

# **AS PRO KAPITAL GRUPP**

**PROSPECTUS REGARDING LISTING OF  
MAXIMUM EUR 50,000,000**

**SENIOR SECURED CALLABLE FIXED RATE BONDS  
2015/2020**

**2 July 2015**

## Important information

This prospectus (the “**Prospectus**”) has been prepared by AS Pro Kapital Grupp (the “**Company**” and/or the “**Issuer**”), an Estonian company with registration number 10278802, in relation to the application for listing of the Company’s maximum EUR 50,000,000 senior secured callable fixed rate bonds 2015/2020 with ISIN SE0006504379, of which EUR 7,000,000 was issued on 1 June 2015 (the “**Bonds**”) (the “**Issue Date**”) in accordance with the terms and conditions for the Bonds (the “**Terms and Conditions**”) (the “**Bond Issue**”), on the Corporate Bond List at Nasdaq Stockholm (“**Nasdaq Stockholm**”). References to the Company, the Issuer, Pro Kapital or the Group refer in this Prospectus to AS Pro Kapital Grupp and its subsidiaries and/or, as the case may be, associated companies, unless otherwise indicated by the context. References to “EUR” refer to euro.

This Prospectus has been prepared in accordance with the rules and regulations in the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) and Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council, each as amended. This Prospectus has been approved by and registered with the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) in accordance with the provision in Chapter 2, Sections 25 and 26, of the Swedish Financial Instruments Trading Act, whereas the Company considers Sweden as its home member state for the purpose of the Bonds. It should be noted that such approval and such registration does not constitute any guarantee from the Swedish Financial Supervisory Authority that the information in this Prospectus is accurate or complete.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of listing the Bonds on Nasdaq Stockholm. This Prospectus may not be distributed in any country where such distribution or disposal requires additional prospectus, registration or additional measures or is contrary to the rules and regulations in such country. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the U.S. Securities Act of 1993, as amended (the “**Securities Act**”), or any U.S. state securities laws and may be subject to U.S. tax law requirements. Subject to certain exemptions, the Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons (as defined in Rule 902 of Regulation S under the Securities Act). The Company has not undertaken to register the Bonds under the Securities Act any U.S. state securities laws or to affect any exchange offer for the Bonds in the future. Furthermore, the Company has not registered the Bonds under any other country’s securities laws. It is the investor’s obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

The Prospectus will be available at the Swedish Financial Supervisory Authority’s web page ([www.fi.se](http://www.fi.se)) and the Company’s web page ([www.prokapital.com](http://www.prokapital.com)), and paper copies may be obtained from the Company.

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Company’s auditors. Certain financial information in this Prospectus may have been rounded off and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them.

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

This Prospectus shall be read together with all documents that are incorporated by reference (see section “*Overview of financial reporting and documents incorporated by reference*” below) and possible supplements to this Prospectus.

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

This Prospectus is governed by Swedish law. Disputes concerning, or related to, the contents of this Prospectus shall be subject to the exclusive jurisdiction of the courts of Sweden. The District Court of Stockholm (*Sw. Stockholms tingsrätt*) shall be the court of first instance.

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## **1. Risk Factors**

*Investing in the Bonds involves inherent risks. The financial performance of the Company and its subsidiaries (the “Group”) and the risks associated with its business are important when making a decision on whether to invest in the Bonds. A number of risk factors and uncertainties may adversely affect the Group. If any of these risks or uncertainties actually occurs, the business, operating results and financial position of the Group could be materially and adversely affected, which ultimately could affect the Company’s ability to make payments of interest and repayments of principal under the final Terms and Condition. In this section, a number of risk factors are illustrated, namely general risks pertaining to the Group’s business operations and material risks relating to the Bonds as financial instruments. The risks presented in this Prospectus are not exhaustive and other risks not discussed herein, may also adversely affect the Group, the price of the Bonds and the Company’s ability to service its debt obligations. Further, the risk factors are not ranked in order of importance. Potential investors should consider carefully the information contained in this Prospectus and make an independent evaluation before making an investment decision.*

### **1.1. 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.

The Group does not for example have necessary confirmed detailed planning to start developing Kalaranna Residential Complex and Kliversala Residential Complex. 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.

***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 value of the properties in the Appraisal Report differs from their values in the Financial Statements and the value of Group's properties may decrease in the future.

In November 2014, in total 12 properties in Estonia, Latvia, Lithuania and Germany were valued in an appraisal report by Newsec (*i.e.* SIA "NEWSEC VALUATIONS LV") with investment value of EUR 211.6 million. The Appraisal Report appraised the investment value of such properties. Respective properties are classified (booked) in the Financial Statements as (a) inventories, which are valued at acquisition cost or (b) either as tangible assets or investment property, which are valued at fair value. Further, 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 Newsec 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.

Notwithstanding the foregoing, the Company confirms that (a) to the best of Company's knowledge and belief, the information, assumptions and documentation, which were given to Newsec by the Company, were correct and complete and (b) there have been no material changes to the properties valued pursuant to the Appraisal Report as from the date of their valuation. However, each investor should note that if any of the risks described herein will realise, that could result in the decrease of the investment value or market value of the Group's properties. The reasons for such decrease may be beyond the control of the Group.

***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. Currently, only the main contractor (Besic UAB) of the first stage of the real estate project at Aguonu str., Vilnius, Lithuania, which has been implemented by PK Invest UAB, is bankrupt and was liquidated. The contractor has performed almost all main construction works of the mentioned real estate project.

***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/equity ratio was 0.457 as of December 31, 2014. 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 will fail 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. 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 convertible bonds. Such financing agreements set out various negative and positive covenants and requirements to obtain the lender'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 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 lender may accelerate loan payments 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. As of 31 December 2014 the total amount of the guarantees issued by the Group companies (including the Company) was EUR 12.6 million. In addition, the Company has issued a guarantee to secure possible claims against Pro Kapital Eesti AS (in its capacity as the legal successor of Täismaja AS) arising from a loan contract. The guarantee letter is limited to maximum amount of potential claim. The guarantee is effective until 2 May 2017.

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 of the Company (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 12 companies – five in Latvia, one in Germany, two in Lithuania and four in Estonia, as well as 93% in an additional subsidiary in Estonia. Additionally, one Group's Estonian subsidiary, AS Tondi Kvartal, holds 65% 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. 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 (Aktengesetz) 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. However, the Group may not 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.

#### ***The trading in shares on the Regulated Market may be suspended or terminated***

The shares of the Company are traded in the secondary market of the Regulated Market (the "NASDAQ OMX Tallinn Rules"). The trading in the shares on the Regulated Market may be

suspended or terminated. Further, the Company may apply for the suspension or termination of trading in the shares on the Regulated Market.

### ***Liability for obligations transferred in the Division***

A division of the Company was registered with the Estonian Commercial Register on 23 November 2011 whereby certain companies that used to belong to the Group were separated and a separate company AS Domina Vacanze Holding was established (the “**Division**”). According to Estonian law, companies participating in a division (*e.g.* the Company and AS Domina Vacanze Holding) shall be jointly and severally liable for the obligations of the company being divided which arise before entry of the division in the Estonian Commercial Register (*i.e.* 23 November 2011 in case of the Division of the Company). In relations between solidary debtors, only persons to whom obligations are assigned by the division plan are obligated persons. A company participating in a division to whom obligations are not designated by the division plan shall be liable for the obligations of the company being divided if such obligations become due within five years after entry of the division in the Estonian Commercial Register. The above means that the Company is jointly and severally liable for the obligations transferred to AS Domina Vacanze Holding to the extent such obligations become due and payable within five years as of the registration of the Division (*i.e.* until 23 November 2016). The maximum potential liability of the Company for the obligations transferred to AS Domina Vacanze Holding is EUR 8,957 thousand, of which EUR 6,844 thousand are obligations arising from the convertible bonds of the Company that were split in the course of the Division. However, should the Company perform any such obligation it will have a right of recourse against AS Domina Vacanze Holding. In addition, on 30 September 2011, owners of convertible bonds issued by the Company delivered to the Company a waiver, whereby they waived their claims against the Company arising from the convertible bonds issued by AS Domina Vacanze Holding as a result of the split of Company’s convertible bonds that was carried out in relation to the Division.

However, after the disposal of the convertible bonds of AS Domina Vacanze Holding, the Company may be required to satisfy claims of respective bondholders that they have against AS Domina Vacanze Holding arising from the convertible bonds.

### ***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. Latvian law allows making claims related to the deficiencies in buildings against the contractor of construction work for 2 years as from the commissioning of a building. 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 not sufficient. 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 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 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.

## **1.2. 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.

### ***Cyclicality 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. However, such changes may not always be recognised and adaptations to existing or planned developments may not 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.

### **1.3. 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.

Court judgements against the Company and the Group, other than the judgements rendered by Estonian courts, may be more difficult to enforce than if the Company and its management were located in that respective country. 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 the agent (Nordic Trustee & Agency AB (publ)) (the "**Agent**") and the investors other than the investors located in Estonia, 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 the Agent and these 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 that respective country.

#### ***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***

New regulations or fiscal or monetary policies, or amendments to existing regulations, may 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.

#### **1.4. Risks relating to the Bonds**

##### ***Risk relating to the parallel debt***

For the purpose of establishing the pledges over shares in Group companies incorporated in Estonia and due to certain Estonian law requirements, the Issuer has irrevocably and unconditionally undertaken to pay to the Agent, as creditor in its own right (and not as representative of the bondholders), sums equal to and in the currency of each amount payable by the Issuer to the bondholders under the Terms and Conditions as and when that amount falls due for payment under the Bonds, *i.e.* the Issuer will have the same payment undertakings under the Terms and Conditions to the Agent as to the bondholders (the "**Parallel Debt**"). However, a similar structure as the Parallel Debt has not, to the Company's knowledge, been tried by a court in Estonia. Consequently, it is not certain that an Estonian court would acknowledge the pledges over shares in companies incorporated in Estonia in an enforcement situation.

##### ***Credit risk***

Investments in bonds in general entail a certain degree of risk for investors, including the risk of losing the value of the entire investment. Investors in the Bonds become exposed to a credit risk in relation to the Issuer and the Bonds carry a, relatively, high interest, which is to be regarded as a compensation for the, relatively, higher risk an investor carries compared to an investment in *e.g.* Swedish or German government bonds. The investor's possibility to receive payment under the Terms and Conditions is dependent on the Company's ability to meet its payment obligations, which in turn is largely dependent on the performance of the Group's business activities and its financial position. The Group's financial position is affected by several factors, a number of which have been discussed above.

An increased credit risk may cause that the Bonds are charged with a higher risk premium by the market, which would affect the Bonds' value and price in the secondary market negatively. Another aspect of the credit risk is that a deteriorating financial position may cause the Group's credit worthiness to decrease, which could negatively affect the possibility for the Issuer to refinance the Bonds at maturity.

### ***Interest rate risk***

The value of the Bonds depends on several factors, one of the most significant over time being the level of market interest. Investments in the Bonds involve a risk that the market value of the Bonds may be adversely affected by changes in market interest rates.

### ***Refinancing risk***

The Group may be required to refinance certain or all of its outstanding debt, including the Bonds. The Group's ability to successfully refinance its debt obligations is dependent upon the conditions of the capital markets and the Group's financial position at such time. Even if the markets and the Company's financial position are favourable, the Group's access to financing sources may not be available on acceptable terms, or at all. The Group's inability to refinance its debt obligations on acceptable terms, or at all, could have a material adverse effect on the Group's business, financial position and results of operations and on the bondholders' recovery under the Bonds.

### ***Liquidity risk***

The Company has undertaken to list the Bonds on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another regulated market, within 12 months after the issue date of the Bonds. Further, it is the Company's intention to complete such listing within 30 days after the issue date of the Bonds, and each bondholder has a put option in relation to its Bonds if the Bonds are not listed within 60 days after the issue date. However, the Bonds may not be admitted to trading. Further, even if the Bonds are admitted to trading on a regulated market, there may not be a liquid market for trading in the Bonds or a liquid market may not be maintained.

This may entail that the bondholders cannot sell their Bonds when desired or at a yield which is comparable to similar investments that have an existing and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative compared to the market price of the Bonds if they are admitted for trading on Nasdaq Stockholm or another regulated market.

### ***The Bonds may not be a suitable investment for all investors***

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

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

- thoroughly understand the term sheet for the Bonds (the “**Term Sheet**”) and the Terms and Conditions; 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 Bonds may be volatile***

The market price of the Bonds 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 Bonds, 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 Bonds 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 Bonds (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.

### ***Security arrangements***

As continuing security for the due and punctual fulfilment of the Issuer’s obligations under the Bonds, the relevant group companies shall pledge: (i) all their shares in the Group companies which from time to time are Pledged Group Companies (as defined in the Terms and Conditions) and (ii) a debt service account and a deposit account and all funds standing to the credit of such accounts from time to time.

The pledged assets may not be sufficient for the bondholders should the pledges be realised. Save for the security created under the abovementioned pledges, the Bonds represent unsecured obligations of the Issuer. This means that in the event of bankruptcy, reorganisation or winding-up of the Issuer, the holders of the Bonds normally receive payment after any priority creditors have been paid in full. Such priority creditor could for example be banks or other persons which have financed property investments of the Company and have first priority pledges over such properties. Further, although the Terms and Conditions impose certain restrictions on which type of guarantees and security the Group companies’ may provide, there are significant exemptions from such so-called negative pledge provisions. For example, the Group companies are allowed to provide security for certain types of financial indebtedness. For example, a Group company, even a Group company whose shares have been pledged as security for the Bonds, may mortgage its real estate assets as security for debt raised from a bank.

Each investor should be aware that there is a risk that an investor in the Bonds may lose all or part of their investment if the Issuer or the Group is declared bankrupt, carries out a reorganisation or is wound-up.

### ***Dependence on subsidiaries***

A significant part of the Group's assets are owned by, and revenues are generated in, the Company's subsidiaries. Accordingly, the Company is dependent upon receipt of sufficient income related to the operation of and the ownership in such entities to enable it to make payments under the Bonds. The Company's subsidiaries are legally separate and distinct from the Company and have no obligation to pay amounts due with respect to the Company's obligations and commitments, including the Bonds, or to make funds available for such payments. The ability of the Company's subsidiaries to make such payments to the Company is subject to, among other things, the availability of funds. Should the Company not receive sufficient income from its subsidiaries, the investor's ability to receive payment under the Terms and Conditions may be adversely affected.

### ***Insolvency of subsidiaries***

In the event of insolvency, liquidation or a similar event relating to one of the Company's subsidiaries, all creditors of such company would be entitled to payment in full out of the assets of such company before the Company, as a shareholder, would be entitled to any payments (unless such assets are secured in favour of the bondholders in accordance with the Terms and Conditions). Thus, the Bonds are structurally subordinated to the liabilities of the subsidiaries. The Company and its assets may not be protected from any actions by the creditors of a subsidiary, whether under bankruptcy law, by contract or otherwise. In addition, defaults by, or the insolvency of, certain subsidiaries of the Company could result in the obligation of the Company or other Group companies to make payments under financial or performance guarantees in respect of such subsidiaries' obligations or the occurrence of cross defaults on certain borrowings of the Group. The Group companies are under the Terms and Conditions allowed to provide guarantees and to grant security for other Group companies' obligations amounting to up to EUR 21 million.

