distribution of profit and receive dividends shall be determined based on the list of shareholders as maintained in the Securities Register, which is fixed on the date determined by the General Meeting resolving the distribution of profit. The list of shareholders shall be fixed as at the end of the respective trading day.

While distributing profit and making dividend payments to the shareholders, the Company is under obligation to treat all the shareholders equally. Dividend payments and other payments made by the Company are conducted via AS Eesti Väärtpaberikeskus, who acts as the primary depository.

Dividend is paid to shareholders pro rata to the aggregate nominal value of shares held by them. The Company has not issued any preference shares with cumulative dividend, owners of which would be guaranteed the right to dividend in the amount indicated in such shares.

The Company must pay dividend within the time specified in the decision of the General Meeting on allocation and payment of dividend. The term of limitations with respect to filing a dividend payment claim with the court expires 3 years after the date the dividend had to be paid, in which case the unpaid dividend amount goes to the Company.

The Commercial Code also provides with a possibility to pay advance payment of dividend to shareholders (advanced payment of dividend). The following conditions for distribution of advanced payment of dividend are established:

- Articles of Association give the Management Board the right to make advance payments to the shareholders after the end of a financial year and before approval of the annual report on account of the presumed profit;
- the consent of the Supervisory Council;
- in the amount of up to one half of the amount subject to distribution among the shareholders.

Both residents and non-residents of Estonia are subject to the same dividend payment rules, except for the taxation matters described in Section 24.5 (Information Concerning the Securities to be Offered and Admitted to Trading) hereof.

For more information on dividends please also see Section 20.4 (Dividend Policy).

Voting rights

Pursuant to the Commercial Code and the Articles of Association, each share of the Company confers one vote in the General Meeting. Only shareholders who have fully paid-up their shares are entitled to vote at the General Meeting.

In order to have the right to attend and vote at a General Meeting of Shareholders, a shareholder must be registered in the shareholders' register on the record date, which is seven days before the meeting. Voting rights may not be exercised by a shareholder whose shares are registered in the name of a nominee unless the nominee account holder has given a power of attorney to the shareholder.

The shareholders may attend and vote at a General Meeting in person or by proxy. The shareholders may also vote in writing (by filling in the general ballot paper).

Please also see Section 21.2 (Articles of Association) in respect of voting rights and General Meetings.

Pre-emption rights

Pursuant to the Commercial Code, the Company's share capital may be increased by a decision of the General Meeting and may be effected by (i) issuing additional shares; (ii) increasing the nominal value of existing shares; or (iii) issuing convertible bonds.

Increases in share capital by way of issuance of additional shares may be effected through one or a combination of the following:

- in consideration for cash;
- in consideration for assets contributed in kind;
- by conversion of bonds previously issued;
- from the Company's own funds (i.e. by capitalisation of profits or share premiums), etc.

If the Company issues additional shares or convertible bonds other than from the Company's own funds, current shareholders will have a pre-emptive right to subscribe for such securities on a pro rata basis. The pre-emptive right requires that the Company give priority treatment to current shareholders. The Company must announce the proposal to exercise the pre-emptive rights as well as the period of such exercising as a material event. The term for subscription of shares with a pre-emptive right shall be two weeks from the adoption of a resolution on increase of share capital unless the resolution of the General Meeting prescribes a longer term.

The pre-emptive right to subscribe for shares or convertible bonds of a certain issue can be withdrawn by a decision of the General Meeting, which must be adopted by a 75% majority of votes present in the meeting. The pre-emptive right can be withdrawn only in respect of all the shareholders of the Company. A written proposal to withdraw the pre-emptive right to subscribe for securities must be given by the Management Board, indicating reasons and causes for such withdrawal, substantiation of the issue price, as well as persons who would be offered to acquire the newly issued securities. The General Meeting, taking a decision on withdrawal of the pre-emptive right, must justify the necessity to withdraw such a right and specify the person or persons who are given the right to subscribe for newly issued securities, save for cases when the pre-emptive right is withdrawn because of the intention to make a public offering of securities of the Company.

The Company's share capital may be increased from the Company's own funds. In such case the current shareholders are entitled to receive the new additional shares free of charge on a pro rata basis. Furthermore, the nominal value of all the Company's shares may be increased.

Under the applicable Estonian laws, the shareholders are entitled to transfer to other persons the pre-emptive right to acquire the Company's shares or convertible bond to be newly issued.

