Investor Presentation

Company Overview

June 2017

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Investment Highlights I

PROKAPITAL

- **Opportunity to capitalize on recovering Baltic real estate market**
  Real estate company mainly focusing on development of retail and upscale residential properties in the capitals of Baltic States

- **Track record of successful project development in the Baltic since mid 1990s**
  - ✓ Most of the properties acquired in late 1990s and early 2000s for attractive valuations
  - ✓ Strong track record (20 projects developed, managed and sold)
  - ✓ Domina and Kristiine Shopping Centres – successful start-to-finish retail projects

- **Credibility and transparency**
  Listed on Tallinn Stock Exchange since November 2012
  Shares traded on Quotation Board of Frankfurt Stock Exchange since March 2014

- **Strong project portfolio**
  Appraised investment value of Baltic portfolio ca € 236million[1] as of December 2016

- **Conservative financing**
  Strategy ca 70% debt and 30% equity from construction cost

Unique Opportunity in the Growing Baltic Real Estate Market

[1] Source: Based on Colliers valuation report in December 2016 and the balance sheet value of the hotel in Germany, which was excluded from the report.

Investment Highlights II

PROKAPITAL

- **Geography**
  Prime locations in the city centres of the Baltic capitals
  Shopping Centres constructed with good access to public communications
  Investment grade rated countries

- **Sizeable Projects**
  Development of large-scale commercial and residential properties
  Ensures economies of scale leading to improved margins

- **Risk management**
  Construction in stages - ability to speed up/slow down development pending on the market
  Fixed turnkey contracts with well reputed companies backed by performance bonds
  Pre-sale and pre-lent of residential and commercial projects

- **Attractive asset portfolio and pipeline**
  Project pipeline located in prime locations in the Baltic capitals
  Portfolio over 284 000 m2 of undeveloped net sellable/GLA, representing estimated pipeline exceeding EUR 380 m in investments (estimated construction cost of full portfolio)
  Landbank 100% equity financed

Clear Strategy to focus on prime locations and large-scale developments

Agenda

1 Company overview

2 Introduction to the Baltic property market

3 Business model

4 Project portfolio

5 Financials

6 Risks

Pro Kapital at a Glance – Leading Estonian Development Company

WHAT IS PRO KAPITAL

- Pro Kapital is a leading and one of the first Baltic real estate development companies focusing on modern large-scale commercial and residential real estate in the capitals of Estonia, Latvia and Lithuania.
- The estimated investment value of Pro Kapital's current real estate portfolio is EUR 236 million, of which 55% are residential developments (Colliers, December 2016).
- Listed on Nasdaq Tallinn since November 2012 and traded in Frankfurt Stock Exchange since March 2014.

Recurring revenues 2016	EUR 21m
Employees (Q1 2017)	121 (of which 97 are hotel related personnel)
Projects under development	300,000 sqm
Investment value of portfolio (Dec Colliers 2016)	EUR 236m
Market Cap (01.06.2017)	EUR 101m

WHY PRO KAPITAL EXISTS

- In the mid 1990s, Pro Kapital saw an opportunity in the Baltic real estate market and acquired large undeveloped land plots in Tallinn, Riga and Vilnius.
- The real estate market in the Baltic capitals has attractive growth rates with prices lagging behind other European capitals.
- Strong economic growth in the Baltic region, with above average growth in the region's capitals.
- The governments benefit from very low national debt levels and healthy spending proved by solid ratings from rating institutes.
- The Baltic real estate market is showing steady positive growth with double-digit numbers in certain areas within the Baltic capitals.

WHAT PRO KAPITAL OFFERS

- The Group is focusing on the development, management and sale of residential and retail property on its land plots located in prime locations.
- The Group adds value through the entire life cycle of the development process, taking a long-term approach.
- Pro Kapital wants to offer the best opportunities for improving living conditions for households and to create quality environment and growth of retail operators in the markets.

HOW PRO KAPITAL DELIVERS

- Expertise in development brought by an experienced team of real estate professionals with more than 20 years of Baltic real estate development experience.
- Working with industry leading partners including architects, construction companies and real estate brokers.
- Pro Kapital focuses on the design and quality of the construction to ensure satisfied living experience and environment for end-customers.
- Long-term relationships with well known quality brands through previous shopping mall projects.

CEO & Other Key Executives

Paolo Vittorio Michelozzi, CEO since 2001

- Born 1961, Italian citizen
- General Certificate of Education as Building Surveyor from Collegio Arcivescovile
- Over 20 years of experience at Pro Kapital
- Extensive experience of over 30 years in various real estate development projects in Europe

Angelika Annus, CFO since 2014

- Born 1971, Estonian citizen
- Degree in Business Administration from Estonian Business School
- 19 years of experience at Pro Kapital
- Previous work experience:
  1998-2004 Financial Assistant in Pro Kapital
  2004-2007 Member of the Board and Financial Manager in Domina Management AS
  2008-2011 Financial Assistant in Pro Kapital

Allan Remmelkoor, Managing Director of Shopping Center projects since 1999

- Born 1971, Estonian citizen
- Degree in Business Administration from Tallinn University of Technology
- 20 years of experience at Pro Kapital
- Member of the Management Board and COO since 2008
- Responsible for T1 shopping Center & other commercial projects
- Previous work experience:
  1999–2010 Managing Director, Kristiine & Domina Shopping Centre in Tallinn and Riga

Ervin Nurmela, Head of Legal Department since 2007

- Born 1982, Estonian citizen
- Degree in Law from University of Tartu
- Over 10 years experience at Pro Kapital and as the Head of the Legal Department since 2007
- Previous work experience:
  2005-2007 Lawyer, Legalia Law Office

Olga Rudzika, Managing Director of PK Latvia since 2008

- Born 1973, Latvian citizen
- Degrees in English philology and Public Administration from University of Latvia
- 16 years of experience at Pro Kapital
- Managing Director of Pro Kapital Latvia and Member of the Board of Pro Kapital subsidiaries since 2008
- Previous work experience:
  2003-2005 Sales and Administrative Manager, World Trade Center „Riga"
  2005- present Member of the Board and Managing Director, World Trade Center Riga

Neringa Rasimaviciene, Managing Director of PK Vilnius since 2007

- Born 1973, Lithuanian citizen
- Degree in International Trade and graduated from Management School at Johnson & Wales University (USA)
- 16 years of experience at Pro Kapital
- Member of the Management Board and Director of Operations of Pro Kapital Vilnius Real Estate since 2007
- Member of the Management Board and General Manager of PK Invest since 2008
- Previous work experience: 2001-2007 Project Manager, Pro Kapital Vilnius & PK Invest

Board (Supervisory Council)

Emanuele Bozzone, Chairman of the Supervisory Council since 2010

- Born 1964, Swiss citizen,
- Degree in Economics and Commerce
- Current employment: Director General, Bozzone e Associati SA
- Primary work experience: Legal and tax consultant, Studio Renato Bullani CFO, Fininvest Services SA
- Positions of trust: CEO, Ebco Fiduciaria SA, Ebco Trustee Services Ltd

Petri Olkinuora, Member of the Supervisory Council since 2012

- Born 1957, Finnish citizen,
- Master's in Civil Engineering, MBA
- Petri's track record as the leading expert in shopping centre development in Finland and the Baltics is undisputed with over 20 years of industry experience
- He has worked as the CEO of Citycon Plc, the largest shopping mall and centre owner, operator and developer in Finland and one of the largest in Sweden and the Baltic States with total investment of well over EUR 2,5 billion in the region
- Currently, Mr. Olkinuora holds several board positions in various commercial real estate and engineering companies, such as Northern Horizon Capital AS, Hartela Yhtiöt Oy, A- insinöörit, Koja Yhtiöt Oy among others