### ***Risks related to the Company's call option, the bondholders' put option and mandatory partial prepayment***

As described in the Term Sheet, and as will be stipulated in the Terms and Conditions, the Company has reserved the possibility to redeem all outstanding Bonds before their final redemption date. If the Bonds are redeemed before their final redemption date, the bondholders have the right to receive an early redemption amount which exceeds the nominal amount. Further, the Issuer is in certain situations required to partially prepay the outstanding Bonds, also at a price which exceeds the nominal amount.

However, there is a risk that the market value of the Bonds is higher than such early redemption or partial prepayment amount and that it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

As described in the Term Sheet, and as will be stipulated in the Terms and Conditions, the Bonds are subject to prepayment at the option of each bondholder (put options) upon a Change of Control Event, a Listing Failure and a De-listing Event (all terms as defined in the Terms and Conditions). There is, however, a risk that the Company will not have sufficient funds at the time of such prepayment to make the required prepayment of the Bonds.

## **2. Responsible for the information in the prospectus**

The Company issued the Bonds on 1 June 2015. This Prospectus has been prepared in relation to the Company applying for admission to trading of the Bonds on Nasdaq Stockholm, in accordance with the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council and the rules and regulations in Chapter 2 of the Swedish Financial Instruments Trading Act, each as amended.

The Company is responsible for the information given in the Prospectus. The Company confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the actual conditions and that no information in the Prospectus and in the documents incorporated by reference which derive from third parties has, as far as the Company is aware and can judge on basis of other information made public by the respective party, been correctly represented and no information has been omitted which may serve to render the information misleading or incorrect.

The management board of the Company is responsible for the information given in this Prospectus only under the conditions and to the extent set forth in Swedish law. The management board confirms that, having taken all reasonable care to ensure that such is the case, the information in this prospectus is, to the best of the board of directors' knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Tallinn on 2 July 2015

**AS PRO KAPITAL GRUPP**

*The management board*

### 3. The Bonds in brief

*This section contains a general and broad description of the Bonds. It does not claim to be comprehensive or cover all details of the Bonds. Potential investors should therefore carefully consider this Prospectus as a whole, including the documents incorporated by reference (see below section “Overview of financial reporting and documents incorporated by reference”) and the full Terms and Conditions for the Bonds, which can be found in section “Terms and Conditions for the Bonds”, before a decision is made to invest in the Bonds.*

*Concepts and terms defined in section “Terms and Conditions for the Bonds” are used with the same meaning in this section unless otherwise is explicitly understood from the context or otherwise defined in this Prospectus.*

The Bonds are debt instruments (Sw. *skuldförbindelser*), intended for public market trading, which confirm that each Holder has a claim against the Company. The Company resolved to issue the Bonds on 2 April 2015. The purpose of the Bond Issue was to raise funds to be used for investments in real estate development projects (including for the development project carried out by Tallinna Moekombinaat) and other general corporate purposes, and may be used for repayment of the Existing Convertibles, the Existing Non-convertibles and the Svalbork Invest Debt. The Issue Date for the Bonds was 1 June 2015. The Bonds will mature on 1 June 2020.

The aggregate nominal amount of the Bonds is maximum EUR 50,000,000 represented by Bonds denominated in EUR with ISIN SE0006504379, each with a Nominal Amount of EUR 100,000. The Bonds were issued at a price equal to 100 per cent of the Nominal Amount. As of the date of this Prospectus, EUR 7,000,000 of the bond loan has been issued.

The Bonds have been issued in accordance with Swedish law and are connected to the account-based system of Euroclear. This means that the Bonds are registered on behalf of the Holders on a securities account (Sw. *VP-konto*). No physical notes have been or will be issued. Payment of principal, interest and, if applicable, withholding of preliminary tax will be made through Euroclear’s book-entry system. The Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Company and shall at all times rank *pari passu* and without any preference among them.

The Company shall redeem all outstanding Bonds at 100 per cent of the Outstanding Amount together with accrued but unpaid interest on the Final Redemption Date, unless previously redeemed, repurchased and cancelled or repaid in accordance with Clause 11 (*Redemption, repurchase and repayment of the Bonds*) or terminated in accordance with Clause 15 (*Termination of the Bonds*) of the Terms and Conditions.

The Company may choose to redeem all, but not only some, of the Bonds in full on any Business Day before the Final Redemption Date at a redemption price equal to the relevant Call Option Amount together with accrued but unpaid interest in accordance with Clause 11.3 (*Early voluntary redemption by the Issuer (call option)*) of the Terms and Conditions.

Upon a Change of Control Event, Listing Failure or De-listing Event each Holder has a right of prepayment (put option) of its Bonds at a price of 101 per cent of the Outstanding Amount together with accrued but unpaid interest in accordance with Clause 11.4 (*Mandatory repurchase due to a Change of Control Event, Listing Failure or De-listing Event (put option)*) of the Terms and Conditions.



If an amount which exceeds EUR 500,000 has been standing to the credit of the Deposit Account for 12 months without the Company having requested the Agent to release such amount, the Agent shall release such amount to the Company whereby the Company shall apply it towards partial prepayment of all, but not only some, of the Bonds by way of reducing the Outstanding Amount of each Bond *pro rata* (rounded down to a multiple of EUR 100) in accordance with Clause 11.5 (*Mandatory partial repayment*) of the Terms and Conditions.

Payment of the Nominal Amount and/or interest will be made to the person who is a Holder on the Record Date immediately preceding the relevant payment date. Payments shall be made in EUR. The right to receive payment of the Nominal Amount is time-barred and becomes void ten years from the relevant Redemption Date, unless the limitation period is duly interrupted.

The Bonds bear interest from, but excluding, the Issue Date up to, and including, the Relevant Redemption Date at fixed rate of 8.00 per cent. Interest is paid semi-annually in arrears on each Interest Payment Date and is calculated on the basis of a 360-day year comprised of twelve (12) months of thirty (30) days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis). The Interest Payment Dates are 1 June and 1 December each year (with the first Interest Payment Date being on 1 December 2015 and the last Interest Payment Date being the Final Redemption Date). The right to receive payment of interest is time-barred and becomes void three years from the relevant due date for payment.

As continuing security for the due and punctual fulfilment of the Issuer's obligations under the Bonds, the Issuer has pledged: (i) and has procured that each relevant Group Company has pledged all their shares in the Group Companies which are Pledged Group Companies from time to time, and (ii) the Debt Service Account and the Deposit Account including all funds standing to the credit of such accounts from time to time.

Nordic Trustee & Agency AB (publ) is initially acting as agent for the Holders in relation to the Bonds, and, if relevant, any other matter within its authority or duty in accordance with the Terms and Conditions. Even without a separate authorisation from the Holders and without having to obtain any Holder's consent (if not required to do so under the Terms and Conditions), the Agent, or a person appointed by the Agent, is entitled to represent the Holders in every matter concerning the Bonds and the Terms and Conditions. The Agent is authorised to act on behalf of the Holders whether or not in court or before an executive authority (including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Bonds). Each Holder shall immediately upon request by the Agent provide the Agent with any such documents, including a written power of attorney (in form and substance to the Agent's satisfaction), as the Agent deems necessary for the purpose of carrying out its duties under the Terms and Conditions. The Agent is under no obligation to represent a Holder which does not comply with such request of the Agent.

Each of the Company, the Agent and the Holder(s) representing at least 10 per cent of the total Outstanding Amount, may request that a Holders' Meeting is convened (see further Clause 18 (*Holdings' Meeting*) of the Terms and Conditions) or request a Written Procedure (see further Clause 19 (*Written Procedure*) of the Terms and Conditions). Such Holders' Meeting or Written Procedure may, upon votes representing a relevant majority of Holders eligible for voting, cause resolutions to be validly passed and binding on all Holders.

An agreement has been entered into between the Agent and the Company regarding, *inter alia*, the remuneration payable to the Agent.

If the Bonds have been duly declared due and payable due to an Event of Default, the available funds shall firstly be applied towards payment of all costs and expenses incurred by and any remuneration payable to the Agent under the Terms and Conditions and the Agent Agreement, secondly in or towards payment of accrued but unpaid Interest under the Bonds, thirdly in or towards payment of any unpaid principal under the Bonds and fourthly in or towards payment of any other costs or outstanding amounts unpaid under the Terms and Conditions. Any excess funds shall be transferred to the Company.

The Bonds are freely transferrable and trading can occur from the Issue Date. Holders may, however, be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Holder may be subject (due to, *e.g.*, its nationality, its residency, its registered address or its place(s) for business). Each Holder must ensure compliance with local laws and regulations applicable at their own cost and expense. All Bond transfers are subject to the Terms and Conditions and the Terms and Conditions are automatically applicable in relation to all Bond transferees upon the completion of a transfer.

To simplify trading in the Bonds, the Company intends to apply for listing of the Bonds on Nasdaq Stockholm in connection with the Swedish Financial Supervisory Authority's approval of this Prospectus. The number of Bonds being admitted to trading if the application is approved by Nasdaq Stockholm is 70. The earliest date for admitting the Bonds to trading on Nasdaq Stockholm is on or about 1 July 2015. Additional Bonds issued within the framework amount of EUR 50,000,000 under the Terms and Conditions may be admitted to trading pursuant to this Prospectus within one year after the approval of this Prospectus by the Swedish Financial Supervisory Authority. The fact that an application regarding listing of the Bonds on Nasdaq Stockholm has been submitted does not mean that the application will be approved. The total expenses of the admission to trading of the Bonds are estimated to amount to EUR 15,000 (SEK 140,000).

The Terms and Conditions include an undertaking by the Company to ensure that the Bonds are listed on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on any other Regulated Market within 12 months after the Issue Date and that the Bonds, once admitted to trading on the relevant Regulated Market, continue being listed thereon for as long as any Bond is outstanding. Further, the Company intends to complete such listing within 30 days after the Issue Date.

## **4. The Company and its operations**

### **4.1. Introduction**

AS Pro Kapital Grupp is a public limited liability company registered in Estonia with the registration number 10278802, having its registered address at Põhja pst 21, Tallinn 10414, Estonia. The Company was formed in 18 May 1994 and registered with the Estonian Commercial Register (Est. äriregister) on 26 September 1997. The Company is governed by Estonian law, including, but not limited to, the Estonian Commercial Code (Est. *äriseadustik*).

### **4.2. Share capital, shares, ownership structure and governance**

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. According to its articles of association, the Company can issue one class of shares. The Company's current share capital amounts to EUR 10,821,315 divided among 54,106,575 shares. The share entitles the holder to one vote per share. The shares are denominated in EUR.

In addition to the shares the Company has issued 3,984,551 convertible bonds which are outstanding at the date of this prospectus. The holders of the convertible bonds are entitled to convert each convertible bond to one share of the Company. Should the holders decide to convert all convertible bonds to the shares of the Company, the share capital of the Company would amount to EUR 11,618,225.2 divided among 58,091,126 shares.

Since November 2012 the Company is publicly traded with its shares being traded in the Secondary List of NASDAQ Tallinn (PKG1T). Shares of the Company are also traded in the Quotation Board of Frankfurt Stock Exchange since March 2014.

As of 1 June 2015, the shares of the Company were held in 72 securities accounts opened with the Estonian Central Register of Securities (Est. *Eesti väärtpaberite keskreister*). According to the information available in the Estonian Central Register of Securities, the shareholders who hold more than 5% of the shares in the Company are Clearstream Banking Luxembourg S.A. Clients (28.12%), Eurofiduciaria S.R.L. (12.74%), Svalbork Invest OÜ (12.64%), Sueno Latino AG (8.37%), A.F.I. American Financial Investments Ltd. (8.24%) and Anndare Ltd. (7.23%). According to the information provided to the management board of the Company, Mr. Ernesto Preatoni and his affiliates control 42.62% of the shares in the Company.

To ensure that the control over the Company is not abused, the Company complies with the Estonian Commercial Code (Est. *äriseadustik*) and the Estonian Securities Market Act (Est. *väärtpaberituruseadus*). In addition, the Company acts in compliance with the rules of NASDAQ Tallinn.

### **4.3. Business and operations**

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 Company is the parent company in the Group, whereby the main activity of the Company is to hold shares in its subsidiaries (i.e. Group companies). A significant portion of the business is carried

through the Company's subsidiaries. In fact, the majority of revenues of the Company come from the Company's operational subsidiaries.

Since the establishment of the Company in 1994, the Group has completed 20 development projects with approximately 180,000 square meters of total saleable area. The Group focuses on the premium market segment, which is less exposed to economic volatility, creating new communities and city blocks in central locations of the Baltic capitals.

In the second half of the 1990s, the Company acquired several unique properties in its portfolio, including two attractive coastal sites in Tallinn and Riga. These properties will be developed according to the highest industry standards in the next coming years. The Company has a long term expertise in launching successful shopping centre projects such as Domina Shopping in Riga and Kristiine Shopping Centre in Tallinn. The latter was sold to the leading Nordic shopping centre developer Citycon in 2011. Currently, the Company holds three hotels, one in Tallinn, one in Riga and one in Bad Kreuznach, Germany. All of the hotels are four-star hotels primarily targeted at leisure customers and are located in historic buildings and in prime locations.

In November 2014, in total 12 properties in Estonia, Latvia, Lithuania and Germany were valued in an appraisal report by Newsec (*i.e.* SIA "NEWSEC VALUATIONS LV") with investment value of EUR 211.6 million. Based on this valuation, the Company estimates the value of the investments in the Group's current real estate portfolio to be EUR 211.6 million as of 31 December 2014. 57% if such investments are residential developments, 33% commercial premises and 10% hotels.

#### **4.4. Organisational structure**

The Company is the parent company in the Group that operates through its subsidiaries. Consequently, the Company is dependent upon its subsidiaries. The Company has subsidiaries in four countries: 8 subsidiaries in Estonia, 6 subsidiaries in Latvia, 4 subsidiaries in Lithuania and 2 subsidiaries in Germany. The subsidiaries are 100% owned by the Company or Group companies, except for OÜ Marsi Elu and AS Tallinna Moekombinaat in Estonia, where the Group companies are the majority shareholders.

#### **4.5. Litigation**

The issuer has not been a party to any legal proceedings or settlements (including not completed or threatening matters) during the last 12 months, and which recently has had or might have significant effects on the issuer's or the group's financial position or profitability.

#### **4.6. Material agreements**

Neither the Company nor any Group company is part to any material agreement outside the ordinary course of business which could result such company having a right or an obligation that could materially affect the Company's ability to meet its obligations to the bondholders.

The Company has issued convertible and non-convertible bonds. Additional information on the convertible and non-convertible bonds is set out in pages 71-73 of the Company's consolidated annual report for the financial year ended 31 December 2014, which is incorporated hereto by reference.

#### **4.7. Credit ratings**

Neither the Company nor the Bonds have a credit rating from an international credit rating institute.

#### **4.8. Significant adverse changes and recent events**

There have been no material adverse changes in the prospects of the Company since the date of publication of its last audited financial report and no significant changes in the financial or market position of the Group since the end of the last financial period for which interim financial information has been published. In addition, there have been no material events specific for the Company which have recently occurred and which have had a material effect on the evaluation of the Company's solvency.

#### **4.9. Shareholders agreements**

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

## **5. Management board, supervisory board and auditors**

The Company is managed by the general meeting of shareholders (Est. *aktsionäride üldkoosolek*), the supervisory board (Est. *nõukogu*) and the management board (Est. *juhatas*). The supervisory board 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 members of the supervisory board are elected and removed by the general meeting of shareholders. The management board is a directing body of the Company, which represents and directs the Company. The members of the management board are elected and removed by the supervisory board. The supervisory board and the management board must act in compliance with the laws of Estonia and the articles of association of the Company.