Right to Liquidation Proceeds

In case of liquidation of the Company, the Company's assets remaining after settlement of accounts with creditors are distributed to shareholders pro rata to the aggregate nominal value of shares held by them. In case of voluntary liquidation of the Company, the Company's assets can be distributed among shareholders only after the Company settles accounts with its creditors and upon a lapse of six months after a public notice about liquidation made pursuant to requirements of the laws. In case of disputes in court regarding fulfilment of the Company's debt obligations, the Company's assets are distributed among shareholders only upon final resolution of the disputes and settlement of accounts with creditors.

Redemption Rights

The Company may reduce its share capital pursuant to a resolution of the General Meeting.

The Company may distribute funds to its shareholders by reducing its authorised capital in accordance with the procedure set by the Commercial Code. The authorised capital may be reduced by way of

annulment of shares or reduction of the nominal value of shares, but the reduced authorised capital of the Company may not be less than the minimum amount of the authorised capital provided for in the Commercial Code (i.e. EUR 25,000).

Only the General Meeting may adopt the decision to reduce the share capital with the purpose of paying funds to the shareholders, provided that all of the following conditions are met: (i) the set of annual financial reports and the profit distribution account have been approved; (ii) the Management Board shall, within fifteen days after adoption of the resolution on reduction of share capital, send notice concerning the new amount of share capital to the known creditors of the Company who have claims against the Company which predate the adoption of the resolution on reduction of share capital. The Management Board shall publish a public notice on reduction of share capital and invite all creditors to submit their claims.

The decision to reduce the share capital with the purpose of paying out the funds to its shareholders may not be adopted if on the date of the decision the Company is insolvent or after the payment of funds would become insolvent. The funds must be paid within three months from the registration of the amended Articles of Association with the Commercial Register. The funds are paid pro rata to the nominal value of shares held by each shareholder and may only be paid in cash.

Conversion Provisions

The Shares do not confer any conversion rights.

As at 30 June 2017, the Company has issued 3,664,721 convertible bonds, which are outstanding, with remaining total value of 10,261,218.80 euros. Each convertible bond may be converted to one share of the Company in accordance with its terms and conditions.

Please also see Section 21.1 (Share Capital) in respect of the Company's outstanding convertible bonds.

Resolution on the Issuance of the Shares

In order to increase the share capital and issue the Shares, the Supervisory Council will adopt six alternative resolutions, dated on or about 19 September 2017. The Supervisory Council will resolve to issue up to 6,000,000 Shares in consideration for the payment of the Offer Price of EUR 1.8 per Share, EUR 1.9 per Share, EUR 2.0 per Share, EUR 2.1 per Share, EUR 2.2 per Share or EUR 2.3 per Share. The Company will make an announcement regarding adoption of such resolutions via Nasdaq Tallinn and will not start offering the Shares before such resolutions have been adopted.

The Shares will be issued pursuant to one of the above-referred resolutions of the Supervisory Council. The other five resolutions shall be cancelled by the Supervisory Council after the final Offer Price has been determined pursuant to this Prospectus.

For the purposes of, and within the meaning of this Prospectus, all of the above-referred resolutions of the Supervisory Council regarding the issuance of the Shares shall be construed as the same. Each Subscription Undertaking submitted by an Investor shall be considered as a Subscription Undertaking for the subscription of Shares pursuant to each such resolution (except for the resolutions in which the Offer Price is higher than the Subscription Price accepted by the Investor in the respective Subscription Undertaking).

According to the resolution, the Supervisory Council will resolve:

- to issue 6,000,000 Shares and to offer the Shares for subscription to the Investors;
- each Investor has the right to subscribe for one or several Shares;
- the Shares will be allocated to the Investors as follows:
 - first, each Existing Shareholder has the right to acquire the number of Shares, which is proportional to the number of shares, which that Existing Shareholders owned 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date) pursuant to the data entered in the Securities Register (downward rounding is applied);
 - second, the remaining Shares (if any) will be allocated to the Existing Shareholders to compensate the effect of rounding (maximum one Share is allocated to each Existing Shareholder);

- third, the remaining Shares will be allocated to the Investors based on a resolution of the Supervisory Council to be adopted after the end of the Subscription Period;
- in the event of oversubscription, the Supervisory Council has the right to cancel any Share, which was subscribed for but was not allocated to an Investor;
- in the event all Shares are not subscribed for by the Investors, the Management Board has the right to prolong the subscription period by no more than 15 days and/or cancel the Shares, which were not subscribed.

Expected issue date of the Shares

The Shares are expected to be issued on or about 17 October 2017. However, the actual issue date depends, among others, on the following circumstances:

- the date when the Shares are registered in the Securities Register (the registrar of the Securities Register registers the financial instruments within one business day after filing of necessary documents if the expedited procedure is applied);
- the date when the increase in the Company's share capital is entered in the Commercial Register, which is maintained by Tartu County Court (the entries are usually made within five business days).

