

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT 01.01. – 31.03.2013
(UNAUDITED)

PROKAPITAL



AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT 01.01. – 31.03.2013 (UNAUDITED)

Table of content

Management report	
AS Pro Kapital Grupp in brief	2
Key Figures and Main Events, January 1- March 31, 2013 and after the reporting period	3
CEO review	4
Group structure	5
Overview of development projects	6
Segments and key performance indicators	7
Financing sources and policies	8
Shares and shareholders	9
Earnings per share	10
Legal overview and developments	11
People	11
Risks	11
Management Board's confirmation of the management report	12
Consolidated interim statement of financial position	13
Consolidated interim statement of comprehensive income	15
Consolidated interim statement of cash flows	16
Consolidated interim statement of changes in equity	17
Notes to consolidated interim financial statements	
Note 1. General information	18
Note 2. Basis of preparation of interim financial statements	18
Note 3. Segment reporting	19
Note 4. Property plant and equipment	20
Note 5. Investment property	21
Note 6. Loans	22
Note 7. Revenue	24
Note 8. Cost of Goods Sold	24
Note 9. Administrative expenses	25
Note 10. Financial income and expenses	25
Note 11. Earnings per share and shareholder meetings	26
Note 12. Transactions with related parties	28
Note 13. Lawsuits	29
Management Board's confirmation of the financial statements	32

AS Pro Kapital Grupp in brief

Established in 1994 AS Pro Kapital Grupp AS (hereinafter as „the Company“ and/or „Pro Kapital“) is a leading Estonian real estate company with a focus on development, management and sale of modern large-scale retail and residential real estate in the capitals of Estonia, Latvia and Lithuania.

The Company also owns and manages three hotels in Tallinn, Riga and Bad Kreuznach, Germany.

Since its establishment in 1994, Pro Kapital has completed 20 development projects with ca 180 000 square meters of total saleable area.

Pro Kapital follows a conservative policy in financing the projects – a high proportion of equity and low leverage compared to the industry average enables the company to develop the most profitable sales.

The estimated value of the investments in Pro Kapital's current real estate portfolio is approximately 180.03 million euros: 64% residential developments, 24% commercial premises and 12% hotels. (Newsec, July 2012).

Key Figures and Main events, January 1 - March 31, 2013 and after the reporting period

- Total revenue was 3,0 million EUR, a decrease of 57% compared to the reference period.
- Net operating loss increased by 684 th. EUR (-211%), totalling to loss of 1,0 mln EUR.
- Net operating result has decreased by 275 th. EUR (-43%) compared to the reference period (2013 Q1: - 911 th. EUR; 2012 1Q: - 636 th. EUR)
- Cash flow from operations was negative of 669 th. EUR (2011: -1 244 th. EUR).
- Net assets per share totalled 1,22 EUR (31.12.2012: 1,24 EUR).
- Agreements were concluded with operators for Cinema and Entertainment centre areas in the entertainment complex of the St. Peterburg street shopping centre
- A settlement agreement was reached on 18.03.2013 in the dispute with Dutch company Aprisco B.V.(see Note 13 Legal disputes)
- Sari Aitokallio, member of Pro Kapital Grupp Council, resigned from duty as of March 31, 2013 based on her application due to time constraints and a possible conflict of interest in the future
- The shareholders meeting of 5th of April 2013 decided to conditionally increase the share capital of AS Pro Kapital Grupp, by issuing up to 1 400 000 new shares of the Company. The offering of new shares of AS Pro Kapital Grupp took place from 26th of April 2013 until 10th of May 2013, during of which in total 921 153 shares were subscribed for gross proceeds of 1 658 075,40 Euros.

Key Financial Figures

	2013 Q1	2012 Q1
Revenue, th. EUR	3 016	7 108
Gross profit, th. EUR	314	1 369
Gross profit, %	10,4%	19,3%
Operating result, th. EUR	-1 008	-324
Operating result, %	-33,4%	-4,6%
Net result, th. EUR	-911	-636
Net result, %	-30,2%	-8,9%
	31.03.2013	31.12.2012
Total Assets, th. EUR	99 598	100 262
Total Liabilities, th. EUR	34 393	34 135
Total Equity, th. EUR	65 205	66 127
Debt/Equity	0,53	0,52
Return on Assets, %	-0,91%	-0,60%
Return on Equity, %	-1,39%	-1,68%
Earnings per share, EUR	-0,02	-0,01
Net asset value/share, EUR	1,22	1,24

CEO Review

During the first quarter of 2013 Pro Kapital continued the preparations of the real estate development projects planned for the upcoming years. The technical projecting was continued for 3 new projects, Peterburg road shopping centre in Tallinn and first part of new stage in Tondi Quarter in Tallinn and Tallinnas Residential Complex in Riga alongside with the preparations for establishing the detail plannings for Kalaranna and Kliversala residential areas in Tallinn and in Riga. In connection with the Shopping Centre project the Company signed among other lease contracts agreements with operators for Cinema and Entertainment centre areas in the entertainment complex of the shopping centre and also continued the works for prolonging the tram line nr. 4 to the shopping centre territory.