The business address for all members of the management board and the supervisory boards is c/o AS Pro Kapital Grupp, Põhja pst 21, Tallinn 10414, Estonia.

The management board of the Company currently consists of two members. The supervisory board of the Company currently consists of three members. Information on the members of the management board and the supervisory board, including significant assignments outside of the Company which are relevant for the Company, is set forth below.

### **5.1. Management board**

*Paolo Vittorio Michelozzi*

Born 1961 and is an Italian citizen. Employed by the Company since 1994 and member of the management board and CEO since 2001.

*Allan Remmelkoor*

Born 1971 and is an Estonian citizen. Employed by the Company since 1997 and member of the management board and COO since 2008.

Additional information on the management board of the Company and its members is set out in pages 24-27 of Pro Kapital Grupp's consolidated annual report for the financial year ended 31 December 2014, which is incorporated hereto by reference.

### **5.2. Supervisory board**

*Emanuele Bozzone*

Born 1964 and is a Swiss citizen. From 2010 Mr Bozzone is a director, wealth manager and partner in Regis Invest SA in Lugano, Switzerland; from 2005 a sole director, founder and partner in EBTG e Associati SA (formerly named Bozzone E Associati SA) in Chiasso, Switzerland. Additionally, he is sole director, founder and partner in EBCO Fiduciaria SA in Chiasso, Switzerland. Mr. Bozzone is also holding a senior managing position in EBCO Trustees Sagl in Chiasso, Switzerland.

### *Petri Olkinuora*

Born 1957 and is a Finnish citizen. Mr Huuskonen has been a member of the board of directors of Technopolis Plc. since 2008 (whereas he was the full-time chairman of the board of directors of Technopolis Plc. during 2008-2011). Since 2011 he is holding several positions (including the chief executive officer) in the investment and consulting company Lunacon Oy (investments and consulting), which is a company owned by Mr Huuskonen. He is also a member of the board of Kaleva Oy, the largest media company in North Finland, and the chairman of the board of Suomen Hoivatilat Oy (day care & senior living facilities) and chairman of the board of Päätoimija Oy (mid-size construction company operational in Finland and Sweden). Mr Huuskonen is also a chairman of the board of Partnera Oy (180 million euros investment company operational in Finland).

### *Pertti Huuskonen*

Born 1956 and is a Finnish citizen. Mr Olkinuora is the deputy chairman of BPT Nordic Horizon Capital A/S (Danish asset manager) (since 2011) and deputy chairman of Restamax Oy (listed restaurant company), a member of the board of A-insinöörit Oy (engineering company) (since 2011), Tapiolan jalkapallostadion Oy (arena developer) (since 2012), Koja-Yhtiöt Oy (ventilation system maker for buildings and ships) (since 2004), Rapal Oy (software company) (since 2002) and Tampereen Keskusareena Oy (arena developer) (since 2012) and chairman of East Finland Real Estate Oy (outlet centre developer). He is also a supervisory council member of Hartela-Yhtiöt Oy (Finnish construction company and developer) (since 2013). Mr Olkinuora is also running his own investment business within Forbia Oy, which is providing services in property and construction related companies (since 2011).

Additional information on the supervisory board of the Company and its members is set out in pages 27-31 of Pro Kapital Grupp's consolidated annual report for the financial year ended 31 December 2014, which is incorporated hereto by reference.

### **5.3. Auditors**

AS Deloitte Audit Eesti is the Company's auditor (including during the period covered by the historical financial information incorporated in this Prospectus by reference) and the auditor in charge of the consolidated annual report of 2014 is Erki Usin. AS Deloitte Audit Eesti operates in accordance with the activity license no. 27, granted by the Ministry of Finance. Erki Usin is a certified auditor (no. 496). The business address to AS Deloitte Audit Eesti is Roosikrantsi 2, Tallinn 10119, Estonia.

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Company's auditors.

### **5.4. Conflicts of interests**

None of the members of the management board or supervisory board of the Company has a private interest that may be in conflict with the interests of the Company.

Although there are currently no conflicts of interest, it cannot be excluded that conflicts of interest may come to arise between companies in which members of the management board and members of supervisory board have duties, as described above, and the Company.

## **5.5. Financial interests**

Paolo Vittorio Michelozzi has a financial interest in the Company through his indirect holding of shares in the Company.



## 6. Overview of financial reporting and documents incorporated by reference

The accounting principles applied in the preparation of the Company's financial statements presented below are set out in the following and have been consistently applied to all the years presented, unless otherwise stated.

The financial information for the financial years ending 31 December 2013 and 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union under the Regulation (EC) No 1606/2002 and in accordance with the Estonian Accounting Act.

The Company's consolidated annual reports for the financial year ended 31 December 2013 and for the financial year ended 31 December 2014 have been incorporated in this Prospectus by reference. The consolidated annual reports have been audited by the Company's auditor and the auditor's report has been incorporated in this Prospectus through the consolidated annual reports for the financial year ended 31 December 2013 and for the financial year ended 31 December 2014 by reference.

The Company's consolidated interim report for the first quarter of 2015 has been incorporated in this Prospectus by reference. The interim report has not been audited or reviewed by the Company's auditor.

In this Prospectus the following documents are incorporated by reference. The documents have been made public and have been handed in to the Swedish Financial Supervisory Authority.

<i>Reference</i>	<i>Document</i>	<i>Page</i>
Financial information regarding the Company and its business for the financial year ended 31 December 2013	Pro Kapital Grupp's consolidated annual report for the financial year ended 31 December 2013	pp. 6-9 (main events and key figures in 2013), p. 38 (balance sheet), p. 39 (income statement), p. 40 (cash flow analysis), p. 41 (changes in equity) and pp. 42-93 (notes to financial statements)
Auditors report for the financial year ended 31 December 2013	Pro Kapital Grupp's consolidated annual report for the financial year ended 31 December 2013	p. 95
Financial information regarding the Company and its business for the financial year ended 31 December 2014	Pro Kapital Grupp's consolidated annual report for the financial year ended 31 December 2014	pp. 6-10 (main events and key figures in 2014), p. 37 (balance sheet), p. 38 (income statement), p. 39 (cash flow analysis), p. 40 (changes in equity) and pp. 41-93 (notes to financial statements)

Auditors report for the financial year ended 31 December 2014 Pro Kapital Grupp's consolidated annual report for the financial year ended 31 December 2014 pp. 95-96

Financial information regarding the Company and its business for the I quarter and 3 months of 2015 Pro Kapital Grupp's consolidated interim report for I quarter and 3 months of 2015 pp. 3-4 (key figures and main events 1 January – 31 March 2015), pp. 13-14 (balance sheet), p. 15 (income statement), p. 16 (cash flow analysis), p. 17 (changes in equity) and pp. 18-26 (notes to financial statements)

Investors should read all information which is incorporated in the Prospectus by reference. Information in the above documents which is not incorporated by reference is either deemed by the Company not to be relevant for investors in the Bonds or covered elsewhere in the Prospectus. The documents can be obtained in paper format at the Company's head office and are also available at the Company's web page, [www.prokapital.com](http://www.prokapital.com).

## **7. Documents available for inspection**

Copies of the following documents can be obtained from the Company in paper format during the validity period of this Prospectus at the Company's head office and are also available at the Company's web page, [www.prokapital.com](http://www.prokapital.com).

- The articles of association of the Company
- All documents which – by reference – are a part of this Prospectus

## **8. Terms and Conditions for the Bonds**

**TERMS AND CONDITIONS FOR  
AS PRO KAPITAL GRUPP  
MAXIMUM EUR 50,000,000  
SENIOR SECURED CALLABLE FIXED RATE  
BONDS 2015/2020**

**ISIN: SE0006504379**

Issue Date: 1 June 2015

*The distribution of this document and the private placement of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions.*

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**TERMS AND CONDITIONS FOR  
AS PRO KAPITAL GRUPP  
MAXIMUM EUR 50,000,000  
SENIOR SECURED CALLABLE FIXED RATE BONDS  
2015/2020  
ISIN: SE0006504379**

**1. DEFINITIONS AND CONSTRUCTION**

**1.1 Definitions**

In these terms and conditions (these “**Terms and Conditions**”):

“**Account Operator**” means a bank or other party duly authorised to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Holder has opened a Securities Account in respect of its Bonds.

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

“**Adjusted Outstanding Amount**” means the total aggregate Outstanding Amount of the Bonds outstanding at the relevant time less the total aggregate Outstanding Amount of all Bonds owned by a Group Company or an Affiliate of a Group Company, irrespective of whether such Person is directly registered as owner of such Bonds.

“**Advance Purchase Agreements**” means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment is due not more than ninety (90) calendar days after the date of supply, or (b) any other trade credit incurred in the ordinary course of business.

“**Affiliate**” means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, “**control**” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing.

“**Agent**” means the Holders’ agent and security trustee under these Terms and Conditions and, if relevant, the other Finance Documents, from time to time; initially Nordic Trustee & Agency AB (publ) (reg. no. 556882-1879, P.O. Box 7329, SE-103 90 Stockholm, Sweden).

“**Agent Agreement**” means the fee agreement entered into before the Issue Date between the Issuer and the Agent, or any replacement agent agreement entered into after the Issue Date between the Issuer and an Agent.

“**Bank**” means Nordea Bank AB (publ) (reg. no. 516406-0120, SE-105 71 Stockholm, Sweden).

“**Bond**” means a debt instrument (*Sw. skuldförbindelse*) for the Outstanding Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions, including any Subsequent Bond.

“**Business Day**” means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (*Sw. midsommarafton*), Christmas Eve (*Sw. julafton*) and New

Year's Eve (Sw. *nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

**"Business Day Convention"** means the first following day that is a Business Day.

**"Call Option Amount"** means:

- (a) the Make Whole Amount if the Call Option is exercised before the First Call Date;
- (b) 104.50 per cent. of the Outstanding Amount if the Call Option is exercised on or after the First Call Date up to (but excluding) the Interest Payment Date falling 36 months after the Issue Date;
- (c) 103.00 per cent. of the Outstanding Amount if the Call Option is exercised on or after the Interest Payment Date falling 36 months after the Issue Date up to (but excluding) the Interest Payment Date falling 42 months after the Issue Date;
- (d) 102.50 per cent. of the Outstanding Amount if the Call Option is exercised on or after the Interest Payment Date falling 42 months after the Issue Date up to (but excluding) the Interest Payment Date falling 48 months after the Issue Date; and
- (e) 101.00 per cent. of the Outstanding Amount if the Call Option is exercised on or after the Interest Payment Date falling 48 months after the Issue Date up to (but excluding) the Final Redemption Date.

**"Change of Control Event"** means the occurrence of an event or series of events resulting in that one or more Persons (other than one or more of the Main Shareholders) acting together, acquire control over the Issuer and where **"control"** means (a) acquiring or controlling, directly or indirectly, more than fifty (50.00) per cent. of the shares or voting rights in the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

**"Compliance Certificate"** means a certificate, in form and substance reasonably satisfactory to the Agent, duly signed by the Issuer certifying (i) that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it, (ii) if provided in connection with a Financial Report being made available, that the Maintenance Test is met and including calculations and figures in respect of the Maintenance Test and, (iii) if provided in connection with an application of the Incurrence Test, that the Incurrence Test is met and including calculations and figures in respect of the ratio of Equity to Total Assets.

**"Conditions Precedent for Disbursement of the Net Proceeds"** means all events and documents set forth in Clause 13.1.

**"Conditions Precedent for Disbursement of the Surplus Amount"** means all events and documents set forth in Clause 14.1.

**"CSD"** means the Issuer's central securities depository and registrar in respect of the Bonds from time to time; initially Euroclear Sweden AB (reg. no. 556112-8074, P.O. Box 191, SE-101 23 Stockholm, Sweden).

**"De-listing Event"** means the situation where (i) the shares in the Issuer are not listed and admitted to trading on a Regulated Market or (ii) trading in the shares in the Issuer on the relevant Regulated Market is suspended for a period of 15 consecutive Business Days.

**“Debt Service Account”** means the Issuer’s bank account with account number 9960 3407 4603 06 held with the Bank and which has been pledged under the Debt Service Account Pledge Agreement.

**“Debt Service Account Pledge Agreement”** means the pledge agreement entered into between the Issuer and the Agent before the Issue Date in respect of a first priority pledge over the Debt Service Account and all funds standing to the credit of the Debt Service Account from time to time, granted in favour of the Agent and the Holders (represented by the Agent).

**“Deposit Account”** means the Issuer’s bank account with account number 9960 3407 4594 23 held with the Bank and which has been pledged under the Deposit Account Pledge Agreement.

**“Deposit Account Pledge Agreement”** means the pledge agreement entered into between the Issuer and the Agent before the Issue Date in respect of a first priority pledge over the Deposit Account and all funds standing to the credit of the Deposit Account from time to time, granted in favour of the Agent and the Holders (represented by the Agent).

**“Derivative Transaction”** has the meaning set forth in item (e) of the definition “Permitted Debt” below.

**“Eginvest Debt”** means the means the Issuer’s maximum EUR 1,000,000 debt to Eginvest Limited, reg. no. FL-0001.502.963-8.

**“Equity”** means the aggregate book value of the Group’s total equity according to the latest Financial Report.

**“Escrow Account”** means the Issuer’s bank account with account number 9960 4207 4602 98 held with the Bank and which has been pledged under the Escrow Account Pledge Agreement.

**“Escrow Account Pledge Agreement”** means the pledge agreement entered into between the Issuer and the Agent before the Issue Date in respect of a first priority pledge over the Escrow Account and all funds standing to the credit of the Escrow Account from time to time, granted in favour of the Agent and the Holders (represented by the Agent).

**“Estrella Debt”** means the means the Issuer’s maximum EUR 1,000,000 debt to Estrella Limited, reg. no. IC20140803.

**“EUR”** means the currency used by the institutions of the European Union and being the official currency of the Eurozone.

**“Event of Default”** means an event, circumstance or situation specified in Clause 15.1.

**“Existing Convertibles”** means the seven (7.00) per cent. unsecured and convertible bonds which have been issued under the Issuers outstanding convertible bond loan as of the Issue Date (amounting to approximately EUR 11,272,000).

**“Existing Non-convertibles”** means the five (5.00) per cent. unsecured and non-convertible bonds which have been issued under the four bond issues resolved by the Issuer on 16 July 2013, 28 October 2013, 14 March 2014 and 4 September 2014, respectively, as of the Issue Date (amounting to in total EUR 1,940,000).

**“Final Redemption Date”** means 1 June 2020.



**“Finance Documents”** means these Terms and Conditions, the Agent Agreement, the Security Documents, the Escrow Account Pledge Agreement and any other document designated by the Issuer and the Agent as a Finance Document.

**“Financial Indebtedness”** means any indebtedness in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) the amount of any liability in respect of any finance leases, to the extent the arrangement is or would have been treated as a finance lease in accordance with the Accounting Principles as applicable on the Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability), and for the avoidance of doubt, any leases treated as operating leases under the Accounting Principles as applicable on the Issue Date shall not, regardless of any subsequent changes or amendments of the Accounting Principles, be considered as finance or capital leases;
- (c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as borrowing under the Accounting Principles (excluding, for the avoidance of doubt, certain Group Companies’ guarantee in favour of Kristiine Keskus ÖÜ in respect of tax liability related to a previous loan agreement between two Subsidiaries);
- (e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account);
- (f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)–(f).