Pertti Huuskonen, Member of the Supervisory Council since 2012

- Born 1956, Finnish citizen
- Master's in Engineering, EMBA from University of Oulu
- Extensive managerial experience in one of the largest real estate companies in Finland as the Chairman of the Board (2008-2012) and President and CEO (1985-2008) of Technopolis Plc
- Mr. Huuskonen has also held several board positions in leading construction and real estate development companies including Chairman of the Board of Lehto Group Oyj (2013- present), Vice Chairman of Ahlström Kiinteistöt, and Member of the Board of Kaleva Oy (2011- present) and Chairman of the Board of Suomen Hoivatilat Oyj

Council with Extensive Experience In Industry Leading Companies

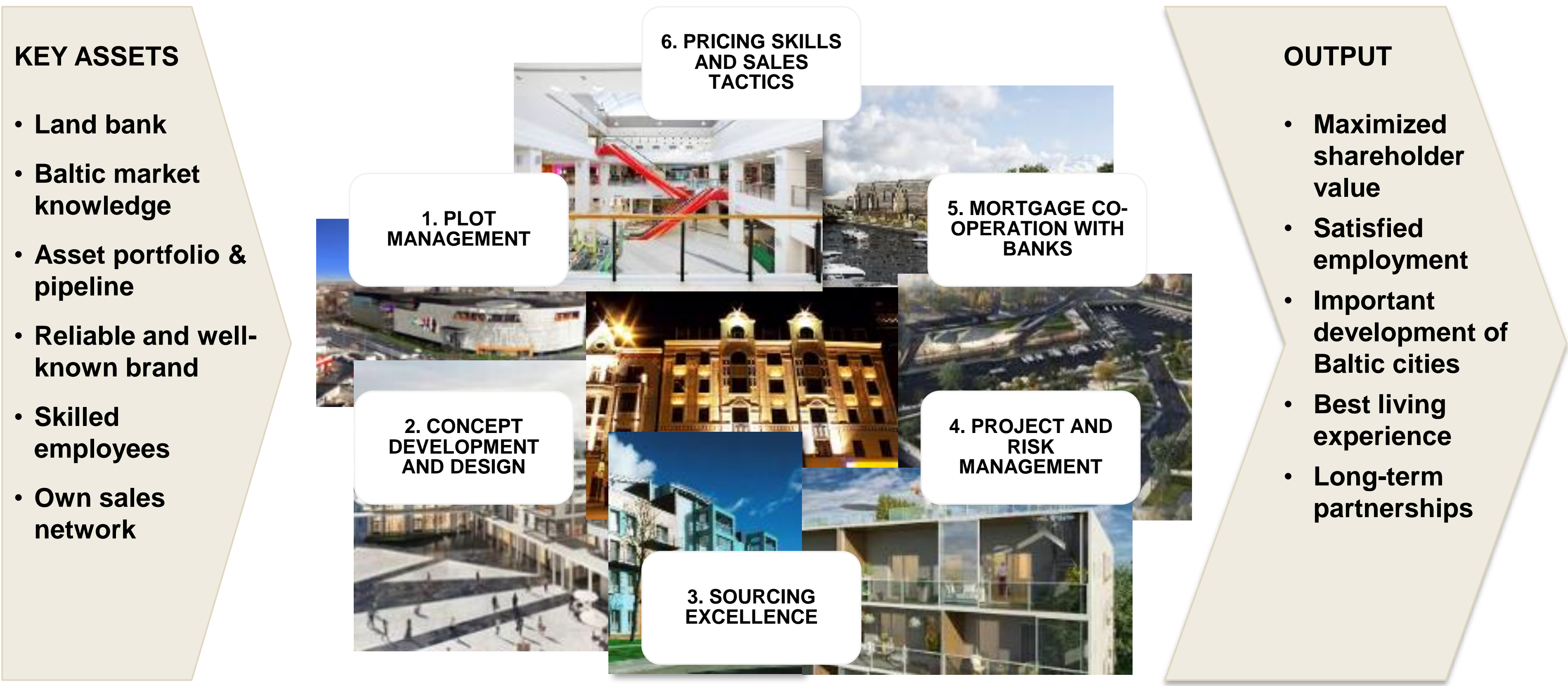
TECHNOPOLIS

Renor

Pro Kapital's Value Creation – Extensive Land Bank to be Developed

Group Vision: *"Our vision is to be the leading developer of prime quality residential and retail real estate in the capital cities of the Baltic States. Using our top expertise proven through our track record of completed projects, we strive to offer our customers the highest quality products with the unique land bank locations in Tallinn, Riga and Vilnius and value added throughout the whole product development cycle."*

Group Mission: *"Our mission is to develop, manage and sell prime residential and retail real estate in the capital cities of the Baltic States and create the best opportunities for improving living conditions for households and creating quality environment for successful development and growth of retail operators in our markets."*



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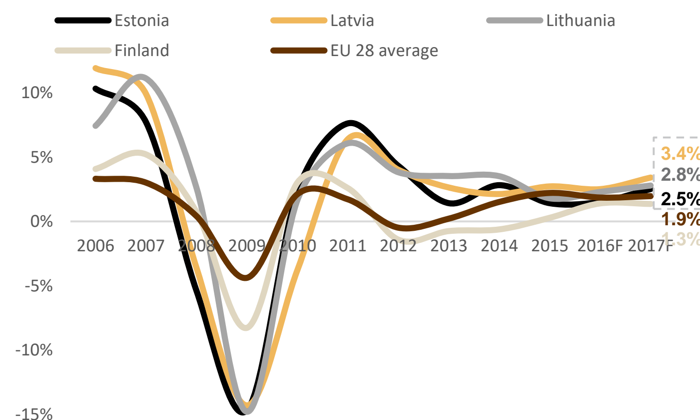
Megatrends – Urbanisation Changing Consumer Demands

Pro Kapital is focusing on large scale development projects in city centers with ability to develop the surrounding environment to fulfil the demands of changing consumer behavior.

Macroeconomic Development – Healthy and Solid Growth

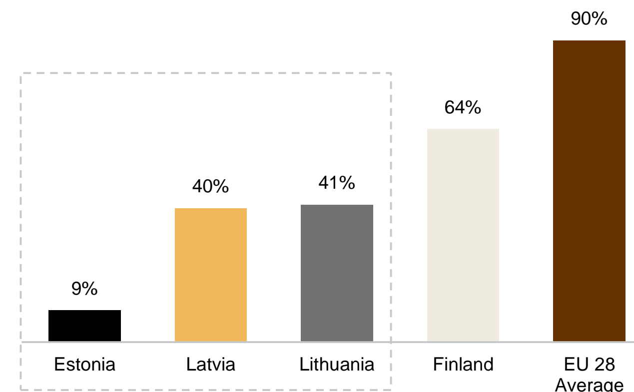
- **Higher historical GDP growth rates** shown by Baltic countries compared to the European average and the GDP growth in Finland.
- **Positive market outlook going forward** with significantly higher forecasts for 2017-2018 of ~3-4% compared to Finland of ~1.3%.
- **Low government debt to GDP** compared to the rest of Europe and Finland indicating healthy national fundamentals.
- **Wages have steadily grown improving savings and disposable income levels** used for apartment purchasing.
- **Improved consumer confidence and spending**, despite geopolitical tensions.