Restrictions on the Free Transferability of the Shares

The Shares are freely transferrable.

Regulation of Estonian Securities Market

The Company, being incorporated under the laws of Estonia and having its existing shares admitted to trading on the Regulated Market, is subject to certain Estonian securities and capital market regulations. The Company is also subject to the supervision of relevant regulatory authorities, in particular the Estonian Financial Supervision Authority.

The information set out below describes certain aspects of the Estonian securities market regulations regarding mandatory takeover bids, squeeze-out and sell-out rules that may be applied to the Shares and is included for general information purposes only. This summary does not purport to be a comprehensive description of all Estonian securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Moreover, conclusions derived from the description below may not fully reflect a proper interpretation of Estonian laws. Each prospective investor should consult a professional legal adviser regarding the legal consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation in force as at the date of the Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

Under the applicable Estonian laws, a mandatory takeover bid must be made by a shareholder who, acting alone or in concert with others, gains control over a company whose shares are publicly traded. According to the law, control is obtained when a person: (i) owns over 50% of the votes represented by shares, or (ii) as a shareholder of the company, has the right to assign or recall a majority of the Management Board or Supervisory Council of the company, or (iii) as a shareholder of the company, controls at least 50% of the votes represented by shares based on an agreement entered into with other shareholders.

A person acquiring control over a listed company must make a mandatory takeover bid for all the outstanding shares of the company within 20 days. Only in special cases can the Estonian Financial Supervision Authority make exceptions from the rule above.

Furthermore, the Commercial Code allows majority shareholder to take over a public limited company. The precondition for such a squeeze-out is the acquisition of at least 90% of the voting rights in a public limited company. Adopting the squeeze-out resolution is in the competence of the General Meeting, requiring the affirmative vote of 95/100 of the votes represented at the General Meeting. The amount of compensation for the minority shares, which are subject to takeover, is to be determined based on the value of shares as at ten days prior to the date on which the notice on convening the General Meeting of Shareholders was published. In addition to the squeeze-out rights established by the

Commercial Code, take-over bids may be made in respect of companies listed on the regulated market and upon certain circumstances majority shareholders of listed companies are under the obligation to launch a take-over bid.

The main difference of the takeover bids if compared to squeeze-out rights is that in the first case the minority shareholders are entitled to decide whether to participate in the bid, which is not the case for the squeeze-out – once the resolution of the General Meeting of Shareholders on the squeeze-out of minority shares is duly adopted, the minority shares are transferred to the majority shareholder upon the latter's respective application to the Securities Register.

Within the indicated period no takeover bids were submitted by third parties in respect of the Company's equity.

Information on Public Takeover Bids

No public takeover bids by any third parties have occurred in respect of the Company's equity since the beginning of 2016.

Taxation in Estonia

The following is a summary of certain Estonian tax implications of ownership and disposition of the Shares. The summary is based on the tax laws of Estonia as in effect on the date of this Prospectus, and is subject to changes in such laws, including changes that could have a retroactive effect. The summary does not purport to be a comprehensive description of all the tax implications that may be relevant for deciding to purchase, own or dispose of the Shares. You are advised to consult your own professional tax advisors as to the Estonian, or any other tax implications of the purchase, ownership and disposition of the Shares. Investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax implications applicable to their circumstances.

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 redemption of own shares, as well as on implicit distributions such as fringe benefits, gifts and donations, expenditures and payments not related to the business activities of the Company.

The above profit distributions are taxed at the rate of 20/80 (approximately 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 during 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 non-monetary contributions previously made by the shareholders into the company.

Taxation of Dividends

Dividend payments made by Estonian resident companies are exempt from income tax in Estonia at the level of the recipient of dividend payments, regardless of the corporate (legal person or individual) and residential status of the recipient. Therefore, no withholdings are made from the dividends. Instead, all distributions in the form of dividends are taxed with corporate income tax at the company level as described above.

Please note that the non-resident shareholders receiving dividends from the Company may be subject to declaring and paying income tax from such dividend payments in their respective countries of residence. There are certain exceptions, however, under which Estonian resident companies are exempt from the payment of income tax on dividends. In particular, dividend payments are not subject to income tax, if the income underlying the dividends originates from dividends that have been received by the Estonian resident company from a company which is a resident taxpayer in an EEA member

state or Switzerland (except offshore territories), and provided that at the moment of receiving the dividends the Estonian company was the owner of at least 10% of the votes in the subsidiary.

Capital Gains from Sale or Exchange of Shares

Gains realized by Estonian resident individuals upon the sale or exchange of Shares shall be subject to income tax at the rate of 20%. Since all earnings of resident legal persons, including capital gains, are taxed only upon distribution, capital gains realized by resident legal persons are not subject to immediate taxation.