**“Financial Instruments Accounts Act”** means the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*).

**“Financial Report”** means the annual audited consolidated financial statements of the Group, the annual audited unconsolidated financial statements of the Issuer or the quarterly interim unaudited consolidated reports of the Group, which shall be prepared and made available according to Clause 12.13.1 (a) and 12.13.1 (b).

**“Financial Support”** has the meaning set forth in Clause 12.5 (*Financial support*).

**“First Call Date”** means the date falling thirty (30) months after the Issue Date or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention.

**“Force Majeure Event”** has the meaning set forth in Clause 26.1.

**“German Government Bond Rate”** means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Ge: *Bund or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial

statistics that have become publicly available at least 2 Business Days (but not more than 5 Business Days) prior to the Redemption Date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the relevant Redemption Date to (but excluding) the First Call Date, provided, however that if the period from the relevant Redemption Date to (but excluding) the First Call Date is not equal to the constant maturity of the direct obligations of the Federal Republic of Germany for which a weekly average yield is given, the German Government Bond Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such Redemption Date to (but excluding) the First Call Date is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“**Group**” means the Issuer and all the Subsidiaries from time to time.

“**Group Company**” means the Issuer or any of the Subsidiaries.

“**Holder**” means the Person who is registered on a Securities Account as direct registered owner (Sw. *ägare*) or nominee (Sw. *förvaltare*) with respect to a Bond.

“**Holders’ Meeting**” means a meeting among the Holders held in accordance with Clause 18 (*Holders’ Meeting*).

“**Hotel Operations**” means the hotel operations carried out by the Group as of the Issue Date, including (i) the Group Companies which manage the hotels, (ii) the Group Companies which own the relevant properties and/or the hereditary building rights (building title) entitling to use respective property and (iii) the relevant properties and/or the hereditary building rights.

“**Incurrence Test**” is met if the ratio of Equity to Total Assets exceeds forty-five (45.00) per cent.

“**Initial Bond Issue**” means the issuance of the Bonds on the Issue Date.

“**Interest**” means the interest on the Bonds calculated in accordance with Clauses 10.1 to 10.3.

“**Interest Bearing Debt**” means the aggregate amount of interest bearing debt of the relevant Subsidiary (excluding any debt owed to another Group Company) as of the last day of the period covered by the latest Financial Report, calculated according to the Accounting Principles and to be reported to the Agent in each Compliance Certificate.

“**Interest Payment Date**” means 1 June and 1 December each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention (with the first Interest Payment Date on 1 December 2015 and the last Interest Payment Date being the Final Redemption Date).

“**Interest Period**” means each period beginning on (but excluding) the Issue Date or any Interest Payment Date and ending on (and including) the next succeeding Interest Payment Date (or a shorter period if relevant) and, in respect of additional Bonds, each period beginning on (but excluding) the Interest Payment Date falling immediately prior to their issuance and ending on (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

“**Interest Rate**” means a fixed rate of 8.00 per cent., p.a., with semi-annual interest payments in arrears.

“**Issue Date**” means 1 June 2015.

“**Issuer**” means AS Pro Kapital Grupp (reg. no. 10278802, Põhja pst 21, EE-10414 Tallinn, Estonia).

“**Issuing Agent**” means ABG Sundal Collier Norge ASA (reg. no. 883 603 362, Munkedamsveien 45, NO-0205 Oslo, Norway) or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

“**Kliversala Security**” means the mortgage of the land plots with cadastral number 0100 549 0006, 0100 049 0021, 0100 049 0007 and 0100 049 2014 (all located in Trijādības St. 5 Riga, Latvia), provided by Kliversala SIA, reg. no. 40003547046, in favour of Swedbank AS, reg. no. 4000307476, as security for debt obligations incurred by Investhotel SIA, reg. no. 40003600099.

“**Listing Failure**” means the situation where the Bonds have not been listed on the corporate bond list of Nasdaq Stockholm (or any other Regulated Market) within 60 days after the Issue Date.

“**Main Shareholder**” means each of Ernesto Preatoni, Vladimir Maslov and Giuseppe Prevosti and their Affiliates, respectively (being the main shareholders of the Issuer as of the Issue Date).

“**Maintenance test**” is met if:

- (a) in relation to the Issuer, the ratio of Equity to Total Assets exceeds forty (40.00) per cent.; and
- (b) in relation to each Subsidiary, the ratio of Interest Bearing Debt to Property Value does not exceed seventy-five (75.00) per cent.

“**Make Whole Amount**” means an amount equal to the sum of:

- (a) the present value on the relevant Record Date of 104.50 per cent. of the Outstanding Amount as if such payment originally should have taken place on the First Call Date; and
- (b) the present value on the relevant Record Date of the remaining Interest payments (excluding accrued but unpaid Interest up to the relevant Redemption Date) up to and including the First Call Date;

both present values under item (a) and (b) above calculated by using a discount rate of 50 basis points over the comparable German Government Bond Rate (*i.e.* comparable to the remaining duration of the Bonds until the First Call Date).

“**Market Loan**” means any loan or other indebtedness where an entity issues commercial papers, certificates, convertibles, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Stockholm or any other Regulated Market or unregulated recognised market place.

“**Material Adverse Effect**” means a material adverse effect on (a) the business, financial condition or operations of the Group taken as a whole, (b) the relevant Group Companies’

ability or willingness to perform and comply with its payment and other undertakings under the Finance Documents or (c) the validity or enforceability of the Finance Documents.

**“Material Group Company”** means all Group Companies except for any Group Company which is dormant.

**“Nasdaq Stockholm”** means the Regulated Market of NASDAQ OMX Stockholm AB (reg. no. 556420-8394, SE-105 78 Stockholm, Sweden).

**“Net Proceeds”** means the proceeds from the Initial Bond Issue which, after deduction has been made for the transaction costs payable by the Issuer to the Issuing Agent and its Affiliates for the services provided in relation to the placement and issuance of the Bonds, shall be transferred to the Escrow Account and the Deposit Account.

**“Nominal Amount”** has the meaning set forth in Clause 2.1.

**“Outstanding Amount”** has the meaning set forth in Clause 2.1.

**“Parallel Debt”** has the meaning set forth in Clause 28 (*Parallel Debt*).

**“Permitted Cross-collateralisation”** means each security provided by a Group Company as of the Issue Date in relation to obligations incurred prior to the Issue Date (or incurred pursuant to any prolongation or refinancing of such obligations after the Issue Date) by a Pledged Group Company (other than the relevant Group Company), provided that such obligations constitute Permitted Debt and are otherwise not prohibited by these Terms and Conditions (the aggregate amount of all such obligations secured by such security amounts to approximately EUR 22,300,000 as of the Issue Date).

**“Permitted Debt”** means any Financial Indebtedness:

- (a) incurred under the Finance Documents (including pursuant to any Subsequent Bond Issue, if such incurrence meets the Incurrence Test tested *pro forma* including such incurrence);
- (b) related to any agreements under which a Group Company leases office space (Sw. *kontorshyresavtal*) or other premises provided that such Financial Indebtedness is incurred in the ordinary course of such Group Company's business;
- (c) taken up from a Group Company;
- (d) constituted by the Existing Convertibles, the Existing Non-convertibles, the Svalbork Invest Debt, the Eginvest Debt or the Estrella Debt;
- (e) arising under a derivative transaction entered into by a Group Company in connection with protection against or benefit from fluctuation in any rate or price where such exposure arises in the ordinary course of business or in respect of payments to be made under these Terms and Conditions (excluding for the avoidance of doubt any derivative transaction which in itself is entered into for investment or speculative purposes) (**“Derivative Transaction”**);
- (f) incurred in the ordinary course of business under Advance Purchase Agreements;
- (g) arising as a result of the refinancing of the Bonds in full;
- (h) to which a Subsidiary is the debtor if such Financial Indebtedness (i) meets the Maintenance Test and (ii) is constituted by construction credits (Sw. *byggnadskreditiv*) or other debt incurred in the ordinary course of business

(including, for the avoidance of doubt, debt raised from credit institutions and minority shareholders in the Subsidiaries) in relation to (i) the financing of a real estate development project, (ii) real estate holding or (iii) the Hotel Operations;

- (i) incurred by Tallinna Moekombinaat unless the shares of Tallinna Moekombinaat are subject to a Share Pledge Agreement;
- (j) incurred by the Issuer if such Financial Indebtedness (i) meets the Incurrence Test tested *pro forma* including such incurrence, (ii) is unsecured, ranks *pari passu* with or is subordinated to the obligations of the Issuer under the Finance Documents and (iii) has a final redemption date or, when applicable, early redemption dates or instalment dates which occur after the Final Redemption Date; and
- (k) of the Group under any pension and tax liabilities incurred in the ordinary course of business.

**“Permitted Guarantees”** means each guarantee provided by a Group Company in relation to obligations incurred by another Group Company, provided that such obligations constitutes Permitted Debt or are otherwise not prohibited by these Terms and Conditions and that the aggregate amount of all obligations secured by such guarantees does not at any time exceed EUR 21,000,000.

**“Permitted Security”** means any guarantee or security:

- (a) provided in accordance with the Finance Documents;
- (b) provided in relation to any agreement under which a Group Company leases office space (Sw. *kontorshyresavtal*) or other premises provided such lease constitutes Permitted Debt;
- (c) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advance Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);
- (d) provided in relation to a Derivative Transaction and not consisting of security interests in shares in any Group Company;
- (e) (i) provided in the form of a pledge over an escrow account to which the proceeds from a refinancing of the Bonds in full are intended to be received or (ii) agreed to be provided for the benefit of the financing providers in relation to a refinancing of the Bonds in full, provided that any perfection requirements in relation thereto are satisfied only after repayment of the Bonds in full;
- (f) constituted by the Permitted Guarantees, the Permitted Cross-collateralisation or the Kliversala Security;
- (g) provided by a Subsidiary in relation to its Financial Indebtedness referred to in item (h) of the definition “Permitted Debt” above; and
- (h) provided by Tallinna Moekombinaat or its parent company in relation to Financial Indebtedness referred to in item (i) of the definition “Permitted Debt” above, provided that, if such guarantee or security is granted by such parent company, it is constituted by security over shares in Tallinna Moekombinaat.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.

“**Pledged Group Companies**” means (i) all Group Companies which as of the Issue Date are Subsidiaries, except for Tallinna Moekombinaat (unless the aggregate Outstanding Amount exceeds EUR 25,000,000), SIA Investhotel and SIA “Prokurs”, (ii) any property owning company acquired by use of funds released from the Deposit Account and (iii) any other Group Company which from time to time is designated by the Issuer and the Agent as a Pledged Group Company (which, for the avoidance of doubt, shall include a designation of Tallinna Moekombinaat).

“**Property Value**” means the aggregate fair value of the properties (land and buildings) held by the relevant Subsidiary according to the latest annual consolidated Financial Report (as determined by NewSec, DTZ, Savills, CBRE or any other recognised property evaluator approved by the Agent), adjusted for the investments in and depreciations of the properties, respectively, during the period starting on the day falling immediately after the last day of the period covered by the latest annual consolidated Financial Report and ending on the last day of the period covered by the latest Financial Report, to be reported to the Agent in each Compliance Certificate.

“**QIB**” has the meaning set forth in Clause 6.6.

“**Record Date**” means the fifth (5<sup>th</sup>) Business Day prior to (a) an Interest Payment Date, (b) a Redemption Date, (c) a date on which a payment to the Holders is to be made under Clause 16 (*Distribution of proceeds*), (d) the date of a Holders’ Meeting, or (e) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

“**Redemption Date**” means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 11 (*Redemption, repurchase and repayment of the Bonds*).

“**Regulated Market**” means any regulated market (as defined in Directive 2004/39/EC on markets in financial instruments).

“**Relevant Period**” means each period of twelve (12) consecutive calendar months.

“**Restricted Payment**” has the meaning set forth in Clause 12.1 (*Distributions*).

“**Securities Account**” means the account for dematerialised securities maintained by the CSD pursuant to the Financial Instruments Accounts Act in which (a) an owner of such security is directly registered, or (b) an owner’s holding of securities is registered in the name of a nominee.

“**Securities Act**” has the meaning set forth in Clause 6.5.

“**Security Documents**” means the Deposit Account Pledge Agreement, the Debt Service Account Pledge Agreement, the Share Pledge Agreements and such further agreements, assignments, certificates, instruments, consents, acknowledgements, confirmations and other documents which relate thereto or which are required in order to establish, maintain, preserve, protect and perfect the pledge created or purported to be created under such documents.

“**Share Pledge Agreement**” means each of the pledge agreements entered into by a Group Company and the Agent (on behalf of itself and the Holders) in respect of first priority pledges, granted in favour of the Agent and the Holders (represented by the Agent), of all shares held by a Group Company in a Pledged Group Company (however taking into account that any pledge of shares in Pledged Group Companies incorporated in Estonia only shall be granted to the Agent under the Parallel Debt).

“**Subsequent Bond**” means any Bond issued in a Subsequent Bond Issue.

“**Subsequent Bond Issue**” has the meaning set forth in Clause 2.2.

“**Subsidiary**” means, in relation to the Issuer, any legal entity (whether incorporated or not), in respect of which the Issuer, directly or indirectly, (a) owns shares or ownership rights representing more than fifty (50.00) per cent. of the total number of votes held by the owners, (b) otherwise controls more than fifty (50.00) per cent. of the total number of votes held by the owners, (c) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body or (d) exercises control as determined in accordance with the Accounting Principles.

“**Surplus Amount**” has the meaning set forth in Clause 4.4.

“**Svalbork Invest Debt**” means the Issuer’s EUR 4,000,000 debt to OÜ Svalbork Invest, reg. no. 10522573.

“**Tallinna Moekombinaat**” means AS Tallinna Moekombinaat (reg. no. 11474184, Põhja pst 21, EE-10414 Tallinn, Estonia), or any other company (i) established, incorporated or acquired by a Group Company after the Issue Date and (ii) which owns real estate property which as of the Issue Date is owned by AS Tallinna Moekombinaat.

“**Total Assets**” means the aggregate book value of the Group’s total assets according to the latest Financial Report.

“**Transaction Costs**” means all fees, costs and expenses incurred by a Group Company in connection with (a) the Initial Bond Issue and any Subsequent Bond Issue and (b) the listing of the Bonds on Nasdaq Stockholm.

“**Transaction Security**” means the security created or purported to be created under the Security Documents.

“**Written Procedure**” means the written or electronic procedure for decision making among the Holders in accordance with Clause 19 (*Written Procedure*).

## 1.2 **Construction**

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

- (a) “**assets**” includes present and future properties, revenues and rights of every description;
- (b) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
- (c) a “**regulation**” includes any regulation, rule or official directive (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency or department;
- (d) an Event of Default is continuing if it has not been remedied or waived;

(e) a provision of law is a reference to that provision as amended or re-enacted; and

(f) a time of day is a reference to Stockholm time.

1.2.2 When ascertaining whether a limit or threshold specified in EUR has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against EUR for the previous Business Day, as published by the European Central Bank on its website ([www.ecb.europa.eu](http://www.ecb.europa.eu)). If no such rate is available, the most recently published rate shall be used instead.

1.2.3 A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.

1.2.4 No delay or omission of the Agent or of any Holder to exercise any right or remedy under these Terms and Conditions shall impair or operate as a waiver of any such right or remedy.