GDP Development



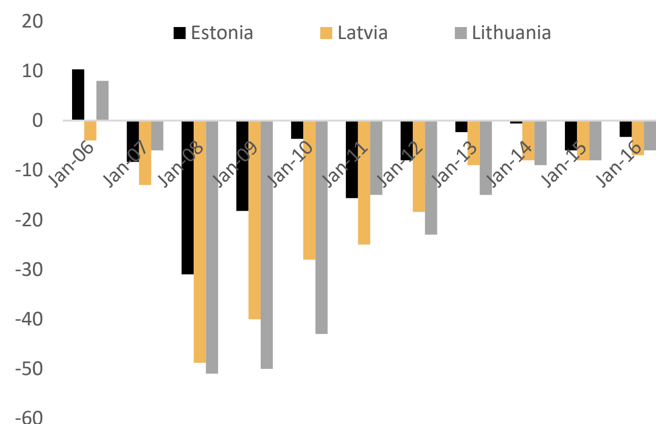
Source: IMF

Debt to GDP%



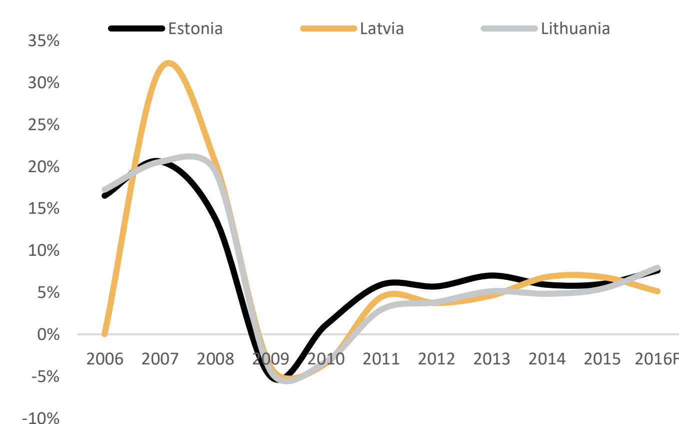
Source: IMF

CONSUMER COFIDENCE



Source: Trading Economics

AVERAGE MONTHLY GROSS WAGES GROWTH

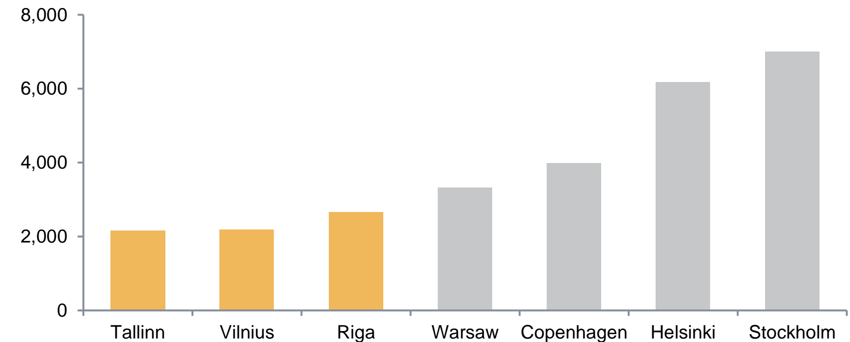


Source: Statistics Estonia, Central Statistical Bureau of Latvia, Colliers

Baltic Market vs. Other EU – Significant Upside Compared to EU

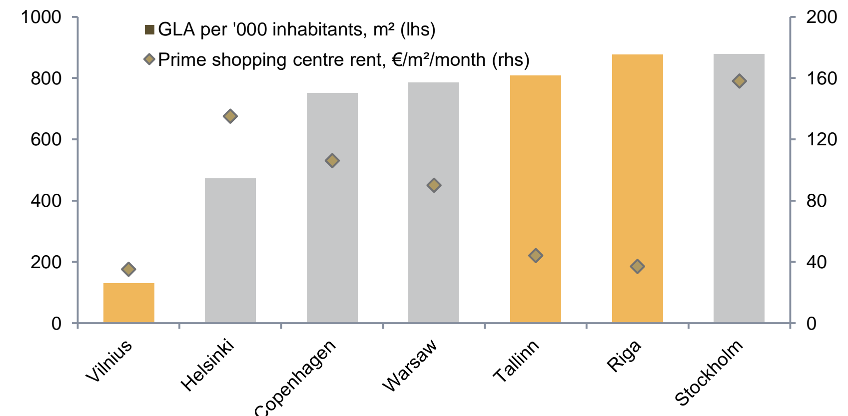
- **The Baltic market is young and still early in its evolution.** After gaining independence in 1990-1991, the real estate market started functioning when state property was privatized.
- **Unavailability of further sizeable land plots** in the city center or in prestigeous locations for creating new residential complexes that influence the market.
- **Apartment sales prices have upside** as they are still far from those of other European capitals.
- **Limited stock of upper scale apartments that can absorb the actual demand.** Majority of the buildings built over 20 years ago and do not satisfy modern standards of living.
- **A lack of new developments** in the years following the financial crisis has accelerated the demand for new and refurbished developments.

Average apartment price in city center (€/m², 2016)



Prices of 120 sqm apartment in city centre
Source: Global Property Guide

Retail space and rent levels (2016)

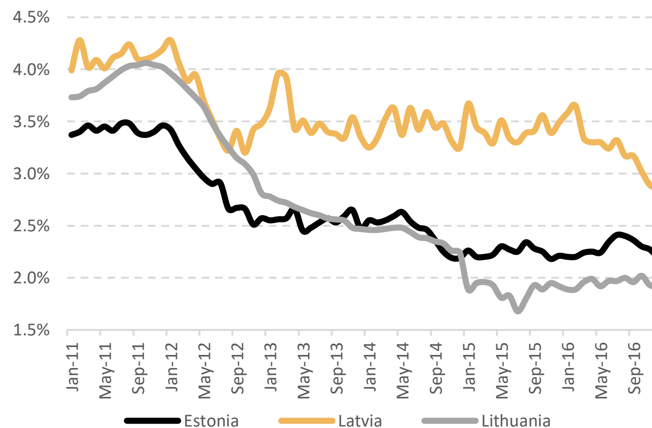


Source: Colliers, DTZ

Industry Overview – Rapid Growth in Real Estate Prices

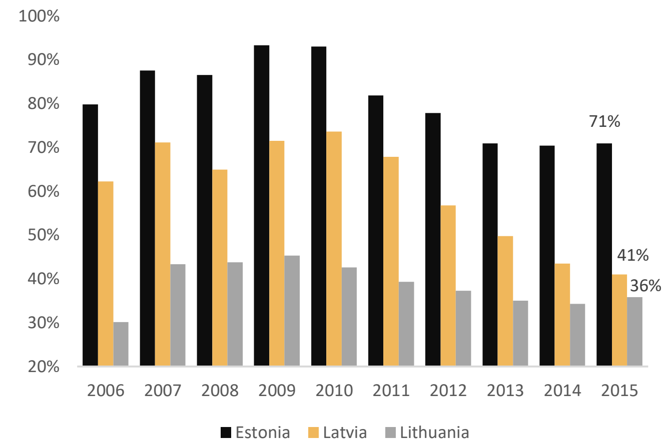
- **Rapid growth in real estate since 2014** driven by improved economic conditions.
- **Healthier and more resilient real estate market post crisis**, shown by the lower household debt to income levels.
- **Increased demand in real estate** driven by lower interest rates and higher disposable income.
- **Lack of upper middle class apartments**, which has not yet developed unlike other industries, such as the sales of premium cars or other luxury goods.

INTEREST RATES ON MORTGAGES



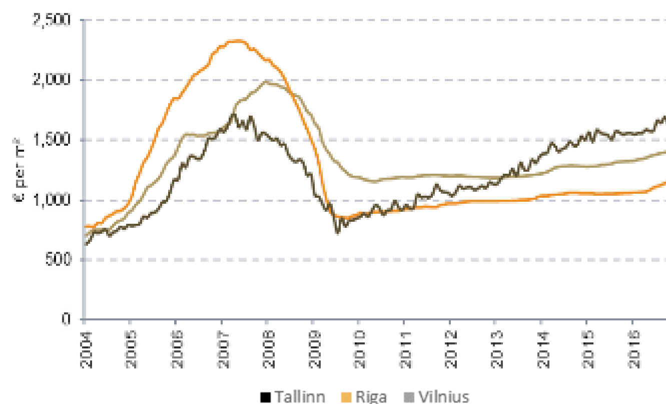
Source: Bank of Estonia, Bank of Latvia, Bank of Lithuania