Income tax is charged on capital gains realized by non-residents from the sale or exchange of shares in an Estonian company only under very limited circumstances. Namely, non-residents will be subject to paying income tax at the rate of 20% in Estonia only in the case of sale or exchange of shares in a company of whose property, at the time of transfer or during a period within two years immediately preceding the transfer, was directly or indirectly made up of more than 50% of immovable property or structures as movables located in Estonia, and in which at the time of transfer such non-resident held at least a 10% shareholding.

For the purposes of capital gains taxation, the gain derived from the sale of shares is the difference between the acquisition cost and the sales price of the shares. The gain derived from the exchange of shares is the difference between the acquisition cost of the shares subject to exchange and the market price of the property received as the result of the exchange. The certified expenses directly related to the sale or exchange of shares may be deducted from the shareholder's gain. Estonian resident individuals and non-residents are subject to paying income tax (20%) on the gains from the receipt of payments during the reduction of share capital or redemption of shares or from the receipt of liquidation proceeds. The taxable gain is calculated as the difference between the value of the received payment and the acquisition cost of the relevant shareholding (which has been reduced, redeemed or liquidated), whereas part of the gain that has been already taxed at company level, shall be exempt.

Taxation in Italy

The following is a summary of certain Italian tax implications of ownership and disposition of the Shares. The summary is based on the tax laws of Italy as in effect on the date of this Prospectus, and is subject to changes in such laws, including changes that could have a retroactive effect.

The summary does not purport to be a comprehensive description of all the tax implications that may be relevant for deciding to purchase, own or dispose of the Shares. You are advised to consult your own professional tax advisors as to the Italian, or any other tax implications of the purchase, ownership and disposition of the Shares. Investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax implications applicable to their circumstances.

Corporate Income Tax

Italian corporate entities are subject to a corporate income tax, known as "*imposta sul reddito sulle società*" or "*IRES*", and to a regional production tax, known as "*imposta regionale sulle attività produttive*" or "*IRAP*". The standard rates are as follows:

- 24% for IRES.
- 3.9% for IRAP.

Specific rules apply to bank and financial entities.

Tax losses carry forward is allowed for an unlimited number of fiscal period; carry back is not allowed.

IRES

The IRES taxable base is determined according to the worldwide taxation principle, which states that, regardless of the location/jurisdiction where the income is produced, to the extent that the income is legally attributable to an Italian resident entity, the income is taxed in Italy. IRES is charged on the total net income reported in the financial statements of the company as adjusted for specific tax rules. Non-resident companies are taxed only on Italian-source income.

IRAP

IRAP is levied only on the added value produced in Italy. Taxable income and deductible items are determined according to net income reported in the financial statements of the company. Provisions for

liabilities and risks, as well as extraordinary items, cannot be taken into account when determining the IRAP taxable base.

There are different methods of computation for the IRAP taxable base, depending on the nature of the business carried out by the taxpayer.

For sales and manufacturing companies, the IRAP taxable base is broadly represented by the company's gross margin in its financial statements. In addition to the non-deductible items mentioned above, interest income and expense and provisions for bad debts are excluded for the purposes of the IRAP taxable base. Special rules apply to financial institutions, other than banks.

Taxes on personal income

The main income tax levied on individuals is the personal income tax (PIT), also known as the "*Imposta sui redditi delle persone fisiche*" (IRPEF).

Tax resident individuals are liable to the Italian personal (or national) income taxes on their income wherever produced (under the so called 'worldwide principle'). Therefore, tax residents are also subject to taxation on foreign incomes (e.g. deriving from real estate owned outside of Italy, foreign dividends and interest, foreign compensation and director's fees, and other foreign income).

National income tax is levied at progressive tax rate.

Taxation of Dividends

Dividend received by Italian resident corporate entities

Dividends received by Italian resident corporate entities from Italian companies or foreign companies are generally excluded from IRES taxable income for 95% of their amount. Specific rules apply to dividends paid by entities that are resident in countries with privileged tax regime. Dividends are generally excluded from IRAP taxable income.

Dividend received from Italian resident individuals

Generally Italian Tax Resident individuals are subject to a 26% final withholding tax on dividends on non – qualifying shareholding in a company. In case of qualifying shareholding participations dividends are taxed at a progressive IRPEF tax rates on 58.14% of the dividend (100% if the capital gains derive from a company resident in a black-listed country).

Both Italian resident corporate entities and Italian resident individuals must declare and pay in Italy the due tax arising from such dividend. The issuer doesn't assume responsibility for the withholding of taxes in Italy.