After the reporting period the Company carried through the issuing of its 921 153 new shares with the price of 1,8 euro per share. The new share capital invested shall be used for finalizing the preparation works needed for the launch of the new development projects and for strengthening its financial position.

At the end of the reporting period the Company recorded net revenue 3,0 mln EUR, -57% compared to the same period in 2012. Recorded net loss of 0,9 mln EUR for the first quarter of 2013 was caused mainly by low stock for sales base and low net sales volume.

The Company has borrowed additional 2,43 mln EUR for short term in order to enhance its working capital.

Overall loan amount to financial institutions remains low of 13,6 mln EUR.

The Company as of March 31, 2013 had 11 272 mln EUR worth convertible bonds, no changes since the start of reporting period.

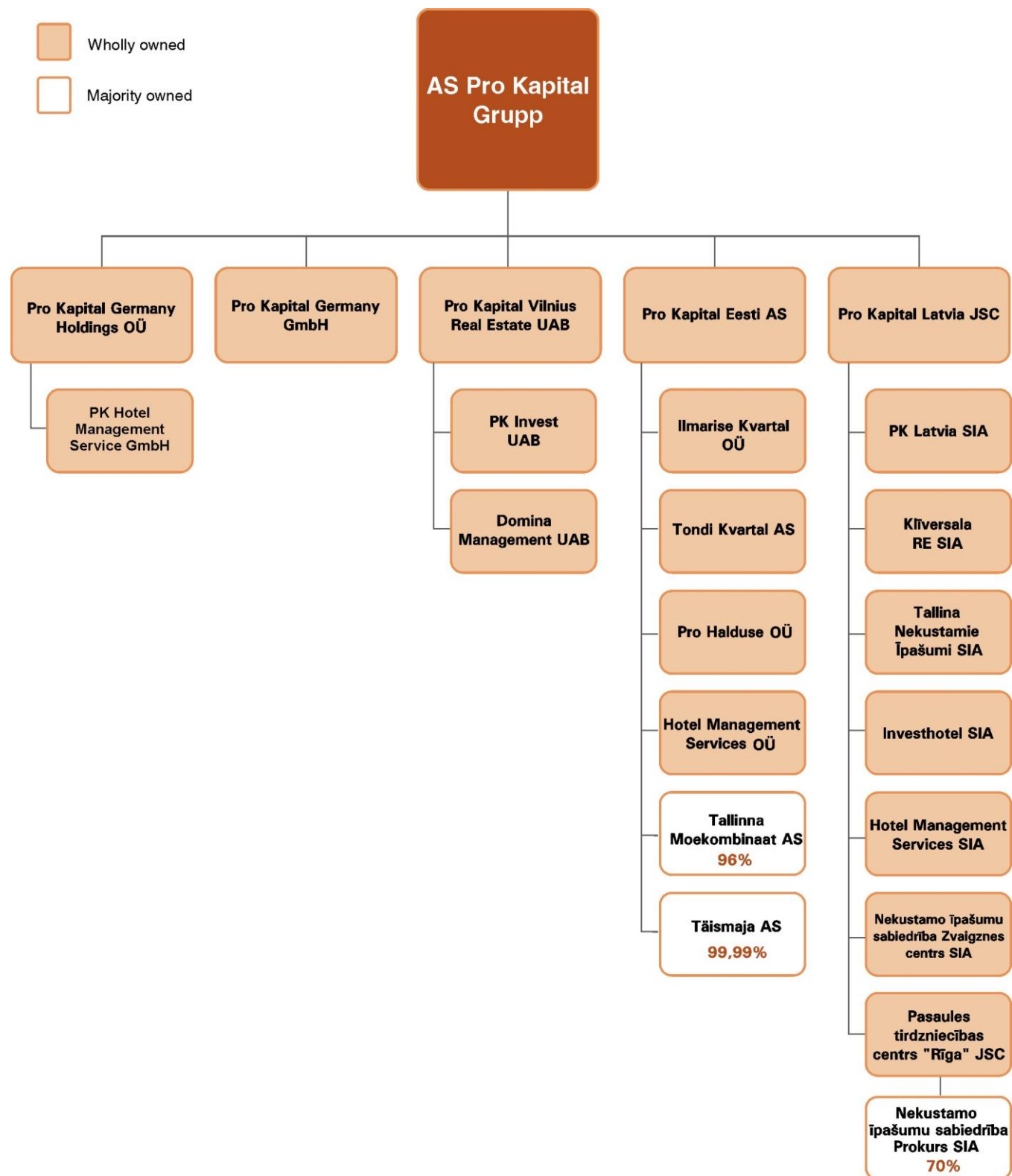
As of March 31, 2013 there were 128 employees working in the Company, 75 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
Pro Kapital Grupp AS