HOUSEHOLD DEBT TO INCOME



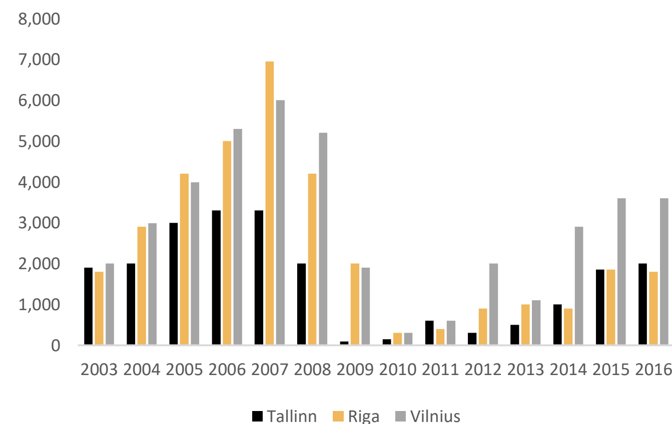
Source: Colliers, the Company

AVERAGE APARTMENT PRICES



Source: Colliers, the Company

COMPLETED RESIDENTIAL APARTMENTS

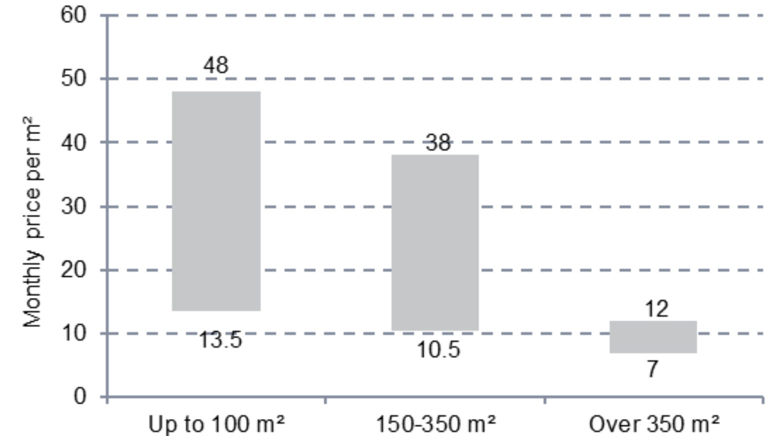


Source: Colliers, the Company

Estonian Retail Market – Existing Stock Over 10 Years Old

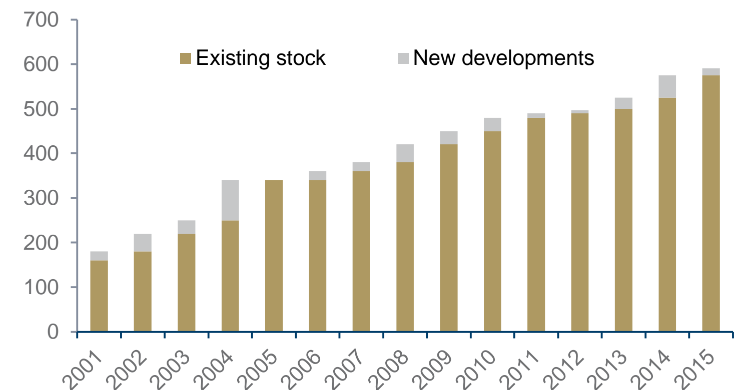
- **Existing shopping centres projected and built close to 10 years ago.** None of the shopping centers has entertainment areas adapted to market demand.
- **Negligible vacancies in any existing shopping center** and many new brands keen to enter the market.
- **Rapid sales growth** of over 10% years 2011-2013 and 7% in 2014-2015.
- **Retail space offer not matching trends**, shown by close to zero vacancy rates and strong demand for leisure and segment.
- **Pent up demand -** Retail GLA increased only 65,000 sqm in Tallinn in 2010-2014, reaching a total GLA of 512,000 sqm.
- **Retail segment resilient to economic downturns**, shown by low vacancy rates at ≈1% and rental rates decrease by only 10-15% during financial crisis in 2009.

Retail Space Prices in Tallinn (2016)



Source: Colliers, the Company

Retail space dynamics in Tallinn (thousand m²)



Source: Colliers

Estonian Retail Market – No Comparable Competitors

Source: Based on public information and Real Estate Brokers (Kinnesvara RE and Uus Maa Kinnisvarabüroo).

Agenda

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4 Project portfolio

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Pro Kapital in a Nutshell – Premium Development in Prime Locations

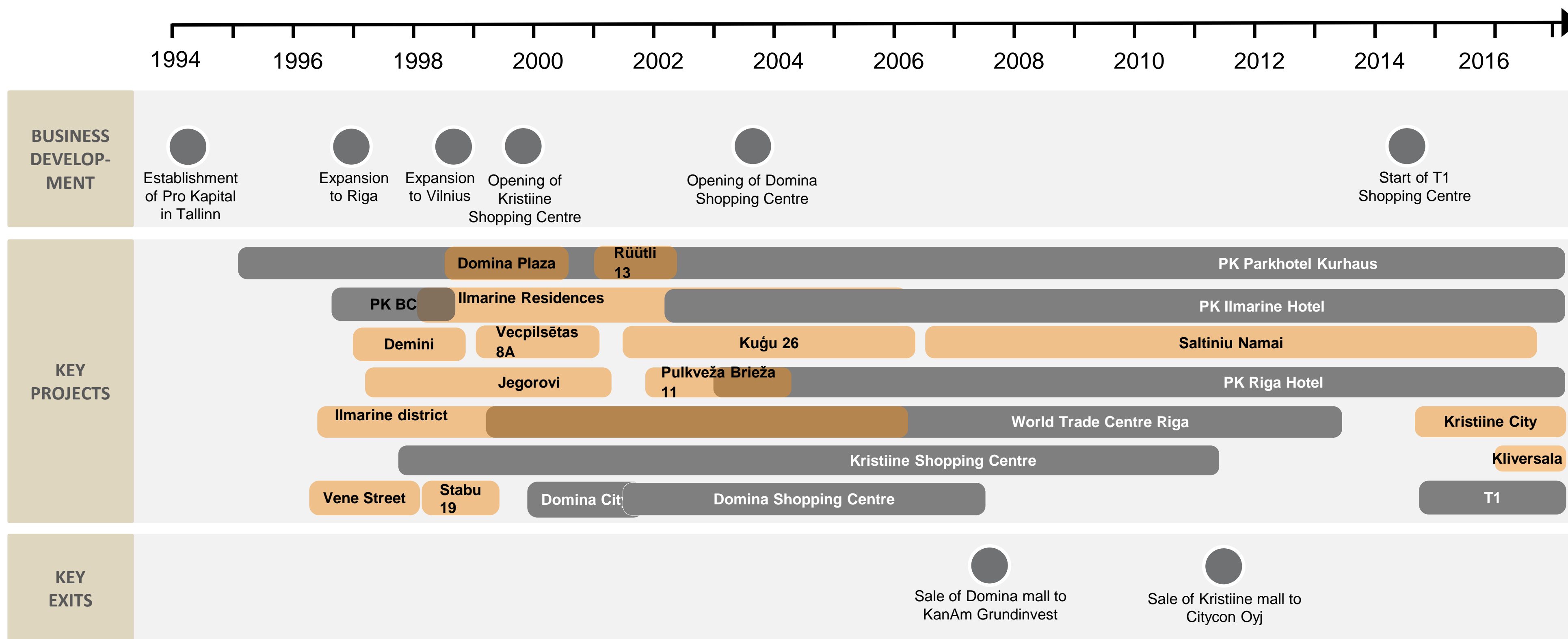
- **100% equity financed land bank** – Key advantage of the Group is the extensive land bank with development projects for the next 5-10 years in prime locations.
- **Wide range of real estate types** – The Group covers different segments by developing residential complexes, retail (commercial and offices) and hotels.
- **Focus on value chain's key activities** – Pro Kapital focuses on acquiring land plots (project planning and execution), as well as their management and sales of the real estate.
- **Well-known Pro Kapital brand and quality real estate** enables reputable tenants as well as globally operating companies and tourists as hotel guests ensuring a high utilization rate.
- **Direct sales to key clientele** – Group's key clientele include leading European retail players and residential home buyers as well as real estate funds.
- **Hotels to be exited in the future** – The hotels represent a non-core business function and the Group has stated that they will be managed until sold at an attractive opportunity.