Capital Gains from Sale or Exchange of Shares

For the purposes of capital gains taxation, the gain derived from the sale of shares is the difference between the acquisition cost and the sales price of the shares. The gain derived from the exchange of shares is the difference between the acquisition cost of the shares subject to exchange and the market price of the property received as the result of the exchange.

Capital Gains from Sales or Exchange of Share received from Italian Companies

Capital gains generally are treated as ordinary income and taxed at 24% corporate income tax rate. Capital gains derived from the sale of participation are 95% exempt from taxation if the following requirements are met: (i) the participation has been held for a minimum continuous period that may range from between 12 and 13 months; (ii) the participation is classified as a financial fixed asset in the first financial statement closed after the participation was acquired; (iii) the company in which the participation is held is not considered a "black list" entity for purposes of Italy's controlled foreign company (CFC) (iv) the company in which the participation is held carries out a business activity. The last two conditions must have been satisfied continuously over the last three years or the life of the company if shorter.

Capital Gains from Sales or Exchange of Share received from Italian Tax resident individuals

Capital gains are treated as miscellaneous income.

The taxation is applied in two different ways.

- For an individual with a non-qualifying shareholding in a company, capital gains are subject to a 26% substitute tax to be paid through the filing of the income tax return.

- For an individual with a qualifying shareholding in a company, capital gains are taxable up to the limit of 58.14%, and are subject to progressive IRPEF tax rates.

Both Italian resident corporate entities and Italian resident individuals must declare in Italy the due tax arising from such capital gain. The issuer doesn't assume responsibility for the withholding of taxes in Italy.

24.6 Terms and Conditions of the Offering

24.6.1 General

The Company offers up to 6,000,000 Shares. The Shares will be issued pursuant to a resolution of the Supervisory Council set out in Section 24.5. Please see Section 24.5 for information on the Shares and the resolution of the Supervisory Council.

The Investors may subscribe for the Shares during the Offer Period, which will start on 20 September 2017 at 10:00 (Tallinn time) and end on 4 October 2017 at 16:00 (Tallinn time). The Management Board has the right to prolong the Offer Period for up to 15 days. The decision will be made not later than on the first business day following the end of the Offer Period.

Notwithstanding the foregoing, the Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company. No action has been or will be taken in any jurisdiction by the Company that would permit the offering of the Shares other than in Estonia and Italy. The Offering is not being made in any jurisdiction in which it would not be permissible to offer the Shares.

Please see section 24.4 in respect of the planned use of proceeds.

The following table lists the expected key dates relating to the Offering. The Company reserves the right to change the timetable of the Offering for any reason.

Event	Time
Start of the Offer Period	20 September 2017 at 10:00 (Tallinn time)
The list of Existing Shareholders is fixed	4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date)
End of the Offer Period	4 October 2017 at 16:00 (Tallinn time)
Decision on the allocation of Shares	6 October 2017
Settlement of the allocated Shares	10 October 2017
The Company submits: (a) an application to register the Shares in the Securities register; (b) an application to the Commercial Register to register the increase in the share capital of the Company.	10 October 2017
The issuance of the Shares is completed	On or about 17 October 2017
Start of trading with Shares on the Regulated Market	On or about 19 October 2017

The issuance of the Shares is completed when the increase in the Company's share capital is entered in the Commercial Register. The registrar of the Commercial Register makes the entries usually within five business days after filing of the application and documents, which must be appended thereto. The Company cannot apply for the entry to be made on a specific date.

24.6.2 Cancellation of the Offering

The Company may cancel the Offering (a) at any time before the beginning of or during the Offer Period for any reason, or (b) after the end of the Offer Period, if all Shares were not duly subscribed for during the Offer Period.

In the event the Offering is cancelled, the Company shall:

- announce it via Nasdaq Tallinn; and

- return the Subscription Price paid by the Investors (please see section 24.6.9).

The Company will cancel the offering, if the Supervisory Council has not adopted the resolutions set out under “Resolution on the Issuance of the Shares” in Section 24.5 latest on 20 September 2017.

If the Company cancels the Offering, the Company will make payments to the Investors set out in Section 24.6.9 (Return of Funds).

24.6.3 Offer Price

The Offer Price in consideration for each issued Share shall be decided by the Supervisory Council of the Company after the completion of the book-building process and by cancellation of the resolution of the Supervisory Council to issue Shares for any other Offer Price (please also see “Resolution on the Issuance of the Shares” in Section 24.5). The Investors shall not have any right to acquire any Shares pursuant to those resolutions, which are cancelled by the Supervisory Council as described above.