May 22, 2013

Group Structure

As of 31.03.2013



Overview of development projects

<u>Project name</u>	<u>Type</u>	<u>Location</u>	<u>Ownership</u>	<u>Planned Volume</u>	<u>Classification</u>
Peterburi road shopping centre	Retail	Tallinn	96%	GLA 55 000 m ²	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 22 880 m ²	Investment property
Tondi Quarter	Residential	Tallinn	100%	NSA 83 462 m ² 71 280 m ² resid. 12 182 m ² comm.	Inventories
Kalaranna District	Residential	Tallinn	100%	NSA 33 013 m ² 27 600 m ² resid. 5 413 m ² comm.	Inventories
Tallinas Quarter	Residential	Riga	100%	NSA 18 845 m ² 17 650 m ² resid. 1 195 m ² comm.	Inventories
Kliversala District	Residential	Riga	100%	NSA 49 920 m ² 31 600 m ² resid. 7 920 m ² comm. 10 400 m ² hotel	Inventories
Zvaigznes Quarter	Residential	Riga	100%	NSA 17 949 m ² 11 277 m ² resid. 6 672 m ² comm.	Inventories
Šaltinių Namai	Residential	Vilnius	100%	NSA 22 086 m ² 20 343 m ² resid. 2 713 m ² comm.	Inventories

NSA – Net Sellable Area, GLA – Gross Leasable Area, resid.- residential, comm.- commercial

Status of the projects:

Peterburi road shopping centre	Building licence obtained
Ülemiste 5	Detail plan adopted. Project not started
Tondi Quarter	Building license for the 2nd stage obtained
Kalaranna District	Detail plan approval in process
Tallinas Quarter	Projecting works in process in order to apply for the building licence
Kliversala District	Detail plan approval in process
Zvaigznes Quarter	Building licence for reconstruction of the existing building issued
Šaltinių Namai	1st stage completed and on sale with an exception of two more buildings what have received the building licence. 2 nd stage is being projected in order to apply for the building licence

Segments and Key Performance Indicators

The Company's operations are spread across four geographical segments: Estonia, Latvia, Lithuania, and Germany. In addition, the Company monitors its activities amongst business lines of real estate (sales), rental activities, hotel operations, maintenance of real estate and other services.

Revenue structure, th. EUR, 01.01 – 31.03.2013

	EST 2013 Q1	EST 2012 Q1	LV 2013 Q1	LV 2012 Q1	LT 2013 Q1	LT 2012 Q1	GER 2013 Q1	GER 2012 Q1	TOTAL 2013 Q1	TOTAL 2012 Q1
Real Estate	745	250	0	105	352	4 823	-	-	1 097	5 178
Rent	25	23	235	206	22	19	-	-	282	248
Hotels	225	266	304	336	-	-	612	659	1 141	1 261
Other	451	322	22	21	23	13	-	65	496	421
TOTAL	1 446	861	561	668	397	4 855	612	724	3 016	7 108

The Company's operations in **Estonia** mainly consist of the development and sales of apartments in premium residential real estate properties, development and lease of premises in retail and office properties, and management of cash flow generating retail, office and hotel properties.

The share of the Estonian segment as a percentage of total revenues of the Company during the reporting period amounted 36% compared to 12,1% of the comparable period last year, mainly to stronger sales of real estate during the first quarter of 2013.

During reporting quarter, total of 8 flats and 7 parking lots were sold and new lease agreements were signed. At the end of reporting period stock consisting of 12 apartments and office premises and 56 parking lots was yet available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel bookings have decreased by 6% during the first three months of 2013 as compared to the same period in 2012.

The Company's operations in **Latvia** mainly consist of the development and sales of apartments in premium residential real estate properties, development and lease of office properties, and management of cash flow generating hotel properties.

The share of the Latvian segment as a percentage of total revenues of the Company during the reporting period amounted 18,6% compared to 9,4% of the comparable period last year.

In Latvia, the Company has continued leasing out its rental office spaces. There are still 1 flat in stock in Latvia as for the end of reporting period. PK Riga Hotel has improved its gross operating margin by 19% as compared to the same period of 2012.

The Company's operations in **Lithuania** mainly consist of the development and sales of apartments in premium residential real estate properties.

The share of the Lithuanian segment as a percentage of total revenues of the Company during the reporting period amounted 13,2% compared to 68,3% of the comparable period last year. The reason of such drop was a bulk sale of 27 flats and 13 parking places at the beginning of 2012.

In Lithuania 2 flats and 2 parking lots were sold during the reporting quarter. There were still 47 apartments and 101 parking lots in stock in Vilnius at the end of the reporting period.

The Company's operations in **Germany** consist of the development and management of PK Parkhotel Kurhaus located in Bad Kreuznach, Germany.

The share of the German segment as a percentage of total revenues of the Company during the reporting period amounted 20,3% compared to 10,2% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel has dropped by 5% during the first three months of the year as compared to the same period in 2012.