OPERATIONS IN 4 COUNTRIES WITH ~121 EMPLOYEES

BUSINESS SCOPE

Key Milestones – Over 20 Years of Industry Experience

- **Over 20 years of industry experience –** Established in 1994, the Group is one of the first major players in the Baltic real estate market.
- **Focus on the Baltic capitals –** The Group is focused on development in the Baltic capitals and expanded into Latvia and Lithuania in 1997 and 1998, respectively. Its projects have been milestones in the Baltic real estate market.
- **Land bank bought in the 1990's and early 2000's –** The Company actively accumulated potential development projects (i.e. land plots, amortized buildings) in the late 1990's and early 2000's.
- **Unrealized value potential –** Majority of the Group's large projects, such as the T1 Shopping and Entertainment Center, are still ongoing with significant cash inflow expected in the next 5-10 years.



Business Model – Across the Value Chain Operations

ACROSS THE VALUE CHAIN OPERATIONS WITH IN-HOUSE COMPETENCE

Land plot acquisition

- Analysis of location
- Initial development and project planning
- Close cooperation with local government bodies
- In the past, all 100% equity purchased
- Around 300,000 sqm of undeveloped land left

Project planning

- Strategic positioning (type, size, etc.)
- Project study
- Blueprint preparation
- Close cooperation with local government bodies
- Tender for construction contractors
- Retain architects

Execution

- Initiation of construction
- Project management carried out by Pro Kapital's in-house team
- Contractors hired based on fixed price and paid in milestone payments upon completion
- Larger projects generally separated into several phases to decrease risk

Sales & marketing

- Retail properties are marketed and sold by Pro Kapital's in-house team
- Residential sales team cooperates with major brokers
- Large client base consisting of international buyers

Aftermarket

- Residents move into residential properties
- Pro Kapital carries out a thorough inspection for quality and insurance purposes
- In-house maintenance structure for retail and residential properties upon completion

EXTENSIVE PARTNERSHIP NETWORK WITH INDUSTRY LEADING PLAYERS IN ALL CATEGORIES

Acquisition & project financing

Architecture & development

Construction

Anchor tenants (shopping malls)

Sales & marketing

Historical Track Record

PROKAPITAL

Over 20 completed projects with ~190,000 sqm of net saleable area. The company has received an IRR of ~18-21% from its previous shopping mall projects.

SELECTED COMPLETED PROJECTS

Domina Shopping Centre

- One of the first and largest shopping centres in Riga, located on one of the main roads.
- After its acquisition in 1998, the developed shopping centre fully opened in 2004.
- Domina offers 42,500 m2 retail and 5,800 m^2 office space.
- Total construction costs amounted to €60m.
- Pro Kapital exited Domina Shopping Centre in 2007 with **IRR of 21%.**[1]
- The shopping centre was sold to real estate investment fund KanAm Grundinvest (Germany) in 2007 for €147m.
- Pro Kapital owned 67% of Domina Shopping.

Kristiine Shopping Centre

- One of the first and largest shopping centres in Tallinn, located in the proximity of the CBD.
- The shopping centre was opened in 1999.
- Total construction costs amounted to €57m.
- Kristiine Shopping Centre offers 42,000 m^2 of retail space.
- Pro Kapital exited Kristiine Shopping Centre in 2011 with **IRR of 18%.**
- The shopping centre was sold to shopping centre operator Citycon (Finland) in 2011 for €105m.
- Pro Kapital owned 52% of Kristiine Shopping Centre.

Kuģu street 26

- Kuģu street 26 is a residential building situated next to the river Daugava with an exceptional view of the classical Riga Old Town skyline.
- Pro Kapital converted an old office building situated on the banks of river Daugava in Riga into apartments.
- Development of the project took place between 2001 and 2006.
- Kuģu street 26 has 11,400 m^2 of GSA1 in 99 apartments.
- The Company achieved **IRR of 20%** on the project.
- Almost all of the premises were sold by the end of 2011.

Pulkveža Brieža street 11

- Pulkveža Brieža street 11 is an apartment building developed in the same complex with Domina Hotel Riga, situated in the premium embassy district of Riga.
- Pro Kapital reconstructed two old residential buildings.
- Development of the project took place between 2002 and 2006.
- Pulkveža Brieža street 11 has 3,980 m^2 of GSA in 44 apartments and commercial premises.
- The Company achieved **IRR of 27%** on the project.
- All premises were sold by the end of 2005.

[1] IRR – internal rate of return of the project, calculating blending all the equity and debt related incoming and outgoing cash flows

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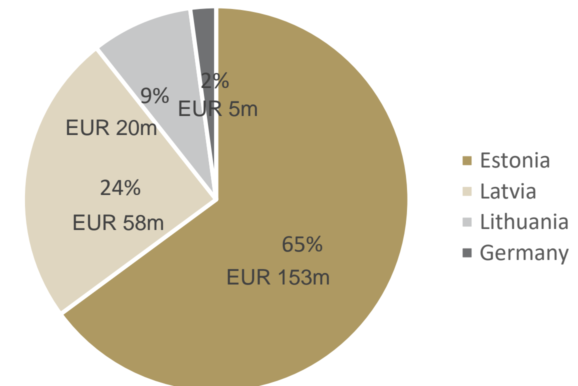
Group Portfolio Overview – Appraisal Value of EUR 236m

PROKAPITAL

- **The appraisal investment value of the current portfolio is EUR 236 million** – Colliers has made an appraisal of the current investment value of the portfolio consisting of the ongoing projects and the completed real estate (hotels).
- **Key assumptions** – Colliers appraisal value is calculated from the project cash flows discounted using a WACC of 6.6-7.6% depending on the project and an expected return on equity of 9.0-10.5%.
- **Attractive project pipeline** – The Group has an attractive project pipeline consisting of around 300,000 sqm of undeveloped net sellable area in prime locations in the Baltic Capitals.
- **Increase in apartment sales volume and large exits** – The Group is currently developing large milestone projects, such as the T1 Shopping and Entertainment Center.

PORTFOLIO VALUE BY COUNTRY (Colliers 2016[1])

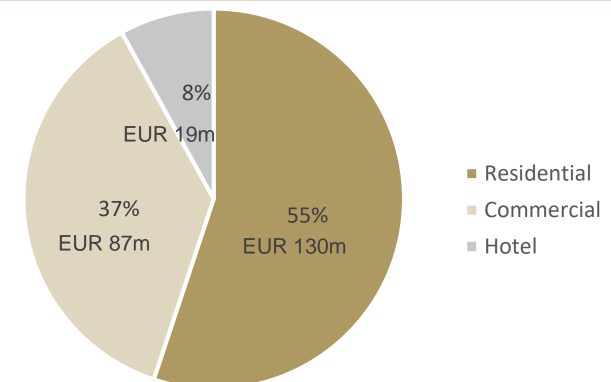


Total of EUR 236 million

PRO KAPITAL PROJECT PIPELINE OVERVIEW:

	LOCATION	PROJECT PIPELINE	AREA (NSA/NLA)	INVESTMENT VALUE (Colliers 2016)
RETAIL & OFFICE	Tallinn	T1 Shopping & Entertainment	55,000 sq.m.	EUR 78.1 million
	Tallinn	Ülemiste 5, Offices	6,100 sq.m.	EUR 4.4 million
	Riga	Zvaigznes Centre, Offices	17,000 sq.m.	EUR 4.6 million
RESIDENTIAL	Tallinn	Kristiine City	87,000 sq.m. 800 apartments	EUR 43.3 million
	Tallinn	Kalaranna	34,000 sq.m. 400 apartments	EUR 20.5 million
	Riga	Tallinas St	24,000 sq.m. 280 apartments	EUR 7.1 million
	Riga	Kliversala	55.000 sq.m. 430 apartments	EUR 39.2 million
	Vilnius	Saltiniu Namai II	14,000 sq.m. 170 apartments	EUR 5.5 million

PORTFOLIO VALUE BY OPERATIONS (Colliers 2016[1])