## 2. THE AMOUNT OF THE BONDS AND UNDERTAKING TO MAKE PAYMENTS

2.1 The aggregate amount of the bond loan will be an amount of up to EUR 50,000,000 which will be represented by Bonds, each of a nominal amount of EUR 100,000 or full multiples thereof (the “**Nominal Amount**”). The nominal amount of each Bond will be the Nominal Amount, less the aggregate amount by which each Bond has been partly repaid in accordance with Clause 11.5 (*Mandatory partial repayment*) (the “**Outstanding Amount**”). All Bonds issued in the Initial Bond Issue are issued on a fully paid basis at an issue price of one hundred (100.00) per cent. of the Nominal Amount. The ISIN for the Bonds is SE0006504379. The minimum permissible investment in connection with the Initial Bond Issue is EUR 100,000.

2.2 The Issuer may, provided that the Incurrence Test is met, at one or more occasions issue Subsequent Bonds amounting to in total up to the difference of (x) EUR 50,000,000 and (y) the aggregate volume issued in the Initial Bond Issue and any issue of Subsequent Bonds (“**Subsequent Bond Issue**”). Subsequent Bonds shall benefit from and be subject to the Finance Documents and, for the avoidance of doubt, the ISIN, the Interest Rate, the Nominal Amount, the Final Redemption Date and other rights applicable to the Bonds issued on the Issue Date shall apply also to Subsequent Bonds. The price of the Subsequent Bonds may be set at a discount or at a higher price than the Outstanding Amount. Payment of Bonds issued in an issue which does not require funds to be placed on the Escrow Account may be made in kind.

2.3 The Issuer undertakes to repay the Bonds, to pay Interest and to otherwise act in accordance and comply with these Terms and Conditions.

2.4 The Bonds are denominated in EUR and each Bond is constituted by these Terms and Conditions.

2.5 By subscribing for Bonds, each initial Holder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds each subsequent Holder confirms such agreements.

## 3. STATUS OF THE BONDS

The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among them. The Bonds are secured by the Transaction Security.



#### **4. USE OF PROCEEDS**

- 4.1 The Issuer shall establish the Debt Service Account prior to the Issue Date. On the Issue Date, the Issuing Agent shall transfer an amount of the Net Proceeds corresponding to two (2) semi-annual Interest payments to the Debt Service Account. The Agent shall, provided that no Event of Default is continuing, upon the Issuer's request and in connection with an Interest Payment Date, instruct the Bank to transfer an amount, corresponding to the relevant Interest payment, to the Issuer. When all funds initially transferred to the Debt Service Account have been transferred to the Issuer in such manner in connection with Interest Payment Dates, the Agent shall release the pledge over the Debt Service Account.
- 4.2 The Issuer shall establish the Escrow Account prior to the Issue Date. On the Issue Date, the Issuing Agent shall transfer the part of the Net Proceeds which remain after the transfer to the Debt Service Account has been made in accordance with Clause 4.1, to the Escrow Account. For the purpose of securing that the Conditions Precedent for Disbursement of the Net Proceeds have been fulfilled before the disbursements of the Net Proceeds from the Escrow Account is made to the Issuer, the Escrow Account will be pledged in favour of the Agent and the Holders (represented by the Agent).
- 4.3 Upon fulfilment of the Conditions Precedent for Disbursement of the Net Proceeds, the Net Proceeds standing to the credit of the Escrow Account shall without delay be transferred to the Issuer, whereby the Net Proceeds shall be used by the Group for investments in real estate development projects (including for the development project carried out by Tallinna Moekombinaat) and other general corporate purposes, and may be used for repayment of the Existing Convertibles, the Existing Non-convertibles and the Svalbork Invest Debt. The net proceeds from any Subsequent Bond Issue shall be used for the same purposes as the Net Proceeds.
- 4.4 On the issue date of a Subsequent Bond Issue resulting in that the aggregate Outstanding Amount exceeds EUR 25,000,000, the Issuing Agent shall transfer such part of the net proceeds from such Subsequent Bond Issue which, together with the previously issued aggregate Outstanding Amount, exceeds EUR 25,000,000 (the "**Surplus Amount**"), to the Escrow Account.

#### **5. SECURITY**

- 5.1 As continuing security for the due and punctual fulfilment of the Issuer's obligations under the Finance Documents, the Issuer shall:
- (a) and shall procure that each relevant Group Company, pledge to the Agent and the Holders (represented by the Agent) as first ranking security, all their shares in the Group Companies which are Pledged Group Companies from time to time, in accordance with the relevant Share Pledge Agreements; and
  - (b) pledge to the Agent and the Holders (represented by the Agent) as first ranking security, the Debt Service Account and the Deposit Account (including all funds standing to the credit of such accounts from time to time), in accordance with the Debt Service Account Pledge Agreement and the Deposit Account Pledge Agreement.
- 5.2 If the aggregate Outstanding Amount exceeds EUR 25,000,000, the relevant Group Companies shall, in addition, pledge to the Agent and the Holders (represented by the Agent) as first ranking security, all their shares in Tallinna Moekombinaat, in accordance with the relevant Share Pledge Agreement(s).

- 5.3 The Issuer shall ensure that the Security Documents are duly executed by the relevant Group Company in favour of the Agent and the Holders (represented by the Agent in its capacity as agent and security trustee) and that such documents are legally valid, perfected, enforceable and in full force and effect according to their terms. The Issuer shall execute and/or procure the execution of such further documentation as the Agent may reasonably require in order for the Holders and the Agent to at all times maintain the security position envisaged under the Finance Documents.
- 5.4 The Agent shall hold the Transaction Security on behalf of itself and the Holders in accordance with the Finance Documents (taking into account that Transaction Security governed by Estonian law only shall be granted to the Agent under the Parallel Debt as set out in Clause 28 (*Parallel Debt*)).
- 5.5 Except if otherwise decided by the Holders according to the procedures set out in Clauses 17 (*Decisions by Holders*), 18 (*Holders' Meeting*) and 19 (*Written Procedure*), the Agent is, without first having to obtain the Holders' consent, entitled to enter into binding agreements with the Group Companies or third parties if it is, in the Agent's sole discretion, necessary for the purpose of establishing, maintaining, altering, releasing or enforcing the Transaction Security or for the purpose of settling the various Holders' relative rights to the Transaction Security. The Agent is entitled to take all measures available to it according to the Finance Documents.
- 5.6 If the Bonds are declared due and payable according to Clause 14 (*Termination of the Bonds*) or following the Final Redemption Date, the Agent is, without first having to obtain the Holders' consent, entitled to enforce the Transaction Security, in such manner and under such conditions that the Agent finds acceptable (if in accordance with the Security Documents, respectively).
- 5.7 If a Holders' Meeting has been convened or a Written Procedure has been instigated to decide on the termination of the Bonds and/or the enforcement of all or any part of the Transaction Security, the Agent is obligated to take actions in accordance with the Holders' decision regarding the Transaction Security. However, if the Bonds are not terminated due to that the cause for termination has ceased or due to any other circumstance mentioned in these Terms and Conditions, the Agent shall not enforce any of the Transaction Security. If the Holders, without any prior initiative from the Agent or the Issuer, have made a decision regarding termination of the Bonds and enforcement of any of the Transaction Security in accordance with the procedures set out in Clauses 17 (*Decisions by Holders*), 18 (*Holders' Meeting*) and 19 (*Written Procedure*), the Agent shall promptly declare the Bonds terminated and enforce the Transaction Security. The Agent is however not liable to take action if the Agent considers cause for termination and/or acceleration not to be at hand, unless the instructing Holders in writing commit to holding the Agent indemnified and, at the Agent's own discretion, grant sufficient security for the obligation.
- 5.8 Funds that the Agent receives on account of the Holders in connection with the termination of the Bonds or the enforcement of any or all of the Transaction Security constitute escrow funds (Sw. *redovisningsmedel*) according to the Escrow Funds Act (Sw. *lag (1944:181) om redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Holders and any other interested party. The Agent shall promptly arrange for payments to be made to the Holders in such case. The Agent shall arrange for payments of such funds in accordance with Clause 16 (*Distribution of proceeds*) as soon as reasonably practicable. If the Agent deems it appropriate, it may, in accordance with Clause 5.9, instruct the CSD to arrange for payment to the Holders.

5.9 For the purpose of exercising the rights of the Holders and the Agent under these Terms and Conditions and for the purpose of distributing any funds originating from the enforcement of any Transaction Security, the Issuer irrevocably authorises and empowers the Agent to act in the name of the Issuer, and on behalf of the Issuer, to instruct the CSD to arrange for payment to the Holders in accordance with Clause 5.8. To the extent permissible by law, the powers set out in this Clause 5.9 are irrevocable and shall be valid for as long as any Bonds remain outstanding. The Issuer shall immediately upon request by the Agent provide the Agent with any such documents, including a written power of attorney (in form and substance to the Agent's satisfaction), which the Agent deems necessary for the purpose of carrying out its duties under Clause 5.8. Especially, the Issuer shall, upon the Agent's request, provide the Agent with a written power of attorney empowering the Agent to change the bank account registered with the CSD to a bank account in the name of the Agent and to instruct the CSD to pay out funds originating from an enforcement in accordance with Clause 5.8 to the Holders through the CSD.

## 6. THE BONDS AND TRANSFERABILITY

6.1 Each Holder is bound by these Terms and Conditions without there being any further actions required to be taken or formalities to be complied with.

6.2 The Bonds are freely transferable. All Bond transfers are subject to these Terms and Conditions and these Terms and Conditions are automatically applicable in relation to all Bond transferees upon completed transfer.

6.3 Upon a transfer of Bonds, any rights and obligations under the Finance Documents relating to such Bonds are automatically transferred to the transferee.

6.4 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Each Holder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds, (due to, e.g., its nationality, its residency, its registered address or its place(s) of business). Each Holder must ensure compliance with such restrictions at its own cost and expense.

6.5 The Bonds have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and the Issuer is under no obligation to arrange for registration of the Bonds under the Securities Act or under any other law or regulation.

6.6 The Bonds are not offered to and may not be subscribed by investors located in the United States except for "Qualified Institutional Buyers" ("**QIB**") within the meaning of rule 144A under the Securities Act. In the application form relating to the Bonds, each Person applying for the Bonds must confirm whether it is a U.S. person as defined in rule 902 of regulation S under the Securities Act, and if it is a U.S. person it must confirm, *inter alia*, that it is a QIB.

6.7 Holders located in the United States are not permitted to transfer Bonds except (a) subject to an effective registration statement under the Securities Act, (b) to a person that the Holder reasonably believes is a QIB within the meaning of rule 144A that is purchasing for its own account, or the account of another QIB, to whom notice is given that the resale, pledge or other transfer may be made in reliance on rule 144A, (c) outside the United States in accordance with regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act provided by rule 144 thereunder (if

available) and (e) pursuant to any other available exemption from registration under the Securities Act, subject to the receipt by the Issuer of an opinion of counsel or such other evidence that the Issuer may reasonably require confirming that such sale or transfer is in compliance with the Securities Act.

- 6.8 For the avoidance of doubt and notwithstanding the above, a Holder which allegedly has purchased Bonds in contradiction to mandatory restrictions applicable may nevertheless utilise its voting rights under these Terms and Conditions and shall be entitled to exercise its full rights as a Holder hereunder in each case until such allegations have been resolved.

## **7. BONDS IN ELECTRONIC BOOK-ENTRY FORM**

- 7.1 The Bonds will be registered for the Holders on their respective Securities Accounts and no physical Bonds will be issued. Accordingly, the Bonds will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Bonds shall be directed to an Account Operator.

- 7.2 Those who according to assignment, security, the provisions of the Swedish Children and Parents Code (Sw. *föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.

- 7.3 The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain information from the debt register (Sw. *skuldbok*) kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.

- 7.4 For the purpose of or in connection with any Holders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Bonds. If the Agent does not otherwise obtain information from such debt register as contemplated under the Finance Documents, the Issuing Agent shall at the request of the Agent obtain information from the debt register and provide it to the Agent.

- 7.5 The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Holders.

- 7.6 At the request of the Agent, the Issuer shall promptly instruct the Issuing Agent to obtain information from the debt register kept by the CSD in respect of the Bonds and provide it to the Agent.

## **8. RIGHT TO ACT ON BEHALF OF A HOLDER**

- 8.1 If any Person other than a Holder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney (or, if applicable, a coherent chain of powers of attorney), a certificate from the authorised nominee or other sufficient proof of authorisation for such Person.

- 8.2 A Holder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such

representative is entitled to represent the Holder and may further delegate its right to represent the Holder by way of a further power of attorney.

- 8.3 The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clauses 8.1 and 8.2 and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

## **9. PAYMENTS IN RESPECT OF THE BONDS**

- 9.1 Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds, shall be made to such Person who is registered as a Holder on the Record Date prior to the relevant payment date, or to such other Person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.

- 9.2 If a Holder has registered, through an Account Operator, that principal, Interest and any other payment that shall be made under the Finance Documents shall be deposited in a certain bank account; such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Holder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the Persons who are registered as Holders on the relevant Record Date as soon as possible after such obstacle has been removed.

- 9.3 If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 10.4 during such postponement.

- 9.4 If payment or repayment is made in accordance with this Clause 9, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a Person not entitled to receive such amount.

- 9.5 The Issuer shall pay any stamp duty and other public fees accruing in connection with the Initial Bond Issue or any Subsequent Bond Issue, but not in respect of trading in the secondary market (except to the extent required by applicable law), and shall deduct at source any applicable withholding tax payable pursuant to law.

- 9.6 The Issuer shall not be liable to reimburse any stamp duty or public fee or to gross-up any payments under these Terms and Conditions by virtue of any withholding tax, except for that the Issuer shall be liable to gross-up any withholding tax which the Issuer is obligated to withhold according to Estonian tax law (however, subject to that any Person benefitting from such gross-up shall reimburse the Issuer with a corresponding amount).

## **10. INTEREST**

- 10.1 The Bonds will bear Interest at the Interest Rate applied to the Outstanding Amount from, but excluding, the Issue Date up to and including the relevant Redemption Date. Any Bond issued pursuant to a Subsequent Bond Issue will, however, carry Interest at the Interest Rate from, but excluding, the Interest Payment Date falling immediately prior to its issuance up to and including the relevant Redemption Date.

- 10.2 Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made semi-annually in arrears to the Holders on each Interest Payment Date for the preceding Interest Period.

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

10.4 If the Issuer fails to pay any amount payable by it under the Finance Documents on its due date, default interest shall accrue on the overdue amount from, but excluding, the due date up to and including the date of actual payment at a rate which is 200 basis points higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

## **11. REDEMPTION, REPURCHASE AND REPAYMENTS OF THE BONDS**

### **11.1 Redemption at maturity**

The Issuer shall redeem all, but not only some, of the Bonds in full on the Final Redemption Date (or, to the extent such day is not a Business Day, on the Business Day following from an application of the Business Day Convention) with an amount per Bond equal to the Outstanding Amount together with accrued but unpaid Interest.

### **11.2 The Group Companies' purchase of Bonds**

11.2.1 Any Group Company may, subject to applicable law, at any time and at any price purchase Bonds. Bonds held by a Group Company may at such Group Company's discretion be retained, sold or, if held by the Issuer, cancelled.