Other operative data, 01.01 - 31.03.2013

	EST 2013 Q1	EST 2012 Q1	LV 2013 Q1	LV 2012 Q1	LT 2013 Q1	LT 2012 Q1	GER 2013 Q1	GER 2012 Q1	TOTAL 2013 Q1	TOTAL 2012 Q1
M ² sold	686	117	-	60	162	2 263	-	-	848	2 440
Average price/m ² , EUR	1 086	1 363	-	1 583	2 173	2 142	-	-	1 294	2 122
M ² under maintenance management	52 102	52 241	15 013	15 013	10 236	10 172	-	-	77 351	77 426
Occupancy rate, hotels, %	47,2	53,9	64,0	72,1	-	-	37,5	42,3	46,5	52,1

Financing sources and policies

Pro Kapital Group pursues conservative financing policy, targeting for high ratio of equity in its projects, as compared to the industry standards. Company's goal is to use external financing in a manner to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. The Company seeks to maintain such long term debt levels that are in reasonable proportion to growth in operations and which preserve Company's credit standing.

In the first three months of 2013 the Company has borrowed additional 2,43 mln EUR for short term in order to enhance its working capital.

Total amount borrowed from banks was 13,6 mln EUR as of 31 March, 2013.

As of March 31, 2013 the Company had 11 272 thousand EUR convertible bonds (current portion: 3 261 thousand EUR; long term portion: 8 011 thousand EUR).

Bank loans are predominantly of middle- term duration, maturing within one to three years. Repayment schedule is floating in dependence on sales volumes.

Shares and shareholders

As of 31.03.2013 AS Pro Kapital Grupp has issued total 53 185 422 shares with the nominal value 0,2 euros. The registered share capital of the company is 10 637 084.40 EUR.

During the reporting period one extraordinary shareholders meeting took place on 6th of February 2013.

The reason for calling the meeting was to decide on amending the articles of association of the Company, allowing the Supervisory Board (Council) to increase the share capital of the Company and to decide on amending the terms and conditions of the convertible bonds of the Company. The proposal to call the extraordinary shareholders meeting was made by the Management Board of the Company. The shareholders meeting decided to amend the articles of association and decided on amending the terms and conditions of the convertible bonds.

After the end of the reporting period, one extraordinary shareholders meeting took place on 5th of April 2013.

The reason for calling the meeting was to decide on the increase of share capital of the Company and take for information the resignation of one Council member. The proposal to call the extraordinary shareholders meeting was made by the Management Board of the Company. The shareholders meeting decided to on the conditional increase of the share capital of the Company and issuing new shares and took for information the resignation of one Council member.

As of 31.03.2013 there are 60 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

Shareholders holding over 5% of the shares as of 31.03.2013:

		Number of shares	Participation in %
Shareholders			
1	Clearstream Banking Luxembourg S.A. Clients	11 823 668	22,23
2	Svalbork Invest OÜ	6 840 738	12,86
3	Eurofiduciaria S.R.L.	6 799 265	12,78
4	Sueno Latino AG	4 528 531	8,51
5	A.F.I. American Financial Investments Ltd.	4 362 835	8,20
6	Anndare Ltd.	3 362 448	6,32
7	UNICREDIT BANK AUSTRIA AG	2 987 801	5,62

Participation of Member of the Management Board and the Council Members as of 31.03.2013:

Name	Position	Number of shares	Participation in %	Number of convertible bonds
Paolo Vittorio Michelozzi	CEO	0	0,00	0
Allan Remmelkoor	COO	0	0,00	0
Emanuele Bozzone	Chairman of the Council	0	0,00	22 224
Sari Aitokallio	Council Member	0	0,00	0
Petri Olkinuora	Council Member	0	0,00	0
Pertti Huuskonen	Council Member	0	0,00	0
Giuseppe Prevosti	Council Member	4 447 597*	8,36	0
Renato Lorenzo Bullani	Council Member	133 000	0,25	0

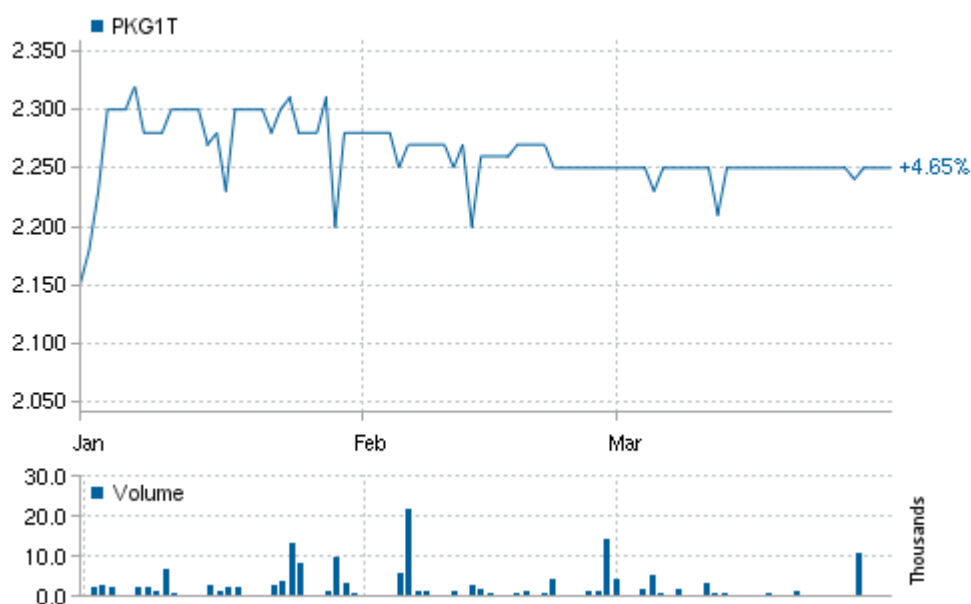
* participation directly and through (a) UNICREDIT BANK AUSTRIA AG nominees account, (b) Zunis S.A and (c) wife Donatella Grigioni

Earnings per share

Earnings per share have dropped in the first quarter of 2013 by 0,01 EUR TO -0,02 EUR/share for the period. Last year's earnings per share for the same period have been -0,01 EUR/share.