Total of EUR 236 million

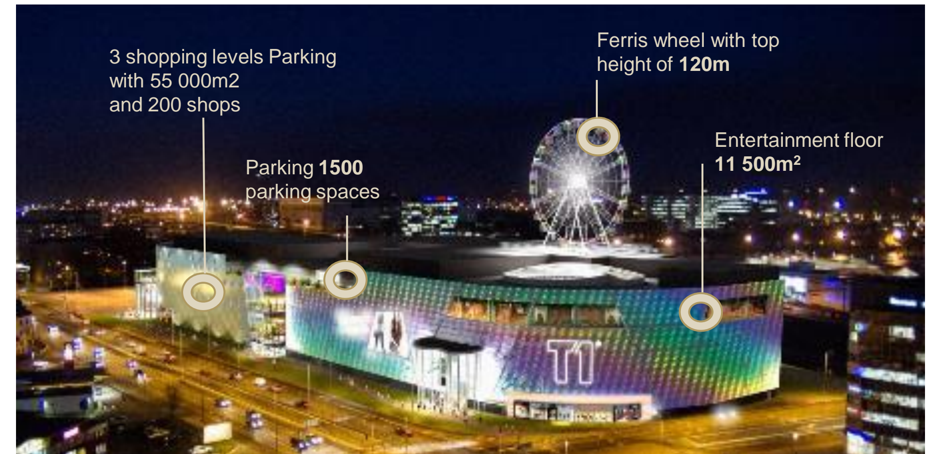
[1] Source: Based on Colliers valuation report in December 2016 and the balance sheet value of the hotel in Germany, which was excluded from the report.

T1 Shopping Centre & Entertainment Center

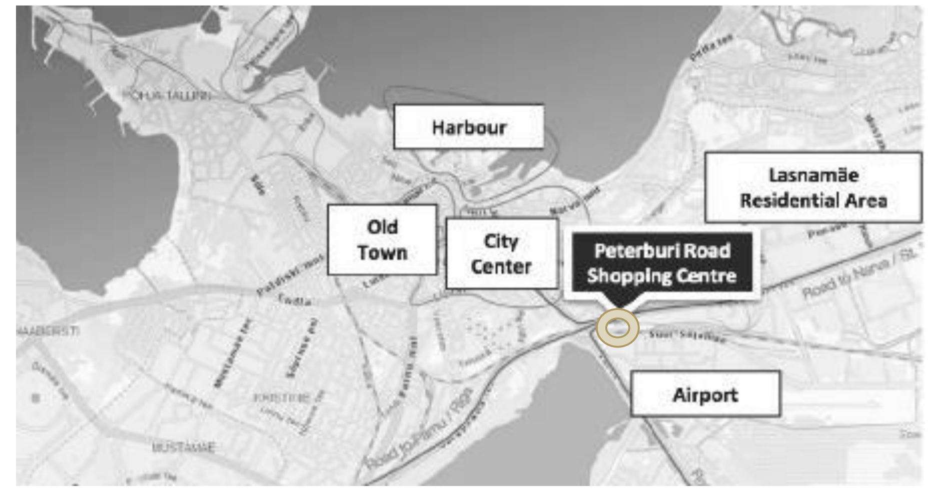
KEY ADVANTAGES

- **First next generation shopping centre in the Baltics** with unique architecture, high quality construction and technical features.
- **Differentiated by focus on fashion and medium to high-end speciality stores** and leisure & entertainment, with competitors mainly focusing on functional stores.
- **Last centrally located unconstructed plot**, a few minutes from the city centre and near the busiest Ülemiste intersection with 5,000-6,000 cars passing by during rush hour.
- **Excellent accessibility** from three state motorways, busiest traffic junction, in connection with the new largest transportation hub and 1,600 parking spaces
- **High purchasing power with 350,000** potential customers within a 20 minute distance.
- **City of Tallinn, State of Tallinn and EU investing heavily (>EUR 40 million) on surrounding infrastructure.**
- **Construction already far advanced and to be completed in 2018:**
  - Building permit obtained.
  - Construction ongoing by Merko.
  - Lease signed with anchor tenant Selver, the leading Estonian. supermarket chain, for 6,000 sqm.
  - Already signed close to 60% of the available retail space and additional negotiations in progress.

FIRST NEXT GENERATION SHOPPING CENTRE IN THE BALTIC AREA



STARTING POINT FOR 3 STATE MOTORWAYS TO NARVA, ST. PETERSBURG, TARTU & PÄRNU



Tallinn Portfolio and Track Record

1. KRISTIINE CITY RESIDENTIAL COMPLEX

Development of primarily residential and some commercial property close to City Centre.

Status: Construction for first 3 houses has finished, and started for the 4th and 5th house (first complex includes 10 buildings).

2. KALARANNA RESIDENTIAL COMPLEX

Development of residential property on the northern waterfront. A residential area very close to Tallinn Old Town as well as Pro Kapital's previous residential development Ilmarine Quarter which comprised 306 apartments and was successfully developed and sold in between 1998 and 2008.

Status: Projecting works for applying the building licence ongoing.

2. Kalaranna
Ilmarine District
PK Ilmarine Hotel
Jegorovi
Rüütli 13
Domina City Hotel
Kristiine Shopping Centre
Old Town
CBD
Pro Kapital Business Centre
Vene 19
Demini
3. T1 Shopping & Entertainment Centre
1. Kristiine City

3. T1 SHOPPING & ENTERTAINMENT CENTER

Development of Tallinn's most modern shopping mall concept to date. Located near the junction of the St. Petersburg and Tartu roads which has the highest frequency of passenger traffic.

Status: Lease with close to 60% of tenants already signed. Construction started close to 2016 and to be completed in 2018.

Completed projects   Development projects

Riga Portfolio and Track Record

1. KLIVERSALA RESIDENTIAL COMPLEX

Development of residential and commercial property in Riga at the Daugava river waterfront enjoying views to the Old Town on the opposite bank.

Status: Detailed planning approved and building licence for 1st building obtained with the construction ongoing.

2. TALLINAS RESIDENTIAL COMPLEX

Development of residential and commercial property in Riga next to the border of Riga's historical city centre.

Status: Building licence already obtained and techincal projecting for tender ongoing.

3. Zvaigznes Centre

2. Tallinas

PK Riga Hotel

Pulkveža Brieža 11

Domina Shopping Centre

Stabu 19

Old Town

1. Kliversala

Vecpilsētas 8A

Kuģu 26

Completed projects

Development projects

3. ZVAIGZNES CENTRE

Development of commercial property in Riga facing the major Brivibas street.

Status: Projecting works for applying the building licence ongoing.

Vilnius Portfolio and Track Record

1. SALTINIU NAMAI RESIDENTIAL COMPLEX

Second phase of the Saltiniu Namai development. A residential property consisting of one new apartment building of 44 premises and land plot with building volume of over 13,000 sq.m. of NSA. The property is located on the border of Vilnius old town. Saltiniu Namai 1 was successful with over 95% of the developed apartments sold.

Status: Building licence obtained, construction ongoing.