11.2.2 The Issuer shall ensure that the proceeds from a Group Company's sale of a Bond, which has been purchased for funds released from the Deposit Account in accordance with Clause 12.7.4, are transferred to the Deposit Account. A Bond shall be considered to be purchased for funds released from the Deposit Account until the aggregate proceeds from sales of Bonds deposited by the Group on the Deposit Account at least equals the funds released from the Deposit Account for the purpose of purchasing Bonds.

### **11.3 Early voluntary redemption by the Issuer (call option)**

11.3.1 The Issuer may redeem all, but not only some, of the Bonds in full on any Business Day before the Final Redemption Date at the applicable Call Option Amount together with accrued but unpaid Interest.

11.3.2 Redemption in accordance with Clause 11.3.1 shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Holders and the Agent. Any such notice shall state the Redemption Date and the relevant Record Date and is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

### **11.4 Mandatory repurchase due to a Change of Control Event, Listing Failure or De-listing Event (put option)**

11.4.1 Upon a Change of Control Event, Listing Failure or De-listing Event occurring, each Holder shall have the right to request that all, but not only some, of its Bonds are repurchased (whereby the Issuer shall have the obligation to repurchase such Bonds) at a price per Bond equal to one hundred and one (101.00) per cent. of the Outstanding Amount together with accrued but unpaid Interest; during a period of thirty (30) calendar days following a notice from the Issuer of the relevant event pursuant to Clause 12.13.1 (e). The thirty (30) calendar days' period may not start earlier than upon the occurrence of the relevant event.

11.4.2 The notice from the Issuer pursuant to Clause 12.13.1 (e) shall specify the repurchase date and include instructions about the actions that a Holder needs to take if it wants Bonds held by it to be repurchased. If a Holder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer, or a Person designated by the Issuer, shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 12.13.1 (e). The repurchase date must fall no later than twenty (20) Business Days after the end of the period referred to in Clause 11.4.1.

11.4.3 The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 11.4, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 11.4 by virtue of the conflict.

11.4.4 Any Bonds repurchased by the Issuer pursuant to this Clause 11.4 may at the Issuer's discretion be retained, sold or cancelled in accordance with Clause 11.2.

## 11.5 **Mandatory partial repayment**

11.5.1 If an amount which exceeds EUR 500,000 has been standing to the credit of the Deposit Account for 12 months without the Issuer having requested the Agent to release such amount, the Agent shall release such amount to the Issuer whereby the Issuer shall apply it towards partial prepayment of all, but not only some, of the Bonds by way of reducing the Outstanding Amount of each Bond *pro rata* (rounded down to a multiple of EUR 100). The prepayment shall be made by the Issuer without delay (subject to 15 Business Days' notice of the prepayment to the Agent and the Holders) at the Call Option Amount applicable at the time of prepayment, together with accrued but unpaid interest.

11.5.2 When determining if an amount has been standing to the credit of the Deposit Account for 12 months, the first date on which the aggregate credited amount exceeds EUR 500,000 shall be used as reference date (and, if the credited amount falls below EUR 500,000, the date it again exceeds EUR 500,000 shall be used as reference date). If the credited amount exceeds EUR 500,000 and an additional amount is credited, the reference date for such additional amount shall be the date on which it is deposited. The Agent may, in accordance with these Terms and Conditions, agree not to release amounts which otherwise should have been applied towards partial prepayments, provided it is not detrimental to the interest of the Holders.

## 12. **SPECIAL UNDERTAKINGS**

So long as any Bond remains outstanding, the Issuer undertakes to comply with the special undertakings set forth in this Clause 12.

### 12.1 **Distributions**

The Issuer shall not, and shall procure that none of the Subsidiaries, (i) pay any dividend on shares, (ii) repurchase any of its own shares, (iii) redeem its share capital or other restricted equity with repayment to shareholders, (iv) repay principal or pay interest under any shareholder loans or (v) make any other similar distribution or transfers of value (Sw. *värdeöverföringar*) to the Issuer's, or the Subsidiaries', direct and indirect shareholders or the Affiliates of such direct and indirect shareholders (items (i)-(v) above are together and individually referred to as a "**Restricted Payment**"), provided however that any such Restricted Payment can be made, if such Restricted Payment is permitted by

law and no Event of Default is continuing or would result from such Restricted Payment, by:

- (a) any Group Company if such Restricted Payment is made to another Group Company and, if made by any of the Subsidiaries which is not directly or indirectly wholly-owned by the Issuer, is made on a *pro rata* basis;
- (b) by the Issuer provided that such Restricted Payment is a repayment of principal or payment of interest under the Svalbork Invest Debt; and
- (c) by the Issuer, provided that (i) the Incurrence Test (calculated on a *pro forma* basis including the relevant Restricted Payment) is met and (ii) the aggregate amount of all Restricted Payments of the Group in a financial year (including the Restricted Payment in question but excluding any Restricted Payment made in accordance with item (a) or (b) above) does not exceed EUR 3,000,000.

## 12.2 **Listing of Bonds**

The Issuer shall ensure (i) that the Bonds are listed on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market, within twelve (12) months after the Issue Date, (ii) that the Bonds, once admitted to trading on the relevant Regulated Market, continue being listed thereon (however, taking into account the rules and regulations of the relevant Regulated Market) and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds) and (iii) that, upon any Subsequent Bond Issue, the volume of Bonds listed on the relevant Regulated Market promptly, and not later than ten (10) Business Days after the relevant issue date, is increased accordingly.

## 12.3 **Financial Indebtedness**

The Issuer shall not, and shall procure that none of the Subsidiaries, incur any new, or maintain or prolong any existing, Financial Indebtedness, provided however that the Group Companies have a right to incur, maintain and prolong Financial Indebtedness which constitute Permitted Debt.

## 12.4 **Negative pledge**

The Issuer shall not, and shall procure that none of the Subsidiaries, create or allow to subsist, retain, provide, prolong or renew any guarantee or security over any of its/their assets (present or future) to secure any Financial Indebtedness, provided however that the Group Companies have a right to create or allow to subsist, retain, provide, prolong and renew any Permitted Security.

## 12.5 **Financial support**

The Issuer shall not, and shall procure that none of the Subsidiaries, grant any loans, guarantees, security or other financial assistance ("**Financial Support**") to or for the benefit of any Person not being a Group Company, other than Financial Support that constitutes Permitted Debt and/or Permitted Security, provided however that Financial Support (including any proceeds from the issuance of Bonds) only may be granted to Tallinna Moekombinaat if the shares in Tallinna Moekombinaat are subject to a Share Pledge Agreement.

## 12.6 **Maintenance Test**

The Issuer shall ensure that the Maintenance Test is met at all times.



## 12.7 Disposals of assets

- 12.7.1 The Issuer shall not, and shall procure that no Material Group Company, sell or otherwise dispose of shares in any Material Group Company or of all or substantially all of its or any Material Group Company's assets or operations to any Person not being the Issuer or any of the wholly-owned Subsidiaries, unless the transaction is carried out at fair market value and on terms and conditions customary for such transaction and provided that it does not have a Material Adverse Effect.
- 12.7.2 Subject to what is set out in Clause 12.7.4, the net proceeds from a disposal which is permitted according to Clause 12.7.1 shall be used in accordance with Clause 4.3, for repurchases of Bonds or for distributions in accordance with Clause 12.1 (*Distributions*), meaning, for the avoidance of doubt, that such net proceeds may not be used for activities outside the ordinary course of the Group's business.
- 12.7.3 The Issuer shall not, and shall procure that none of the Subsidiaries will, sell, transfer or otherwise dispose of shares, assets or operations in any Pledged Group Company, or in any subsidiary of a Pledged Group Company (except for in respect of Tallinna Moekombinaat, unless the shares in Tallinna Moekombinaat are subject to a Share Pledge Agreement), to any Group Company other than a Pledged Group Company (or, in relation to such transfers of shares, the Issuer). Any such transfer of shares to a Pledged Group Company or the Issuer shall be subject always to the Issuer procuring that any such shares so transferred which at any time are, are intended to be or have been included in the Transaction Security continues to be pledged following the transfer on the same or substantially similar terms and with such priority of security as is satisfactory to the Agent (acting reasonably).
- 12.7.4 The Issuer shall procure that the net proceeds from a disposal of shares in a Pledged Group Company to any Person not being the Issuer or any of the Pledged Group Companies immediately upon receipt by the relevant Group Company is transferred to the Deposit Account. The Agent shall be obliged to release the security interest under the relevant Share Pledge Agreement simultaneously with the receipt of such net proceeds on the Deposit Account. Upon request by the Issuer, the Agent shall be obliged to release an amount specified by the Issuer from the Deposit Account, provided that such amount without delay shall be used by the Group for (a) repurchases of Bonds or (b) investments in a real estate development project within the ordinary course of the Group's business, either by way of:
- (i) acquisition of a property owning company, in which case (i) the acquiring Group Company shall provide a first priority pledge over such property owning company in favour of the Agent and the Holders (represented by the Agent) in accordance with a Share Pledge Agreement, (ii) such Share Pledge Agreement shall be entered into prior to the release of the relevant amount from the Deposit Account and (iii) the Issuer shall provide any legal opinion reasonably requested by the Agent in respect of e.g. capacity, authorisation, due execution, validity and enforceability of such Share Pledge Agreement; or
  - (ii) investments in a property, provided that such investments increase the Property Value of such property and that such property already is owned by a Pledged Group Company.
- 12.7.5 If the Issuer, twelve (12) months after an amount has been deposited on the Deposit Account, has not requested that the Agent shall release such amount, such amount shall

be used to partially prepay the Bonds in accordance with Clause 11.5 (*Mandatory Partial Prepayment*).

12.7.6 The Issuer shall notify the Agent of any transaction made in accordance with this Clause 12.7 and, upon request by the Agent, provide the Agent with any information relating to the transaction which the Agent deems necessary (acting reasonably).

12.8 **Security**

The Issuer shall ensure that all shares in Pledged Group Companies, which from time to time are owned by a Group Company, are pledged in favour of the Agent and the Holders (represented by the Agent) as first ranking security in accordance with pledge agreements satisfactory to the Agent (acting reasonably).

12.9 **Nature of business**

The Issuer shall procure that no substantial change is made to the general nature of the business as carried out by the Group on the Issue Date. A disposal or discontinuation of the Hotel Operations, in whole or in part, shall not be deemed to be a substantial change to the general nature of the business as carried out by the Group on the Issue Date.

12.10 **Insurances**

The Issuer shall, and shall procure that the Subsidiaries, maintain with financially sound and reputable insurance companies, funds or underwriters adequate insurance or captive arrangements with respect to its assets, equipment and business against such liabilities, casualties and contingencies and of such types and in such amounts as would normally be maintained by owners and/or operators owning similar assets to those owned by the relevant Group Company, acting in accordance with good industry practice in their relevant jurisdiction.

12.11 **Dealings with related parties**

The Issuer shall, and shall procure that the Subsidiaries, conduct all dealings with the direct and indirect shareholders of the Group Companies (excluding other Group Companies) and/or any Affiliates of such direct and indirect shareholders at arm's length terms.

12.12 **Compliance with law etcetera**

The Issuer shall, and shall procure that the Subsidiaries will, (i) comply in all material respects with all laws and regulations applicable from time to time, and (ii) obtain, maintain, and in all material respects comply with, the terms and conditions of any authorisation, approval, licence or other permit required for the business carried out by a Group Company.

12.13 **Financial reporting and information**

12.13.1 The Issuer shall:

- (a) prepare and make available the annual audited consolidated financial statements of the Group and the annual audited unconsolidated financial statements of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors, to the Agent and on its website not later than four (4) months after the expiry of each financial year;

- (b) prepare and make available the quarterly interim unaudited consolidated reports of the Group, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors, to the Agent and on its website not later than two (2) months after the expiry of each relevant interim period;
- (c) issue a Compliance Certificate to the Agent (i) when a Financial Report is made available, (ii) in connection with the incurrence of Financial Indebtedness or payment of a Restricted Payment which requires that the Incurrence Test is met, and (iii) at the Agent's request, within twenty (20) calendar days from such request;
- (d) keep the latest version of these Terms and Conditions (including documents amending these Terms and Conditions) available on its website;
- (e) promptly notify the Agent (and, as regards a Change of Control Event, Listing Failure or De-listing Event, the Holders) upon becoming aware of the occurrence of a Change of Control Event, a Listing Failure, a De-listing Event or an Event of Default, and shall provide the Agent with such further information as the Agent may request (acting reasonably) following receipt of such notice (including, for the avoidance of doubt, calculations, figures and supporting documents in respect of the Maintenance Test); and
- (f) prepare the financial reports referred to under item (i) and (ii) above in accordance with the Accounting Principles and, once the Bonds have been listed, make them available in accordance with the rules and regulations of Nasdaq Stockholm (or any other Regulated Market, as applicable) (as amended from time to time) and the Swedish Securities Market Act (*Sw. lag (2007:528) om värdepappersmarknaden*) (as amended from time to time).

12.13.2 The Issuer shall notify the Agent of any transaction referred to in Clause 12.7 (*Disposals of assets*) and shall, upon request by the Agent, provide the Agent with (a) any information relating to the transaction which the Agent deems necessary (acting reasonably), and, if applicable, (b) a determination from the Issuer which states whether the transaction is carried out on an arm's length basis and on terms and conditions customary for such transaction or not and whether it has a Material Adverse Effect or not. The Agent may assume that any information provided by the Issuer is correct, and the Agent shall not be responsible or liable for the adequacy, accuracy or completeness of such information. The Agent is not responsible for assessing if the transaction is carried out on an arm's length basis and on terms and conditions customary for such transaction and whether it has a Material Adverse Effect, but is not bound by the Issuer's determination under item (b) above.

## 12.14 **Agent Agreement**

12.14.1 The Issuer shall, if applicable in accordance with the Agent Agreement:

- (a) pay fees to the Agent;
- (b) indemnify the Agent for costs, losses and liabilities;
- (c) furnish to the Agent all information reasonably requested by or otherwise required to be delivered to the Agent; and
- (d) not act in a way which would give the Agent a legal or contractual right to terminate the Agent Agreement.

12.14.2 The Issuer and the Agent shall not agree to amend any provisions of the Agent Agreement without the prior consent of the Holders if the amendment would be detrimental to the interests of the Holders.