On November 23, 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange. During the period of January 1- March 31, 2013 the shares were trading at the price range of 2,09- 2,35, with the closing price of 2,25 EUR/share on 31 March, 2013. During the period, 219 th. of the Company's shares were traded, with their turnover amounting to 0,49 mln EUR.

Trading price range and trading amounts of Pro Kapital Grupp shares, January 1- March 31, 2013



Legal overview and developments

As of the end of the reporting period AS Pro Kapital Grupp and its subsidiaries had in total 3 pending court litigation disputes where the group company is either a plaintiff or the defendant. During the reporting period 3 litigations disputes were resolved and 1 new dispute was initiated.

The most significant event during the reporting period was reaching the settlement in the two disputes with Dutch company Aprisco B.V. This dispute was the most significant of the legal proceeding of the group companies. The disputes were settled on 13.03.2013 by signing the settlement agreement between AS Pro Kapital Grupp and Aprisco B.V.

The condition precedents of the settlement agreement was signing the settlement agreement by both parties and timely and full payment of the lump sum of 1 000 000 euro by Pro Kapital. The settlement agreement was signed and the settlement amount of 1 000 000 euro was paid by AS Pro Kapital Grupp. The amount is final and the parties shall have no additional claims against each other (including legal fees). With the settlement agreement the parties agreed to terminate all litigation connected to the dispute. The settlement had a positive impact on the income statement of the reporting period in the amount of 409 000 euro as a provision in the amount of 1 409 000 euro was formed in connection with the dispute as of 30.06.2012. The only and final payment to Aprisco amounted to 1 000 000 euro.

You can find more detailed information about the legal disputes in note 13 of this consolidated interim report.

People

As of March 31, 2013 the Company employed 128 people compared to 133 people as of March 31, 2012. 75 of them were engaged in hotel and property maintenance services (81 as of March 31, 2012).

Risks

Market risk and liquidity risk are of the most significant influence on the Company. While real estate market has demonstrated some significant fluctuations during last five years, due to its long- term orientation in business model the Company has successfully survived the turbulence. The Company is further pursuing long term strategic approach, enabling it to acquire properties for development when market is low and sell the developed properties at the peak of business circle, thus naturally capitalising on market opportunities and hedging market risk.

Liquidity risk is managed on ongoing basis, with increased focus on working capital dynamics and needs. Both careful roll-on basis cash planning, monitoring of development project cash flow and flexibility in everyday cash needs contribute to effective management of liquidity risk.

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

The Management Board confirms that the management report presents a true and fair view of any significant event, development of business activities and financial position as well as includes a description of the main risks and doubts.

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	22. May 2013
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	22. May 2013

Consolidated interim statement of financial position

(Th. EUR)	Notes	31.03.2013	31.12.2012
ASSETS			
Current Assets			
Cash and cash equivalents		1 170	707
Current receivables		2 918	3 198
Inventories		47 464	48 191
Total Current Assets		51 615	52 096
Non-Current Assets			
Non-current receivables		166	164
Deferred tax assets		464	464
Property, plant and equipment	4	20 978	21 161
Investment property	5	26 089	26 089
Intangible assets		286	288
Total Non-Current Assets		47 983	48 166
TOTAL ASSETS		99 598	100 262

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated interim statement of financial position

	Notes	31.03.2013	31.12.2012
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	6	13 430	11 692
Customer advances		649	652
Current payables		1 685	1 926
Taxes payable		249	102
Short-term provisions		707	2 035
Total Current Liabilities		16 720	16 407
Non-Current Liabilities			
Long-term debt	6	15 641	15 706
Other long-term liabilities		49	33
Deferred income tax liability		1 851	1 858
Long-term provisions		132	131
Total Non-Current Liabilities		17 673	17 728
TOTAL LIABILITIES		34 393	34 135
Equity attributable to equity holders of the parent			
TOTAL LIABILITIES AND EQUITY			
Share capital in nominal value		10 637	10 637
Revaluation reserve		11 330	11 330
Foreign currency differences		-1 058	-1 064
Retained earnings			
Accumulated profits		43 672	49 624
Profit (loss) for the period		-914	-5 952
Total equity attributable to equity holders of the parent		63 667	64 575
Non-controlling interest		1 538	1 552
TOTAL EQUITY		65 205	66 127
		99 598	100 262

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated interim statement of comprehensive income