Old town

Saltiniu Namai 1

1. Saltiniu Namai 2

Domina Plaza

Completed projects

Development projects

Hotel Real Estate - Current Cash Flow

	PK Ilmarine Hotel	PK Riga Hotel	PK Parkhotel Kurhaus
REVENUE	• Revenue EUR 1.61m	• Revenue EUR 1.40m	• Revenue EUR 2.94m
DESCRIPTION	• Hotel in the Ilmarine Quarter at the outskirts of the Tallinn Old Town. • Completed in 2003-2004 with no major upcoming renovation need in the next 2-3 years. • Occupancy rate of 75% in 2016.	• Hotel in the central zone of Riga. • Completed in 2005 with no major upcoming renovation need in the next 3-5 years. • Occupancy rate of 71% in 2016.	• Hotel in the historical centre of Bad Kreuznach, in Germany. • Ongoing refurbishment, with part of refurbishment completed in 2017 (total cost of EUR 1.3m). • Occupancy rate of 55% in 2016.
GSA/GLA	• 3,985 sqm • 105 rooms	• 2,705 sqm • 88 rooms	• 3,383 sqm • 120 rooms
BALANCE SHEET VALUE	• EUR 5.5m in 2016	• EUR 5.4m in 2016	• EUR 5.1m in 2016
CURRENT FINANCING (as of 31.03.2017)	• 5-year bullet loan of EUR 1.3m, which has been rolled forward.	• 5-year bullet loan of EUR 2.8m, which has been rolled forward.	• Completely equity financed.
MEANS OF EXIT	Continued operations until attractive exit possible		

Agenda

1	Company overview
2	Introduction to the Baltic property market
3	Business model
4	Project portfolio
5	**Financials**
6	Risks

Balance Sheet

2017 3M vs 2011 - 2016

€ thousand	2017 3M	2016	2015	2014	2013	2012	2011
Non-current assets	109,454	118,313	109,885	106,152	47,210	48,166	48,784
Current Assets	34,985	24,001	20,438	18,879	51,084	52,096	64,688
Total assets	**144,439**	**142,314**	**130,323**	**125,031**	**98,294**	**100,262**	**113,472**
Equity	**78,296**	**80,204**	**83,432**	**85,788**	**64,695**	**66,127**	**72,058**
of which minority	*1,476*	*1,799*	*1,635*	*2,024*	*1,505*	*1,552*	*1,597*
Non-current liabilities	49,787	42,569	31,741	16,404	18,999	17,728	23,597
Current liabilities	16,356	19,541	15,150	22,839	14,600	16,407	17,817
Total Liabilities & Shareholders Equity	**144,439**	**142,314**	**130,323**	**125,031**	**98,294**	**100,262**	**113,472**

- Inventories and investment property, which include finished real estate and real estate under construction, represent the largest part of the Company's balance sheet (83% as at 31.12.2016).
- At the end of 2014 the Company made a strategical decision to transfer the properties recorded as inventories at cost value and being not planned to be developed in short term into long term assets at fair value as per valuation performed by Newsec Valuation in November 2014.

Balance Sheet

2017 3M vs 2012 - 2016

Lenders € thousand	2017 3M	2016	2015	2014	2013	2012
Nordea Bank (EE)	494	501	220	659	0	0
Swedbank AS (EE)	1,277	1,303	1,405	1,507	1,647	1,731
Swedbank AS (EE)	1,901	1,942	2,107	2,271	2,436	565
AS Swedbank (LV)	2,779	2,874	3,245	3,605	3,952	4,284
AS Swedbank (LV)	2,719	0	0	0	0	0
"Swedbank" AB (LT)	0	0	878	1,871	3,624	4,736
Lintgen Adjacent Investm. S.A.R.L.	4,617	886	0	0	0	0
Fiduciaria Emiliana S.r.l	197	197	197	197	0	0
Nikasi Overseas SA	111	111	111	111	0	0
Conv. debt - various holders	10,512	11,034	11,157	11,219	11,272	11,272
Non-conv. debt- various holders	1,240	1,240	2,240	2,240	1,640	0
Non-conv. secured bonds	26,120	26,097	13,400	0	0	0
Total Debt	**51,967**	**46,185**	**34, 990**	**29,910**	**28,770**	**27,357**

Debt details and split

Debt	2017 3M	2016	2015	2914	2013	2012
€ thousand						
Current debt, financial institutions	3,073	3,168	931	6,877	1,872	4,237
Non-current debt, financial institutions	10,714	4,338	6,924	3,728	10,233	7,695
Current debt, related parties	0	0	30	4,284	3,753	4,153
Non-current debt, min. shareh.	308	308	308	1,365	0	0
Convertible debt- various holders	10,512	11,034	11,157	11,219	11,272	11,272
Non-convertible debt, various holders	27,360	27,337	15,640	2,240	1 640	0
Total Debt	**51,967**	**46,185**	**34,990**	**29,910**	**28,770**	**27,357**
Cash and Cash equivalent	**3,331**	**5,382**	**6,392**	**1,881**	**2,759**	**707**
NFP	**48,636**	**40,803**	**28,598**	**28,029**	**26,011**	**26,650**

Debt	2017 3M	2016	2015	2014	2013	2012
€ thousand						
Due within 1 year	7,642	8,272	7,983	16,582	11,730	13,500
Due between 2 to 5 years	44,017	37,605	26,699	13,020	17,040	13,857
Due after 5 years	308	308	308	308	0	0
Total Debt	**51,967**	**46,185**	**34,990**	**29,910**	**28,770**	**27,357**

Income Statement

2017 3M vs 2011 - 2016

€ thousand	2017 3M	2016	2015	2014	2013	2012	2011
Recurring Revenues	**3,614**	**20,652**	**18,322**	**10,335**	**12,287**	**16,078**	**17,449**
Cost of goods/services sold	(2,679)	(14,598)	(13,874)	(7,756)	(9,199)	(12,750)	(16,407)
Gross Profit	**935**	**6,054**	**4,448**	**2,579**	**3,088**	**3,328**	**1,042**
Other income	*64*	*254*	*3,353*	*29,659*	*410*	*411*	*54,280*
EBITDA	**(322)**	**386**	**2,117**	**26,608**	**465**	**(4,084)**	**48,449**
Operating Result	**(497)**	**(309)**	**1,424**	**25,859**	**(1,695)**	**(4,613)**	**47,858**
Net Result	**(1,429)**	**(4,025)**	**(2,010)**	**21,235**	**(2,578)**	**(5,866)**	**50,102**

€ thousand	2017 3M	2016	2015	2014	2013	2012	2011
Recurring Revenues							
Real Estate	*1,828*	*12,902*	*10,055*	*2,720*	*4,011*	*7,347*	*7,795*
Rents	*44*	*170*	*205*	*205*	*1,111*	*1,021*	*3,751*
Hotels	*1,252*	*5,943*	*6,489*	*5,880*	*5,797*	*6,336*	*3,496*
Others	*490*	*1,637*	*1,573*	*1,530*	*1,368*	*1,374*	*2,407*
Total	**3,614**	**20,652**	**18,322**	**10,335**	**12,287**	**16,078**	**17,449**

- In 2014 the Company´s result was influenced by reclassification of assets and recording them in fair value (net result from adjustment €28,6 m).
- Due to the nature of the development business, revenues and profit of the Company fluctuate and will continue to do so over the coming years.
- In 2011 the Company recorded the sale of Kristiine Shopping Centre and booked €50,1m of net profit (before minority adjustments).
- As a result of Estonian tax legislation[3] the Company has paid out dividends just once in the past.
- After the listing and realization of some of the Company's developments the dividend payout ratio is expected to increase.[4]

[3] Estonian legislation does not impose tax on reinvested profits. However, income tax at a rate of 20/80 must be paid on the net amount of dividends or other profit distributions (20% of the gross amount of distribution).

[4] The Company has tax break to distribute tax-free dividends in the amount of ca €118m.

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1 Company overview

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5 Financials

6 Risks

Overview of Risks (1/7)

Risk factors

*Investment in Aktsiaselts Pro Kapital Grupp's (the "**Company**", "**Issuer**" and the "**Group**", which terms shall include its subsidiaries, unless otherwise indicated in the context) involves a high degree of risk. Prospective investors should consider carefully, among other things, the risks set forth below and the other information contained in this presentation prior to making a decision to invest in Company shares. Any of the risks highlighted below could have a material adverse effect on the Group's business, financial condition and result of operations, in which case the trading price of the shares could decline, resulting in the loss of all or part of their investment in the shares. A potential investor who is in any doubt about the action it should take should consult a professional adviser who specialises in advising on the acquisition of shares and other securities.*

An investment in the shares involves a number of risks, many of which are inherent in the Company's business and could be significant. Investors considering an investment in the shares should carefully review the information contained in this Presentation, and in particular, the risk factors described below. The following description of risk factors is based on information known and assessed on the date of this Presentation and, therefore, is not necessarily exhaustive. Potential investors should note that the order in which the risk factors are presented does not reflect the probability of their realisation or order of importance. Should one or more of the risk factors described herein materialise, it could have a material adverse effect on the Company's business, financial condition and results of operations. The Company also faces many of the risks inherent in the real estate industry and additional risks not currently known or not currently deemed material that could also have a material adverse effect on the Company's business, financial condition and results of operations. The market price of the shares could decline due to the realization of these or other risks, and investors could lose a part or all of their investment.