The Offer Price shall be determined based on the submitted and valid subscriptions obtained from the Investors. The Offer Price will be the same for all Investors. The Company has not set any specific rules for determining the Offer Price. The Supervisory Council will determine the Offer Price based on the interests of the Company.

The Offer Price determined by the Supervisory Council will be made public via Nasdaq Tallinn within three business days after the end of the Offer Period.

In connection with the Offer Price, each Investor should acknowledge that the persons discharging managerial responsibilities, as well as persons closely associated with them have not made and reported any transactions with the shares of the Company since 1 August 2016 except that Mr Paolo Michelozzi subscribed for 33,892 shares of the Company on 25 November 2016 for the subscription price of EUR 2,370.

24.6.4 Amendments of the Terms and Conditions

The Supervisory Council has the right to amend the terms and conditions of Offering (including the Offer Price Range, the Offer Period, the total number of the Shares, the dates etc.) at any time until the end of the Offer Period. Should the Supervisory Council decide to amend the terms and conditions, if required under the applicable laws, the Company will prepare and submit a supplement to the Prospectus. Please also see section 24.6.6

24.6.5 Subscription

Each Investor may subscribe for any number of Shares (i.e. one to six million Shares) by submitting a written Subscription Undertaking. The Company also accepts Subscription Undertakings, which are signed with a digital signature. If an Investor has assigned the pre-emptive right to acquire Shares, he or she must indicate in the Subscription Undertaking the identity of the person to whom the Shares must be issued.

A Subscription Undertaking may be submitted by delivery:

- by any Investor to the office of AS LHV Pank located at Tartu mnt 2, Tallinn 10145, Estonia; or
- by an Existing Shareholder or a member of the Management via e-mail to prokapital@prokapital.ee.

Each Subscription Undertaking must be appended by:

- in case the Investor is a natural person, a copy of his or her valid identification document;
- in case the Investor is a legal person, an extract from the relevant register, where that legal person has been registered;
- in case the Subscription Undertaking has been signed on behalf of the Investor by a representative, a document (e.g. a power of attorney) proving the authority of the representative to sign the Subscription Undertaking on behalf of the respective Investor; and
- in case the existing shares of the Company are held via a nominee account, a document issued by the owner of the respective nominee account confirming the identity of the person on whose behalf those shares are held 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date).

The documents referred to above must be sent or delivered to (a) the office of AS LHV Pank located at Tartu mnt 2, Tallinn 10145, Estonia or (b) if the Subscription Undertaking has been submitted via e-mail, to the office of AS Pro Kapital Grupp located at Sõjakooli 11, 11316 Tallinn. Each document issued by a foreign country's official must be either legalized or authenticated with a document certificate apostille and translated into English.

Each Subscription undertaking must set out the following:

- the name of the Investor;
- the personal identification or registration number of the Investor (or, in the absence thereof, his or her date of birth);
- the number of Shares, which the Investor subscribes for;
- the Subscription Price (the highest price per Share, which the Investor is willing to pay for each Share subscribed by it; i.e. EUR 1.80, EUR 1.90, EUR 2.00, EUR 2.10, EUR 2.20 or EUR 2.30);
- the details of the securities account opened in the Securities Register to which the issued Shares must be transferred, including (a) the name of the owner of the securities account and (b) the number of the securities account;
- the number (IBAN) of the bank account from which the Subscription Price is paid;
- a representation by the Investor that:
 - the Investor is aware of all information set out in the Prospectus and accepts all terms and conditions of the Offering and agrees with the Company on the application of them;
 - the Offering to the Investor and the issuance of Shares pursuant to the Subscription Undertaking does not require any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Company;
 - the Investor acknowledges and agrees that by submitting the Subscription Undertaking, the Investor undertakes to (a) acquire the Shares, which are subscribed for pursuant to the Subscription Undertaking and allocated by the Company on the basis thereof and (b) pay the Offer Price determined by the Supervisory Council pursuant to Section 24.6.3 hereof for each Share subscribed for by the Investor;
 - the Investor acknowledges that if the Subscription Price is lower than the Offer Price determined by the Supervisory Council, no Shares will be issued pursuant to the Subscription Undertaking;
 - all information set out in the Subscription Undertaking and its appendixes is correct, complete and accurate in all respects; and
 - the Investor accepts that if the Investor has not duly subscribed for the respective Shares in accordance with all requirements set out in the Prospectus (including if the Subscription Undertaking does not comply with all requirements or the Subscription Undertaking is delivered or the Subscription Price is paid after the end of the relevant deadline etc.) the Company may (but does not have any obligation to) issue Shares pursuant to the Subscription Undertaking and the Investor is obliged to acquire such Shares despite of the incompliances;
 - the Investor accepts that the final Offer Price payable for each Share will be determined by the Supervisory Council after the end of the Offer Period pursuant to Clause 24.6.3 of the Prospectus and Company may issue 1 to 6,000,000 Shares to the Investors.