(Th. EUR)	Notes	2013 Q1	2012 Q1
Operating income			
Revenue	3,7	3 016	7 108
Cost of goods sold	8	-2 702	-5 739
Gross profit		314	1 369
Marketing expenses		-72	-108
Administrative expenses	9	-1 219	-1 281
Other income		81	60
Other expenses		-112	-364
Operating profit (loss)		-1 008	-324
Financial income	10	427	49
Financial expense	10	-343	-389
Profit (loss) before income tax		-924	-664
Income tax	3	-13	-28
Net profit (loss) for the period		-911	-636
Net profit (loss) attributable to:			
Equity holders of the parent		-908	-636
Non-controlling interest		-3	0
Translation of foreign currency		-6	0
Other comprehensive income (loss), net of income tax			
Comprehensive income (loss) for the period		-917	-636
Equity holders of the parent		- 914	-636
Non-controlling interest		-3	0
Earnings per share (EUR)	11	(0,02)	(0,01)
Diluted earnings per share (EUR)	11	(0,02)	(0,01)

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated interim statement of cash flows

<i>Th. EUR</i>	<i>Note</i>	2013 Q1	2012 Q1
Cash flows from operating activities			
Profit (loss) for the year		-911	-636
Adjustments for:			
Depreciation and amortisation of non-current assets	3	194	169
Change in fair value of investment property	5	43	50
Finance income and costs, net		331	356
Net foreign exchange gain / loss		6	0
Other non-monetary changes (net amounts)		139	-3 232
Movements in working capital:			
Change in trade receivables and prepayments		-217	-1 688
Change in inventories		727	3 337
Change in liabilities and prepayments		-1 416	387
Change in provisions		1	13
Net cash generated by operating activities		-669	-1 244
Cash flows from investing activities			
Payments for property, plant and equipment	4	-8	-16
Proceeds from disposal of property, plant and equipment		2	0
Payments for investment property	5	-43	-50
Net cash outflow on acquisition of subsidiaries		0	-9
Interest received		7	0
Net cash (used in) / generated by investing activities		-42	-75
Cash flows from financing activities			
Proceeds from borrowings		2 430	0
Repayment of borrowings		-767	-5 812
Interest paid		-489	-799
Net cash used in financing activities		1 174	6 611
Net change in cash and cash equivalents		463	-7 930
Cash and cash equivalents at the beginning of the year		707	8 637
Cash and cash equivalents at the end of the year		1 170	707

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated interim statement of changes in equity

<i>in thousands of euros</i>	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2011	33 992	45 089	2 938	0	-1 157	24 382	105 244	34 660	139 904
Share capital conversion into EUR	-2 081	0	0	0	0	2 081	0	0	0
Net assets allocated during demerger	0	0	0	0	126	-74 867	-74 741	-5 011	-79 752
Decrease in share capital to cover the negative equity	-21 274	-45 089	-2 938	0	0	69 301	0	0	0
Increase of share capital in subsidiaries	0	0	0	0	0	0	0	4	4
Acquisition of holdings from non-controlling interests in subsidiary	0	0	0	0	0	607	607	- 56 279	-55 672
Change in non-controlling interest due to the sale of operating activities	0	0	0	0	0	0	0	158	158
Comprehensive profit for the year	0	0	0	11 330	-99	28 120	39 351	28 065	67 416
31 December 2011	10 637	0	0	11 330	-1 130	49 624	70 461	1 597	72 058
Acquisitions of holdings from non-controlling interests and other changes in subsidiaries	0	0	0	0	0	0	0	-48	-48
Comprehensive loss for the year	0	0	0	0	83	-5 869	-5 952	3	-5 949
31 December 2012	10 637	0	0	11 330	-1 064	43 672	64 575	1 552	66 127
Acquisitions of holdings from non-controlling interests and other changes in subsidiaries	0	0	0	0	0	0	0	-11	-11
Comprehensive loss for the year	0	0	0	0	6	0	-908	-3	-911
31 March 2013	10 637	0	0	11 330	-1 058	43 672	63 667	1 538	65 205

Note 1. General information

AS Pro Kapital Grupp (hereinafter also referred to as “the Ultimate Parent Company”) is a holding company incorporated and operating in the Republic of Estonia. The main shareholders of the Ultimate Parent Entity are the following:

Shareholder	Country of incorporation	Share of ownership 31.03.2013	Share of ownership 31.12.2012
Clearstream Banking Luxembourg S.A. clients	Luxembourg	22,23%	22,23%
Svalbork Invest OÜ	Estonia	12,86%	12,86%
Eurofiduciaria S.r.l.	Italy	12,78%	12,84%
Sueno Latino AG	Liechtenstein	8,51%	8,51%
A.F.I. American Financial Investments Ltd.	Liechtenstein	8,20%	8,20%
Anndare Ltd.	Ireland	6,32%	6,27%

For the purpose of comparative financial figures of these interim financial statements as at 31 March 2013, AS Pro Kapital Grupp (hereinafter also referred to as “PKG”) is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany GmbH) (hereinafter also referred to as „the Group”) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting, and to forward information to investors.

For the comparative period of three months of 2013, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Ultimate Parent Company and its subsidiaries (hereinafter also referred together to as “the Group”).