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 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 time causing increased development costs and/or lower than expected or estimated income; 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 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 on acceptable terms

The Group owns significant amount of properties that could be developed by it. However, if the Group in the future needs to acquire additional real estate for development, it needs to acquire such real estate on a timely basis and on 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 the necessary plans, permits and other authority 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. A 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 land units it develops. 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 various laws and guidelines and may take several years (the length of such process cannot be precisely predetermined and may be significantly longer than expected). In addition, significant costs relate to such process, which the Group must bear while applying for the detailed plan or necessary permits or authorisations. Even if the Group applies for the detailed plan or other permits or authorisations necessary for its development activities, it may not be able to obtain detailed plan or permits or authorisations that are suitable for planned developments of the Group. Further, the Group must bear such costs irrespective of the outcome of respective proceedings.

In order to develop planned properties, the Group will also need to obtain several building permits and other authorisations. If any such plan, authorisation or permit is not obtained on terms and conditions suitable for the planned development activities or if any such plan, authorisation or permit has any defects or is amended, it could have a material adverse effect on the Group's business, results of operations or financial condition.

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

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

Properties of the Group may be expropriated in the public interests

In case the land that the Group has acquired is needed for public purposes (e.g. for road construction), the state or the municipality may acquire the land in question from the Group for compensation that may not be lower than the market value of the land. However, such compensation may not be sufficient to cover all 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, Riga or Vilnius. 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.

Overview of Risks (2/7)

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.

Long duration of projects may result in inaccuracy of the forecasts

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

Changes in the fair value of investment properties constitute one of the Group's short-term risks. The fair value of investment properties are influenced by several factors, such as general and local economic conditions, interest rates, inflation expectations, market rent levels, vacancy rates, property investors' yield requirements, and competition.

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

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

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

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

The Group has obtained insurance against various damages and losses. However, insurance coverage is subject to limits and limitations and various risks (e.g. certain natural disasters and terrorist acts) are not covered by insurance for various reasons (e.g. because such risks are uninsurable or the cost of insurance is, according to Management Board's belief, too high 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 risks above 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 risks.

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 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, the Group may be held liable as indicated above, which may have a material adverse effect on the results of operations and financial condition of the Group.

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

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

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

If the Group fails in servicing, refinancing or restructuring its indebtedness, it may need to sell its assets or raise additional capital. The Group may not be able to do that at terms 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 fails 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.

Overview of Risks (3/7)

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 and secured 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 any Group company, changes in any Group company's main area 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 the loan as well as use other remedies set out in the agreement or the law (for example, contractual penalty and/or compensation for damage). The financing agreements concluded by the Group companies contain various additional events of default, including cross-default provisions, whereby the Group is exposed to default risks based on contract performance under other agreements with respective lender or with other creditors. In addition, pursuant to the financing agreements, it is an event of default if the borrower incurs significant additional financial obligations or if there is a change of control in the borrower without the prior consent of the lender.

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

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

Moreover, certain loan agreements concluded by the Group companies provide that all loans issued to the respective company by its shareholder and its related parties are subordinated to credit issued by the bank. According to the indicated agreements as well as according to the respective subordination agreements, certain Group companies may not repay any part of the loan or interests to other Group companies prior to repayment of the credit to which the intra-group loans have been subordinated. Consequently, these provisions limit the flow of funds among the Group companies, which may have a material adverse effect on the financial condition of individual Group companies or on the Group as a whole.
As at the date of this Presentation financial institutions have not made any demands based on possible breaches of covenants and 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 92% in an additional subsidiary in Estonia. Additionally, one Group's Estonian subsidiary, AS Tondi Kvartal, holds 100% interest in an additional subsidiary (OÜ Marsi Elu) and one Group's Lithuanian subsidiary, PK Invest UAB, holds 100% interest in an additional subsidiary (Pro Kapital Bonum UAB). The Company itself does not own significant assets other than the investment into its subsidiaries. Therefore, in order to be able to pay dividends to its shareholders and meet its own obligations, the Company is dependent on the receipt of dividends from its subsidiaries.

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

According to Latvian law, dividends may be declared more than once per financial year by a decision of the annual General Meeting of the Shareholders or Extraordinary Meeting of the Shareholders on division of profit based on the proposal of the Management Board on the distribution of profit. If a company has retained earnings, shareholders may request the Management Board to convene an Extraordinary Meeting of the Shareholders in order to adopt decision on the distribution of profit. In addition, provided the articles of association of a company allow interim dividends, dividends may be determined and calculated also from the profit acquired during the current accounting year. In such case a company may pay out as interim dividends not more than 85% of the profit earned in the period for which interim dividends are determined. Dividends may not be determined, calculated and paid out, if the net value of the own funds of a company at the time of the end of the accounting year fall below, or as a result of this payment would fall below the total amount of the share capital of a company.

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

According to German law, German limited liability companies may pay dividends and make other distributions to shareholders only if the payments do not violate the capital maintenance rules. Pursuant to such capital maintenance rules, payments to shareholders may not be made to the extent that the funds are needed to maintain the company's registered share capital unless a domination or profit and loss pooling agreement within the meaning of Section 291 of the German Stock Companies Act (Aktiengesetz) has been concluded. Therefore, the Company's financial position is dependent on the subsidiaries' ability to pay dividends. Furthermore, the ability to pay dividends is also restricted by contractual covenants binding on the Group companies.

Overview of Risks (4/7)

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

Risk related to lease agreements
The Group's lease agreements are divided into two categories: fixed-term lease agreements and lease agreements entered into for an unspecified term. The Group seeks to use both types of agreements, depending on the market situation and the properties in question. Lease agreements entered into for an unspecified term involve nevertheless a risk that a large number of such agreements may be terminated within a short period of time. The Group aims at renewing the fixed term lease agreements flexibly in cooperation with its tenants. There are, however, no guarantees that the Group will be successful in this. In order to prevent tenants from terminating the lease agreements, the Group may also be forced to agree on the reduction of rent.

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

The Group is exposed to environmental liability
The Group's activities are and will continue to be subject to laws and regulations relating to environmental protection including *inter alia* waste handling, contamination of soil, protection of ambient air and use of water. Furthermore, such laws are subject to possible future changes. Failure to comply with the laws and regulations and permits given thereunder and related contractual terms and conditions (including failure to adjust the Group's activities to the amended legal requirements) could result in substantial costs and liabilities for the Group. This could have a material adverse effect on the Group's business, results of operations and financial condition.

The land units, which have been or will be acquired by the Group, may subsequently be found to be polluted. Pursuant to environmental laws, a property owner is often held liable for the pollution found in such property even if the property was polluted before its acquisition and the owner did not know that at the time of acquisition. 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 cleanup 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 a share-linked incentive system except for CEO. 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 the 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.

Overview of Risks (5/7)

The trading in the 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 of Nasdaq OMX Tallinn, and 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 shares on the regulated market.

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 financer 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.

<u>Risks relating to the Group's industry</u>

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, allowing 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.

Overview of Risks (6/7)

Profitability of Group's future developments and new acquisitions can be significantly impacted by increase of renovation and construction costs if competitors will pursue their developments. Additionally, if competitors will commence intended and announced projects the competition for tenants and marketing related costs will also increase. All of the above aspects related to the competitive landscape of the Group's industry might have an adverse effect on the Group's business, results of operations, financial condition and profitability.

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

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

Eurozone risk

The Eurozone economies may affect the Company's operating environment, either directly or indirectly through common currency and monetary policy changes. 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.

Overview of Risks (7/7)

The shares may not be a suitable investment for all investors

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

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

thoroughly understand this presentation; and be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The market price of the shares may be volatile

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