### **13. CONDITIONS PRECEDENT FOR DISBURSEMENT OF THE NET PROCEEDS**

13.1 The Agent's approval of the disbursements from the Escrow Account of the Net Proceeds standing to the credit of the Escrow Account is subject to the following events having taken place and the following documents having been received by the Agent, in form and substance satisfactory to the Agent (acting reasonably):

- (a) that the security purported to be created under the Debt Service Account and the Deposit Account have been duly perfected, including:
  - (i) copies of duly executed Debt Service Account Pledge Agreement and Deposit Account Pledge Agreement;
  - (ii) copy of duly executed notice to be provided by the Issuer to the Bank in respect of each agreement; and
  - (iii) copy of a duly signed acknowledgement of receipt of each notice set out in item (ii) above;
- (b) that the security purported to be created under the Share Pledge Agreements in respect of Pledged Group Companies incorporated in Estonia have been duly perfected, including;
  - (i) copies of duly executed Share Pledge Agreements;
  - (ii) evidence showing that the pledges in favour of the Agent, of all shares which are subject to the relevant Share Pledge Agreements, have been recorded in the Estonian Central Register of Securities;
  - (iii) copy of a legal opinion from the Issuer's Estonian legal advisor AS Advokaadibüroo Tark Grunte Sutkiene, in relation to e.g. capacity, authorisation, due execution, validity and enforceability of the relevant Share Pledge Agreements; and
  - (iv) any other event or document reasonably required by the Agent;
- (c) that the security purported to be created under the Share Pledge Agreements in respect of Pledged Group Companies incorporated in Latvia have been duly perfected, including;
  - (i) copies of duly executed Share Pledge Agreements;
  - (ii) copies of duly signed (before a public notary) special forms of applications for registration of the pledges;
  - (iii) evidence that pledges have been registered with the Commercial Pledge Register of the Enterprise Register of the Republic of Latvia;
  - (iv) copy of a legal opinion from the Issuer's Latvian legal advisor Advokātu birojs Tark Grunte Sutkiene, in relation to e.g. capacity, authorisation, due execution, validity and enforceability of the relevant Share Pledge Agreements; and
  - (v) any other event or document reasonably required by the Agent;

- (d) that the security purported to be created under the Share Pledge Agreements in respect of Pledged Group Companies incorporated in Lithuania have been duly perfected, including;
  - (i) copies of duly executed and notarized Share Pledge Agreements;
  - (ii) evidence that the relevant pledges have been registered with the Mortgage Register of the Republic of Lithuania;
  - (iii) copy of a legal opinion from the Issuer's Lithuanian legal advisor Law firm Tark, Grunte, Sutkiene & Partners TARK GRUNTE SUTKIENE, in relation to e.g. capacity, authorisation, due execution, validity and enforceability of the relevant Share Pledge Agreements; and
  - (iv) any other event or document reasonably required by the Agent;
- (e) that the security purported to be created under the Share Pledge Agreements in respect of Pledged Group Companies incorporated in Germany have been duly perfected, including;
  - (i) copies of duly executed Share Pledge Agreements authenticated by a notary public;
  - (ii) shareholders resolution(s) to approve the relevant pledge(s);
  - (iii) communication of the notary public to the company(ies) regarding the pledge(s);
  - (iv) copy of a legal opinion from the Issuer's German legal advisor Law Office von der Seipen & Steinberg, in relation to e.g. capacity, authorisation, due execution, validity and enforceability of the Share Pledge Agreements; and
  - (v) any other event or document reasonably required by the Agent.

13.2 When the Conditions Precedent for Disbursement of the Net Proceeds set out above have been fulfilled to the satisfaction of the Agent (acting reasonably), the Agent shall without delay instruct the Bank to transfer the Net Proceeds standing to the credit of the Escrow Account to the Issuer, whereby the Group shall use the Net Proceeds so released in accordance with Clause 4.3.

13.3 The Agent may assume that the documents presented under Clause 13.1 are correct, and the Agent shall not be responsible or liable for the adequacy, accuracy or completeness of such documents.

#### **14. CONDITIONS PRECEDENT FOR DISBURSEMENT OF THE SURPLUS AMOUNT**

14.1 The Agent's approval of the disbursements from the Escrow Account of the Surplus Amount standing to the credit of the Escrow Account is subject to the Transaction Security purported to be created under the Share Pledge Agreement(s) in respect of Tallinna Moekombinaat has been duly perfected, including that the following events having taken place and the following documents having been received by the Agent, in form and substance satisfactory to the Agent (acting reasonably):

- (i) copies of duly executed Share Pledge Agreement(s);

- (ii) evidence showing that the pledge in favour of the Agent, of all shares which are subject to the relevant Share Pledge Agreement(s), has been recorded in the Estonian Central Register of Securities;
- (iii) copy of a legal opinion from the Issuer's Estonian legal advisor AS Advokaadibüroo Tark Grunte Sutkiene, in relation to e.g. capacity, authorisation, due execution, validity and enforceability of the relevant Share Pledge Agreement(s); and
- (iv) any other event or document reasonably required by the Agent.

14.2 When the Conditions Precedent for Disbursement of the Surplus Amount set out above have been fulfilled to the satisfaction of the Agent (acting reasonably), the Agent shall without delay instruct the Bank to transfer the net proceeds from the relevant Subsequent Bond Issue to the Issuer and/or release the pledge over the Escrow Account.

14.3 The Agent may assume that the documents presented under Clause 14.1 are correct, and the Agent shall not be responsible or liable for the adequacy, accuracy or completeness of such documents.

## 15. TERMINATION OF THE BONDS

15.1 The Agent is entitled, on behalf of the Holders, to terminate the Bonds and to declare all, but not only some, of the Bonds due for payment immediately or at such later date as the Agent determines (such later date not falling later than twenty (20) Business Days from the date on which the Agent made such declaration), if:

- (a) **Non-payment:** The Issuer fails to pay an amount on the date it is due in accordance with the Finance Documents unless its failure to pay is due to technical or administrative error and is remedied within 5 Business Days of the due date.
- (b) **Conditions Precedent:** The Issuer has not provided the Agent with evidence, in form and substance satisfactory to the Agent (acting reasonably), showing that all Conditions Precedent for Disbursement of the Net Proceeds or Conditions Precedent for Disbursement of the Surplus Amount (as applicable) have been fulfilled not later than 30 calendar days after the relevant issue date.
- (c) **Other obligations:** The Issuer or any other Group Company does not comply with the Finance Documents in any other way than as set out under item (a) and (b) above, unless the non-compliance (i) is capable of being remedied and (ii) is remedied within fifteen (15) Business Days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance (if the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior written request).
- (d) **Cross-default/-acceleration:**
  - (i) Any Financial Indebtedness of any Material Group Company is not paid when due nor within any originally applicable grace period or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default howsoever described under any document relating to Financial Indebtedness of any Material Group Company; or

- (ii) any security interest securing Financial Indebtedness over any asset of any Material Group Company is enforced;

provided however that the amount of Financial Indebtedness referred to under item (i) and/or (ii) above, individually or in the aggregate exceeds an amount corresponding to EUR 2,000,000 and provided that it does not apply to any Financial Indebtedness owed to a Group Company.

**(e) Insolvency:**

- (i) Any Material Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors (other than under these Terms and Conditions) with a view to rescheduling its Financial Indebtedness; or
- (ii) a moratorium is declared in respect of the Financial Indebtedness of any Material Group Company.

**(f) Insolvency proceedings:** Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 45 calendar days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to the Subsidiaries, solvent liquidations) in relation to:

- (i) the suspension of payments, winding-up, dissolution, administration or reorganisation (Sw. *företagsrekonstruktion*) (by way of voluntary agreement, scheme of arrangement or otherwise) of any Material Group Company;
- (ii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Material Group Company or any of its assets; or
- (iii) any analogous procedure or step is taken in any jurisdiction in respect of any Material Group Company.

**(g) Mergers and demergers:**

- (i) A decision is made that any Material Group Company shall be merged or demerged into a company which is not a Group Company, unless the Agent has given its consent (not to be unreasonably withheld or delayed) in writing prior to the merger and/or demerger (where consent is not to be understood as a waiver of the rights that applicable law at the time assigns the concerned creditors); or
- (ii) the Issuer merges with any other Person, or is subject to a demerger, with the effect that the Issuer is not the surviving entity.

**(h) Creditors' process:** Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Material Group Company having an aggregate value equal to or exceeding EUR 2,000,000 and where such process (i) is not discharged within forty-five (45)

calendar days (ii) or is being made in bad faith by the claimant, as evidenced to the Agent.

- (i) **Impossibility or illegality:** It is or becomes impossible or unlawful for the Issuer to fulfil or perform any of the provisions of the Finance Documents or if the obligations under the Finance Documents are not, or cease to be, legal, valid, binding and enforceable, provided it has a Material Adverse Effect.
- (j) **Continuation of the business:** The Issuer or any other Material Group Company ceases to carry on its business (except if due to (i) a permitted merger or demerger as stipulated in (g) above, (ii) a disposal which is permitted under Clause 12.7 or (iii) a disposal or discontinuation of the Hotel Operations, in whole or in part), provided it has a Material Adverse Effect.

- 15.2 The Agent may not terminate the Bonds in accordance with Clause 15.1 by reference to a specific Event of Default if it is no longer continuing or if it has been decided, in accordance with these Terms and Conditions, to waive such Event of Default (temporarily or permanently). However, if a moratorium occurs, the ending of that moratorium will not prevent termination for payment prematurely on the ground mentioned under Clause 15.1(e).
- 15.3 If the right to terminate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of termination to be deemed to exist.
- 15.4 The Issuer is obligated to inform the Agent immediately if any circumstance of the type specified in Clause 15.1 should occur. Should the Agent not receive such information, the Agent is entitled to assume that no such circumstance exists or can be expected to occur, provided that the Agent does not have knowledge of such circumstance. The Agent is under no obligations to make any investigations relating to the circumstances specified in Clause 15.1. The Issuer shall further, at the request of the Agent, provide the Agent with details of any circumstances referred to in Clause 15.1 and provide the Agent with all documents that may be of significance for the application of this Clause 15.
- 15.5 The Issuer is only obligated to inform the Agent according to Clause 15.4 if informing the Agent would not conflict with any statute or the Issuer's registration contract with Nasdaq Stockholm (or any other Regulated Market, as applicable). If such a conflict would exist pursuant to the listing contract with the relevant Regulated Market or otherwise, the Issuer shall however be obligated to either seek the approval from Nasdaq Stockholm (or any other Regulated Market, as applicable) or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to Clause 15.4.
- 15.6 If the Agent has been notified by the Issuer or has otherwise determined that there is a default under these Terms and Conditions according to Clause 15.1, the Agent shall decide, within twenty (20) Business Days of the day of notification or determination, if the Bonds shall be declared terminated. If the Agent has decided not to terminate the Bonds, the Agent shall, at the earliest possible date, notify the Holders that there exists a right of termination and obtain instructions from the Holders according to the provisions in Clause 17 (*Decisions by Holders*). If the Holders vote in favour of termination and instruct the Agent to terminate the Bonds, the Agent shall promptly declare the Bonds terminated. However, if the cause for termination according to the Agent's appraisal has ceased before the termination, the Agent shall not terminate the Bonds. The Agent shall in such case, at



the earliest possible date, notify the Holders that the cause for termination has ceased. The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default and whether such event has a Material Adverse Effect.

- 15.7 If the Holders, without any prior initiative to decision from the Agent or the Issuer, have made a decision regarding termination in accordance with Clause 17 (*Decisions by Holders*), the Agent shall promptly declare the Bonds terminated. The Agent is however not liable to take action if the Agent considers cause for termination not to be at hand, unless the instructing Holders agree in writing to indemnify and hold the Agent harmless from any loss or liability and, if requested by the Agent in its discretion, grant sufficient security for such indemnity.
- 15.8 If the Bonds are declared due and payable in accordance with the provisions in this Clause 15, the Agent shall take every reasonable measure necessary to recover the amounts outstanding under the Bonds.
- 15.9 For the avoidance of doubt, the Bonds cannot be terminated and become due for payment prematurely according to this Clause 15 without relevant decision by the Agent or following instructions from the Holders' pursuant to Clause 17 (*Decisions by Holders*).
- 15.10 If the Bonds are declared due and payable in accordance with this Clause 15, the Issuer shall redeem all Bonds with an amount per Bond equal to the applicable Call Option Amount.

## **16. DISTRIBUTION OF PROCEEDS**

- 16.1 If the Bonds have been declared due and payable in accordance with Clause 15 (*Termination of the Bonds*), all payments by the Issuer relating to the Bonds shall be distributed in the following order of priority, in accordance with the instructions of the Agent:
- (a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent, (ii) other costs, expenses and indemnities relating to the termination of the Bonds, the enforcement of the Transaction Security or the protection of the Holders' rights, (iii) any non-reimbursed costs incurred by the Agent for external experts, and (iv) any non-reimbursed costs and expenses incurred by the Agent in relation to a Holders' Meeting or a Written Procedure;
  - (b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
  - (c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Bonds;  
and
  - (d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under the Finance Documents.

Any excess funds after the application of proceeds in accordance with paragraphs (a) to (d) above shall be paid to the Issuer. The application of proceeds in accordance with paragraphs (a) to (d) above shall, however, not restrict a Holders' Meeting or a Written Procedure from resolving that accrued Interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

16.2 If a Holder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 16.1, such Holder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 16.1.

16.3 If the Issuer or the Agent shall make any payment under this Clause 16, the Issuer or the Agent, as applicable, shall notify the Holders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 9.1 shall apply.

## 17. DECISIONS BY HOLDERS

17.1 A request by the Agent for a decision by the Holders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Holders' Meeting or by way of a Written Procedure.

17.2 Any request from the Issuer or a Holder (or Holders) representing at least ten (10.00) per cent. of the Adjusted Outstanding Amount (such request may only be validly made by a Person who is a Holder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Holders, be made by them jointly) for a decision by the Holders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Holders' Meeting or by way of a Written Procedure, as determined by the Agent. The Person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Holders' Meeting than by way of a Written Procedure, it shall be dealt with at a Holders' Meeting.

17.3 The Agent may refrain from convening a Holders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any Person in addition to the Holders and such Person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.

17.4 Only a Person who is, or who has been provided with a power of attorney or other proof of authorisation pursuant to Clause 8 (*Right to act on behalf of a Holder*) from a Person who is, registered as a Holder:

(a) on the Record Date prior to the date of the Holders' Meeting, in respect of a Holders' Meeting; or

(b) on the Business Day specified in the communication pursuant to Clause 19.3, in respect of a Written Procedure;

may exercise voting rights as a Holder at such Holders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Outstanding Amount.

17.5 The following matters shall require consent of Holders representing at least two thirds (2/3) of the Adjusted Outstanding Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 19.3:

(a) waive a breach of or amend an undertaking set out in Clause 12 (*Special undertakings*);

- (b) release the Transaction Security in whole or in part (other than such security which shall be released in accordance with these Terms and Conditions without the requirement for the Agent to receive approval from the Holders);
  - (c) reduce the principal amount, Interest Rate or Interest which shall be paid by the Issuer;
  - (d) amend any payment day for principal or Interest or waive any breach of a payment undertaking; or
  - (e) amend the provisions in this Clause 17.5 or Clause 17.6.
- 17.6 Any matter not covered by Clause 17.5 shall require the consent of Holders representing more than fifty (50.00) per cent. of the Adjusted Outstanding Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 19.3. This includes, but is not limited to, any amendment to or waiver of the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 20.1 (a) – (c)), a termination of the Bonds or the enforcement of the Transaction Security in whole or in part.
- 17.7 If the number of votes or replies are equal, the opinion which is most beneficial for the Issuer, according to the chairman at a Holders' Meeting or the Agent in a Written Procedure, will prevail. The chairman at a Holders' Meeting shall be appointed by the Holders in accordance with Clause 17.6.
- 17.8 Quorum at a Holders' Meeting or in respect of a Written Procedure only exists if a Holder (or Holders) representing at least twenty (20) per cent. of the Adjusted Outstanding Amount:
- (a) if at a Holders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
  - (b) if in respect of a Written Procedure, reply to the request.
- 17.9 If a quorum does not exist at a Holders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Holders' Meeting (in accordance with Clause 18.1) or initiate a second Written Procedure (in accordance with Clause 19.1), as the case may be, provided that the relevant proposal has not been withdrawn by the Person(s) who initiated the procedure for Holders' consent. The quorum requirement in Clause 17.8 shall not apply to such second Holders' Meeting or Written Procedure.
- 17.10 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate.
- 17.11 A Holder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- 17.12 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Holders that consent at the relevant Holders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.