Note 2. Basis of preparation

Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 „Interim Financial Reporting“ as adopted by the European Union. The consolidated interim financial statements do not include all of the information required by complete set of financial statements and should be read in conjunction with annual consolidated financial statements of the Company as at and for the year ended 31 December 2012.

The accounting policies applied by the Company in these consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2012.

Note 3. Segment reporting

(Th. EUR)	Estonia	Latvia	Lithuania	Germany	Total
2013 Q1					
Revenue	1 446	561	397	612	3 016
Other operating income	27	7	0	47	81
Segment operating profit (loss)	-720	-158	-6	-124	-1 008
Financial income and expense (net)	146	-29	-32	-1	84
Profit (loss) before income tax	-574	-187	-38	-125	-924
Income tax	0	11	2	0	13
Non-controlling interest	2	1	0	0	3
Net profit (loss) for the financial year attributable to equity holders of the parent	-572	-175	-36	-125	-908
31.03.2013					
Assets	51 151	26 037	14 250	8 153	99 591
Liabilities	21 350	6 368	5 378	1 290	34 386
Acquisition of non-current assets	2	6	0	0	8
Depreciation and amortisation	-33	-61	-7	-93	-194
2012 Q1					
Revenue	861	668	4 855	724	7 108
Other operating income	11	10	0	49	60
Segment operating profit (loss)	-1 104	-234	1 102	-88	-324
Financial income and expense (net)	-183	-50	-74	-33	-340
Profit (loss) before income tax	-1 287	-284	1 028	-121	-664
Income tax	0	0	28	0	28
Non-controlling interest	0	0	0	0	0
Net profit for the financial year attributable to equity holders of the parent	-1 287	-284	1 056	-121	-636
31.12.2012					
Assets	51 085	25 926	14 427	8 824	100 262
Liabilities	21 621	5 772	5 526	1 216	34 135
Acquisition of non-current assets	54	12	3	4	73
Depreciation and amortisation	-161	-255	-29	-374	-819

Note 4. Property, plant and equipment

As of 31 December 2011 Group's land and buildings was valued into their fair value based on the valuation of independent expert. The valuation, which conforms to International Valuation Standards, was performed by independent real estate appraiser SIA Newsec Valuation LV and was determined by reference to discounted cash flow method. Current market conditions (at the moment the valuation was performed) were used as assumptions for the valuations performed.

Independent real estate appraiser Newsec Valuations EE has carried out property valuations on January, 2013. However, as the values determined by independent appraiser have not been significantly (over 3% different) from the balance sheet value of properties, no upward fair value adjustment has been deemed necessary by the Company's management.

As of 31 March 2013 Company's management estimates the value of the properties remains unchanged and no adjustments to property values reflected in the balance sheet are deemed necessary.

Based on independent appraiser's valuation, following fair value adjustments were performed as of 31 December 2011 (th. EUR):

	Carrying amount 31.12.2011	Fair value 31.12.2011	Fair value 31.03.2013
Pulkvieza Brieza 11, Riga	1 795	6 070	5 845
Põhja pst. 21, 21a, 21b-1, Tallinn	3 602	6 100	5 954
Põhja pst.21c, Tallinn	198	268	253

Revaluation reserve (accounted for under equity) was formed to account for revaluation differences.

(Th. EUR)	Land and buildings	Machinery and equipment	Other tangible assets	Prepay- ments	Total
Cost 01.01.2012	21 897	1 324	2 389	0	25 610
Additions:					
Acquired	0	19	51	3	73
Disposals:					
Sold	0	-17	0	0	-17
Written off	0	-43	-73	-3	-119
Other changes:					
Reclassified to/from inventories	0	0	45	0	45
Reclassified to/from investment property	0	-65	65	0	0
Cost 31.12.2012	21 897	1 218	2 477	0	25 592
Additions:					
Acquired	2	0	0	6	8
Disposals:					
Sold	0	0	-2	0	-2
Written off	0	0	-1	0	-1
Cost 31.03.2013	21 899	1 218	2 474	6	25 597

Accumulated depreciation				
01.01.2012	828	776	2 143	3 747
Additions:				
Depreciation charge for the period	620	150	41	811
Disposals:				
Sold		-12		-12
Written off		-42	-73	-115
Other changes:				
Reclassified within PPE		-57	57	0
Accumulated depreciation				
31.12.2011	1 448	815	2 168	4 431
Additions:				
Depreciation charge for the period	144	37	10	191
Disposals:				
Sold			-1	-1
Written off			-2	-2
Accumulated depreciation				
31.12.2012	1 592	852	2 175	4 619

Note 5. Investment property

(Th. EUR)	31.12.2013	31.12.2012
Investment property held for increase in value	26 001	26 001
Investment property held for earning rentals	88	88
Total	26 089	26 089

	Investment property held for increase in value	Investment property held for earning rentals	Total
NBV 01.01.2012	26 023	88	26 111
Additions:			
Acquired	1 025	0	1 025
Disposals:			
Written off	-22	0	-22
Changes in fair value:			
Gain/loss from change in fair value	-1 025	0	-1 025
NBV 31.12.2012	26 001	88	26 089

Additions:

Acquired	43	0	43
----------	----	---	-----------

Disposals:

Written off	0	0	0
-------------	---	---	----------

Changes in fair value:

Gain/loss from change in fair value	-43	0	-43
-------------------------------------	-----	---	------------

NBV 31.03.2013	26 001	88	26 089
-----------------------	---------------	-----------	---------------

As of 31 December 2011 assessing the fair value of investment property the management of the Group was based on valuation reports of independent real estate appraisers. The valuation, which confirms to International Valuation Standards, was in majority determined by reference to recent market transactions and arms' length term. In few instances where appropriate also discounted cash flow method was used in determination of fair value of Group's investment property.