In addition, each Existing Shareholder, who has a pre-emptive right to acquire Shares, may (a) also exercise the pre-emptive right pursuant to the procedure set forth in applicable laws and (b) indicate in their Subscription Undertaking the number of Shares they wish to subscribe for in consideration of each potential Offer Price within the Offer Price Range (i.e. the number of Shares they wish to subscribe for if the Offer Price is EUR 1.80 per Share, EUR 1.90 per Share, EUR 2.00 per Share, EUR 2.10 per Share, EUR 2.20 per Share and EUR 2.30 per Share).

If an Investor submits several Subscription Undertakings, the Company shall treat all of them as one Subscription Undertaking submitted to subscribe for the aggregate number of Shares indicated therein.

The Company may publish a form of the Subscription Undertaking on its website (<http://prokapital.com/>) or the website of AS LHV Pank (www.lhv.ee).

The Company does not have to take any document delivered to it under sections 24.6.5 or 24.6.6 into consideration unless that document complies with all requirements and has been delivered in accordance with the above-referred rules and procedure set out herein.

No separate procedure is applicable to exercising the statutory pre-emptive rights. Each Investor must follow the procedure set out in this section if he or she wants to subscribe for the Shares by exercising the statutory pre-emptive rights or otherwise.

24.6.6 Amendment and Cancellation of Subscription Undertakings

An Investor may amend or cancel a Subscription Undertaking until the end of the Offer Period on 4 October 2017. Furthermore, if the Company publishes a supplement to the prospectus, the Investors who have submitted Subscription Undertakings before the announcement of the supplement may cancel their Subscription Undertakings within 2 (two) business days after the announcement regarding the supplement. Investors who have not cancelled their Subscription Undertakings within the above-referred period shall be deemed to have accepted all changes information set out in and amendments made by the supplement.

To cancel or amend a Subscription Undertaking, the Investor must send a notice specifying (a) the Subscription Undertaking, which the Investor wants to amend or cancel and (b) in case of an amendment, the respective amendments.

The notice must be delivered by following the procedure, which is applicable to the submission of the Subscription Undertakings. Please see section 24.6.5 above.

24.6.7 Payment of the Subscription Price

An Investor, who has delivered a Subscription Undertaking, must also pay the Subscription Price for the Shares pursuant to the Subscription Undertaking. The payment must be made as follows:

- the transfer must be completed latest on the last day of the Offer Period;
- the payment must be made by transfer to the following bank account of the Company: EE727700771000914548 (AS LHV Pank Tartu mnt 2, 10145 Tallinn, BIC/SWIFT: LHVBE22);
- the explanation of the transfer order must set out the name of the Existing Shareholder and the date of the Subscription Undertaking;
- the amount, which must be paid to the Company shall be equal to the number of Shares indicated in the Subscription Undertaking multiplied by the Subscription Price indicated in the Subscription Undertaking.

If the Subscription Price is not paid by an Investor pursuant to the terms and conditions set forth above (including by the due date), the Company shall have a right not to allocate and issue any Shares to that Investor. Nevertheless, should the Company decide to allocate any Shares to such Investor, the Investor will be required to pay the Offer Price for such Shares and acquire them.

24.6.8 Allocation and Settlement

The Offering is made to the Investors. The Company shall allocate the Shares to the Investors in the following tranches:

- first, each Existing Shareholder has the right to acquire and will be allocated the number of Shares, which is proportional to the number of shares, which that Existing Shareholders owned at the time of fixing the list of Existing Shareholders (i.e. 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date) pursuant to the data entered in the Securities Register. The maximum number of Shares allocated to an Existing Shareholder in this tranche is calculated in accordance with the following formula and the result is rounded downwards to a whole number:

$$S_m = S_a \times s_e / s_a$$

In this formula:

- S_m refers to the maximum number of Shares, which the Existing Shareholder may acquire;
 - S_a refers to the number of all Shares (i.e. 6,000,000);
 - s_e refers to the number of shares, which the Existing Shareholders owned at the time of fixing the list of Existing Shareholders; and
 - s_a refers to the number of all shares of the Company before the issuance of the Shares (i.e. 54,271,722);
- second, one Share will be allocated to each Existing Shareholder if the whole number of Shares allocated to him or her in the first tranche was found by application of rounding (see above);
 - third, the remaining Shares will be allocated to the Investors based on a resolution of the Supervisory Council to be adopted after the end of the Subscription Period (the allocation will be determined by the Supervisory Council in its absolute discretion) (for the avoidance of doubt, the Supervisory Council may allocate Shares also to the members of the Management, including themselves; the Company has not set any specific rules for determining allocation between Investors in the course of this third tranche).