- 17.13 A matter decided at a duly convened and held Holders' Meeting or by way of Written Procedure is binding on all Holders, irrespective of them being present or represented at the Holders' Meeting or responding in the Written Procedure. The Holders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Holders.
- 17.14 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Holders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- 17.15 If a decision shall be taken by the Holders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) their Affiliates, irrespective of whether such Person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate of a Group Company.
- 17.16 Information about decisions taken at a Holders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Holders and published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Holders' Meeting or Written Procedure shall at the request of a Holder be sent to it by the Issuer or the Agent, as applicable.

## **18. HOLDERS' MEETING**

- 18.1 The Agent shall convene a Holders' Meeting by sending a notice thereof to each Holder no later than five (5) Business Days after receipt of a request from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons). If the Holders' Meeting has been requested by the Holder(s), the Agent shall send a copy of the notice to the Issuer.
- 18.2 Should the Issuer want to replace the Agent, it may convene a Holders' Meeting in accordance with Clause 18.1 with a copy to the Agent. After a request from the Holders pursuant to Clause 21.4.3, the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Holders' Meeting in accordance with Clause 18.1.
- 18.3 The notice pursuant to Clause 18.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Holders), and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Holders' Meeting. Should prior notification by the Holders be required in order to attend the Holders' Meeting, such requirement shall be included in the notice.
- 18.4 The Holders' Meeting shall be held no earlier than ten (10) Business Days and no later than twenty (20) Business Days from the notice.
- 18.5 If the Agent, in breach of these Terms and Conditions, has not convened a Holders' Meeting within ten (10) Business Days after having received such notice, the requesting Person may convene the Holders' Meeting itself. If the requesting Person is a Holder, the Issuer shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD and, if no Person to open the Holders' Meeting has been

appointed by the Agent, the meeting shall be opened by a Person appointed by the requesting Person.

- 18.6 At a Holders' Meeting, the Issuer, the Holders (or the Holders' representatives/proxies) and the Agent may attend along with each of their representatives, counsels and assistants. Further, the directors of the board, the managing director and other officials of the Issuer and the Issuer's auditors may attend the Holders' Meeting. The Holders' Meeting may decide that further individuals may attend. If a representative/proxy shall attend the Holders' Meeting instead of the Holder, the representative/proxy shall present a duly executed proxy or other document establishing its authority to represent the Holder.
- 18.7 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Holders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Holders to vote without attending the meeting in Person.

## **19. WRITTEN PROCEDURE**

- 19.1 The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such Person who is registered as a Holder on the Business Day prior to the date on which the communication is sent. If the Written Procedure has been requested by the Holder(s), the Agent shall send a copy of the communication to the Issuer.
- 19.2 Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 19.1 to each Holder with a copy to the Agent.
- 19.3 A communication pursuant to Clause 19.1 shall include (i) each request for a decision by the Holders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a Person must be registered as a Holder in order to be entitled to exercise voting rights (such Business Day not to fall earlier than the effective date of the communication pursuant to Clause 19.1), (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Holder must reply to the request (such time period to last at least ten (10) Business Days but not more than thirty (30) Business Days from the communication pursuant to Clause 19.1) from the communication pursuant to Clause 19.1). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- 19.4 If the Agent, in breach of these Terms and Conditions, has not instigated a Written Procedure within ten (10) Business Days after having received such notice, the requesting Person may instigate a Written Procedure itself. If the requesting Person is a Holder, the Issuer shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD.
- 19.5 When the requisite majority consents of the total Adjusted Outstanding Amount pursuant to Clauses 17.5 and 17.6 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 17.5 or 17.6, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

## **20. AMENDMENTS AND WAIVERS**

- 20.1 The Issuer and the Agent (acting on behalf of the Holders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
- (a) such amendment or waiver is not detrimental to the interest of the Holders, or is made solely for the purpose of rectifying obvious errors and mistakes;
  - (b) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority;
  - (c) such amendment or waiver is necessary for the purpose of listing the Bonds on the corporate bond list of Nasdaq Stockholm (or any other Regulated Market, as applicable) provided such amendment or waiver does not materially adversely affect the rights of the Holders; or
  - (d) such amendment or waiver has been duly approved by the Holders in accordance with Clause 17 (*Decisions by Holders*).
- 20.2 The consent of the Holders is not necessary to approve the particular form of any amendment or waiver to the Finance Documents. It is sufficient if such consent approves the substance of the amendment or waiver.
- 20.3 The Agent shall promptly notify the Holders of any amendments or waivers made in accordance with Clause 20.1, setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are available on the websites of the Issuer and the Agent. The Issuer shall ensure that any amendments to these Terms and Conditions are duly registered with the CSD and each other relevant organisation or authority.
- 20.4 An amendment or waiver to the Finance Documents shall take effect on the date determined by the Holders' Meeting, in the Written Procedure or by the Agent, as the case may be.

## **21. APPOINTMENT AND REPLACEMENT OF THE AGENT**

### **21.1 Appointment of Agent**

- 21.1.1 By subscribing for Bonds, each initial Holder appoints the Agent to act as its agent and security agent in all matters relating to the Bonds and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Holder. By acquiring Bonds, each subsequent Holder confirms such appointment and authorisation for the Agent to act on its behalf.
- 21.1.2 Each Holder shall immediately upon request by the Agent provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), as the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Holder which does not comply with such request.
- 21.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.

- 21.1.4 The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agent's obligations as agent and security agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- 21.1.5 The Agent may act as agent and/or security trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.
- 21.2 **Duties of the Agent**
- 21.2.1 The Agent shall represent the Holders in accordance with the Finance Documents. However, the Agent is not responsible for the execution or enforceability of the Finance Documents. The Agent shall keep the latest version of these Terms and Conditions (including any document amending these Terms and Conditions) available on the website of the Agent.
- 21.2.2 The Agent shall upon request by a Holder disclose the identity of any other Holder who has consented to the Agent in doing so.
- 21.2.3 When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Holders. The Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- 21.2.4 The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.
- 21.2.5 The Agent shall treat all Holders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Holders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other Person, other than as explicitly stated in the Finance Documents.
- 21.2.6 The Agent shall, subject to Clause 25.2.2, be entitled to disclose to the Holders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Holders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.
- 21.2.7 The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all costs for external experts engaged (i) after the occurrence of an Event of Default, (ii) for the purpose of investigating or considering an event which the Agent reasonably believes is or may lead to an Event of Default or a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Holders under the Finance Documents or (iii) when the Agent is to make a determination under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 16 (*Distribution of proceeds*).
- 21.2.8 Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obligated to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- 21.2.9 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Holders, or taking any

action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

21.2.10 The Agent shall give a notice to the Holders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents, or (ii) if it refrains from acting for any reason described in Clause 21.2.9.

### 21.3 **Limited liability for the Agent**

21.3.1 The Agent will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.

21.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Holders to delay the action in order to first obtain instructions from the Holders.

21.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Holders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

21.3.4 The Agent shall have no liability to the Holders for damage caused by the Agent acting in accordance with instructions of the Holders given in accordance with Clause 17 (*Decisions by Holders*).

21.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Holders under the Finance Documents.

### 21.4 **Replacement of the Agent**

21.4.1 Subject to Clause 21.4.6, the Agent may resign by giving notice to the Issuer and the Holders, in which case the Holders shall appoint a successor Agent at a Holders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.

21.4.2 Subject to Clause 21.4.6, if the Agent is insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

21.4.3 A Holder (or Holders) representing at least ten (10.00) per cent. of the Adjusted Outstanding Amount may, by notice to the Issuer (such notice may only be validly given by a Person who is a Holder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Holders, be given by them jointly), require that a Holders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Holders' Meeting convened by it or by way



of Written Procedure initiated by it, propose to the Holders that the Agent be dismissed and a new Agent appointed.

- 21.4.4 If the Holders have not appointed a successor Agent within ninety (90) calendar days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place, or (ii) the Agent was dismissed through a decision by the Holders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- 21.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- 21.4.6 The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- 21.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Holders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- 21.4.8 In the event that there is a change of the Agent in accordance with this Clause 21.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents. Unless the Issuer and the new Agent agrees otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

## **22. APPOINTMENT AND REPLACEMENT OF THE ISSUING AGENT**

- 22.1 The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- 22.2 The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is insolvent, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

## **23. NO DIRECT ACTIONS BY HOLDERS**

- 23.1 A Holder may not take any steps whatsoever against any Group Company to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (Sw. *företagsrekonstruktion*) or bankruptcy (Sw. *konkurs*) (or its equivalent in any other jurisdiction) of any Group Company in relation to any of the liabilities of any Group Company under the Finance Documents.

23.2 Clause 23.1 shall not apply if the Agent has been instructed by the Holders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Holder to provide documents in accordance with Clause 21.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or by any reason described in Clause 21.2.9, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 21.2.10 before a Holder may take any action referred to in Clause 23.1.

23.3 The provisions of Clause 23.1 shall not in any way limit an individual Holder's right to claim and enforce payments which are due to it under Clause 11.4 (*Mandatory repurchase due to a Change of Control Event (put option)*) or other payments which are due by the Issuer to some but not all Holders.

## **24. TIME-BAR**

24.1 The right to receive repayment of the principal of the Bonds shall be time-barred and become void ten (10) years from the relevant Redemption Date. The right to receive payment of Interest (excluding any capitalised Interest) shall be time-barred and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Holders' right to receive payment has been time-barred and has become void.

24.2 If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*Sw. preskriptionslag (1981:130)*), a new time-bar period of ten (10) years with respect to the right to receive repayment of the principal of the Bonds, and of three (3) years with respect to the right to receive payment of Interest (excluding capitalised Interest) will commence, in both cases calculated from the date of interruption of the time-bar period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

## **25. NOTICES AND PRESS RELEASES**

### **25.1 Notices**

25.1.1 Any notice or other communication to be made under or in connection with these Terms and Conditions:

(a) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Sw. Bolagsverket*) on the Business Day prior to dispatch or, if sent by email by the Issuer, to such email address as notified by the Agent to the Issuer from time to time;

(b) if to the Issuer, shall be given at the address registered with the Estonian commercial register (*Es. äriregister*) on the Business Day prior to dispatch or, if sent by email by the Agent, to such email address as notified by the Issuer to the Agent from time to time; and

(c) if to the Holders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery or letter for all Holders. A notice to the Holders shall also be published on the websites of the Issuer and the Agent.

25.1.2 Any notice or other communication made by one Person to another under or in connection with these Terms and Conditions shall be sent by way of courier, personal delivery or letter (and, if between the Agent and the Issuer, by email) and will only be effective, in case of

courier or personal delivery, when it has been left at the address specified in Clause 25.1.1 or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 25.1.1 or, in case of email to the Agent or the Issuer, when received in legible form by the email address specified in Clause 25.1.1.

25.1.3 Failure to send a notice or other communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

## 25.2 **Press releases**

25.2.1 Any notice that the Issuer or the Agent shall send to the Holders pursuant to Clauses 11.3.2, 12.13.1 (e), 15.6, 16.3, 17.16, 18.1, 19.1, 20.3, 21.2.10 and 21.4.1 shall also be published by way of press release by the Issuer or the Agent, as applicable.

25.2.2 In addition to Clause 25.2.1, if any information relating to the Bonds, the Issuer or the Group contained in a notice which the Agent may send to the Holders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Holders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Holders, the Agent shall be entitled to issue such press release.

## 26. **FORCE MAJEURE AND LIMITATION OF LIABILITY**

26.1 Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a “**Force Majeure Event**”). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

26.2 The Issuing Agent shall have no liability to the Holders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.

26.3 Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with the Finance Documents, such action may be postponed until the obstacle has been removed.

26.4 The provisions in this Clause 26 apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

## 27. **LISTING**

The Issuer intends to list the Bonds within thirty (30) calendar days, and has undertaken to list the Bonds within twelve (12) months, after the Issue Date on the corporate bond list of Nasdaq Stockholm (or any other Regulated Market). Further, if the Bonds have not been listed on the corporate bond list of Nasdaq Stockholm (or any other Regulated Market) within sixty (60) days after the Issue Date, each Holder has a right of repayment (put option) of its Bonds.

## 28. **PARALLEL DEBT**

The Issuer will, for the purpose of establishing the pledges of shares in any company incorporated in Estonia and due to certain Estonian law requirements, irrevocably and unconditionally undertake to pay to the Agent, as creditor in its own right (and not as

representative of the Holders), sums equal to and in the currency of each amount payable by the Issuer to the Holders under these Terms and Conditions as and when that amount falls due for payment under the Bonds, *i.e.* the Issuer will have the same payment undertakings under these Terms and Conditions to the Agent as to the Holders (the “**Parallel Debt**”). The Agent shall have its own independent right to demand payment of the amounts payable by the Issuer under the Parallel Debt. Any amount payable by the Issuer to the Agent under the Parallel Debt shall be decreased on a EUR by EUR basis by any sum the Holders have received from the Issuer under these Terms and Conditions and any amount payable by the Issuer to the Holders under these Terms and Conditions shall be decreased on a EUR by EUR basis by any sum the Agent has received from the Issuer under the Parallel Debt.

**29. GOVERNING LAW AND JURISDICTION**

- 29.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.
  - 29.2 Any dispute or claim arising in relation to these Terms and Conditions shall, subject to Clause 29.3, be determined by Swedish courts and the District Court of Stockholm shall be the court of first instance.
  - 29.3 The submission to the jurisdiction of the Swedish courts shall not limit the right of the Agent (or the Holders, as applicable) to take proceedings against the Issuer in any court which may otherwise exercise jurisdiction over the Issuer or any of its assets.
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## 9. Addresses

### Company and issuer

AS Pro Kapital Grupp  
Põhja pst 21, Tallinn, 10414  
Estonia  
Tel: +372 614 4920  
Web page: [www.prokapital.com](http://www.prokapital.com)

### Issuing agent

ABG Sundal Collier AB  
P.O. Box 7269  
SE-103 89 Stockholm  
Sweden  
Tel: +46 (0)8-566 286 00  
Web page: [www.abgsc.com](http://www.abgsc.com)

### Auditor

AS Deloitte Audit Eesti  
Roosikrantsi 2, Tallinn, 10119  
Estonia  
Tel: +372 640 6500  
Web page: [www2.deloitte.com/ee/](http://www2.deloitte.com/ee/)

### Central securities depository

Euroclear Sweden AB  
P.O. Box 7822  
SE-103 97 Stockholm  
Sweden  
Tel: +46 (0)8-402 90 00  
Web page: [www.euroclear.com](http://www.euroclear.com)

### Agent

Nordic Trustee & Agency AB (publ)  
P.O. Box 7329  
SE-103 90 Stockholm  
Sweden  
Tel: +46 (0)8-783 79 00  
Web page: [www.nordictrustee.com](http://www.nordictrustee.com)

### Swedish legal advisor

Gernandt & Danielsson Advokatbyrå KB  
P.O. Box 5747  
SE-114 87 Stockholm  
Sweden  
Tel: +46 (0)8-670 66 00  
Web page: [www.gda.se](http://www.gda.se)

### Estonian legal advisor

AS Advokaadibüroo Tark Grunte Sutkiene  
Roosikrantsi 2, Tallinn, 10119  
Estonia  
Tel: +372 611 0900  
Web page: [www.tarkgruntesutkiene.com](http://www.tarkgruntesutkiene.com)