If less than all Shares subscribed for are allocated to an Investor and if pursuant to the Subscription Undertaking the Investor applied to the transfer of issued Shares to several securities accounts, the Company may, in its discretion, choose to which of those securities account(s) the allocated Shares should be transferred upon their issuance.

The allocation will be determined by a resolution of the Supervisory Council and made public by the Company via Nasdaq Tallinn in three business days after the end of the Offer Period.

The Supervisory Council has a right to amend the allocation resolution within five (5) Business Days after its publication (however, not later than until the issuance of the Shares allocated pursuant thereto). The Supervisory Council shall exercise this right above all if it turns out that all Shares allocated to the Investors have not been paid for (e.g. if it decides to allocate any Shares to the Investors who have not paid the full Subscription Price for them) or to correct any errors or other defects in the allocation resolution. The amendment will be made public by the Company via Nasdaq Tallinn in one business day after its adoption.

The Shares, which have been paid for and allocated to the Investors, will be transferred to the securities' accounts of the Investors by the Settlement Agent on the Settlement Date that will be the second business day after the date of allocation.

Nevertheless, the Shares will become effective only once the increase of the share capital of the Company relating to the issuance of the Shares has been registered in the Commercial Register.

24.6.9 Return of Funds

In the event the Offering is cancelled, the Investor cancel or amends the Subscription Undertaking, the Offer Price is lower than the Subscription Price paid by an Investor or less Shares are allocated and issued to the Investor than he or she subscribed for (including if the Supervisory Council resolves not to issue any Shares to the Investor), the surplus amount (i.e. the amount of Subscription Price paid by the Investor deducted by (i) the amount of Offer Price for the Shares issued to him or her and (ii) the reasonable costs and expenses incurred in connection with the payment of the surplus) will be returned to the Investor in accordance with the following terms and conditions:

- the respective payment will be made to the same bank account from which the Subscription Price was paid;
- the payment will be made within 5 business days after the end of the Offer Period;
- no interest or any other similar amounts will accrue and be payable to the Investor for the time when the respective amount was held by the Company.

24.6.10 Placing and Underwriting

The Bookrunner and Settlement Agent of the Offering is AS LHV Pank ('LHV'). The business address of AS LHV Pank is Tartu mnt 2, Tallinn 10145, Estonia. The Offering is being undertaken on a best efforts basis, Therefore, LHV shall not assume any undertaking to ensure the distribution and sale of the shares of the Client offered in the course of the Offering and shall not be under any obligation to

hold or acquire any of the shares of the Client offered in the course of the Offering in its own name and on its own account.

Prior to the allotment of the Shares, the Company intends to enter into a placement agreement (the "Placement and Services Agreement") in respect of the Offering with LHV (the Bookrunner and Settlement Agent), under which LHV will commit to undertake certain actions in connection with arrangement of the Offering.

The Company has concluded a mandate agreement with Prudentus Capital Oy. Under the mandate agreement, Prudentus Capital Oy acts as a financial adviser of the Company in connection with the offering of Shares to Institutional Investors in Finland.

24.7 Admission of the Shares to Trading

All shares of the Company are traded on the Regulated Market. On the date of registration of this Prospectus the Company plans to apply for the Admission, i.e. admission to trading of the Shares on the Regulated Market.

The trading of the Shares is expected to commence on the Regulated Market on or about 19 October 2017.

No entities have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment. No stabilisation is planned to be carried out in relation to the Offering and the Admission.

24.8 Selling Securities Holders

No existing shares are offered for sale during the Offering. The Company has not concluded any lock-up agreements with any Investors.

24.9 Dilution

The issue of Shares comprises of approximately 11 per cent of the Company's authorised share capital prior to its increase if all Shares will be issued. Each shareholder has the right to acquire the number of shares, which is proportional to the number of shares, which that Existing Shareholders owned at the time of fixing the list of Existing Shareholders (i.e. 4 October 2017 at the end of working time of the Securities Register (or at 23:59 (Tallinn time) if the Securities Register has not joined TARGET2-Securities by that date) pursuant to the data entered in the Securities Register and thus avoid dilution. Please see section 24.6.8.

If none of the Existing Shareholders participate in the Offering and all Shares will be issued to other Investors, the dilution would amount to approximately 9.95 per cent, i.e. the Company's shareholders that existed before the increase of the share capital and issuance of Shares would own approximately 90.05 per cent of the Company's shares after the issue.