On January 2013 Group's investment properties were upraised by independent real estate expert Newsec Valuations EE. The appraiser determined no significant changes in the value of investment properties, consequently, the management of Group decided to state the value of investment properties unchanged as of 31 March 2013.

Fair value adjustment of 43 th. EUR comes from capitalised costs that were expensed at the yearend in order to retain balance value of investment properties that matches fair value determined in the valuation report.

The rental income and the corresponding direct expenses from the described investment property were the following:

(Th. EUR)	2013 Q1	2012 Q1
Rental income	0	1
Direct operating costs	39	10

Note 6. Loans

(Th. EUR)	31.03.2013	31.12.2012
Current debt, financial institutions	5 965	4 237
Non-current debt, financial institutions	7 630	7 695
Non- current debt, related parties	4 204	4 153
Convertible debt	11 272	11 272
Total	29 071	27 357

Creditor	31.03.2013	31.12.2012	CCY	Interest %
Swedbank AS (EE)	1 704	1 731	EUR	2% + 6m Euribor
Swedbank AS (EE)	214	605	EUR	2,5% + 6m Euribor
Swedbank AS (EE)	2 959	565	EUR	1,95%+ 6m Euribor
AS Swedbank (LV)	4 214	4 284	EUR	3,0% + 3m Euribor
"Swedbank" AB (LT)	4 497	4 736	EUR	2,4% + 6m Euribor

PROKAPITAL

Volksbank Bad Kreusnach	7	10	EUR	5,1%
Svalbork Invest, related party	4 204	4 153	EUR	5,0%
Convertible debt- various shareholders	11 272	11 272	EUR	7%
Total	29 071	27 357		

(Th. EUR)	31.03.2013	31.12.2012
Due within 1 year	13 430	13 500
Due between 2 to 5 years	15 641	13 857
Due after 5 years	0	0
Total	29 071	27 357

(Th. EUR)		Carrying value of the pledged assets	
Beneficiary	Collateral description	31.03.2012	31.12.2012
Swedbank AS (Estonia)	Tondi str. 51, Tallinn	1 781	1 781
Swedbank AS (Estonia)	Põhja Avenue. 21, 21a, 21 b-1, Tallinn	5 954	5 975
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	761	761
AS Swedbanka (Latvia)	Pulkveza Brieza St. 11, Riga	5 845	5 929
AS Swedbanka (Latvia)	Trijadibas St.5, Riga	8 869	8 869
Swedbank AB (Lithuania)	Aguonu str.10, Vilnius	11 668	11 900
Total		34 878	35 215

In addition to guarantee letters related to loans of the Group, AS Pro Kapital Grupp has issued guarantee letters as follows:

- To AS Swedbank (Latvia) to assure the potential liability of Klīversala RE SIA, an entity belonging to Pro Kapital Latvia subsidiary group, in the amount of 8 096 Th. EUR (5 681 334 LVL), as AS Swedbank (Latvia) has issued a guarantee letter in the same amount to VAS „Privatizācijas aģentūra” to assure the investment liabilities related to contract concluded between Klīversala RE SIA and VAS „Privatizācijas aģentūra” (31 March 2013).
- To Swedbank AS (Latvia) to assure loan liabilities of SIA Investhotel in the amount of 4 214 th. EUR as of 31 March 2013.
- Guarantee letter to Kristiine Keskus OÜ to secure (jointly with Pro Kapital Eesti AS) possible claims against Täismaja AS arising from a loan contract concluded between Pro Kapital Eesti and Täismaja AS on 9 March 2004. The guarantee letter is limited to maximum amount of potential claim. The guarantee is effective for 72 months from concluding sales- purchase agreement, i.e. until 2 May 2017.
- As AS Swedbank (Estonia) to assure loan liabilities of AS Tondi Kvartal that amounted to 214 th. EUR as of 31 March 2013.
- To Swedbank AB (Lithuania) to assure loan liabilities of UAB PK Invest in the amount of 4 497 th. EUR as of 31 March 2013.

Note 7. Revenue

(Th. EUR)	2013 Q1	2012 Q1
Revenue from sales of real estate	1 097	5 178
Rental revenue	282	248
Hotel operating revenue	1 141	1 261
Other services	496	421
Total	3 016	7 108

Note 8. Cost of goods sold

(Th. EUR)	2013 Q1	2012 Q1
Cost of real estate sold	986	3 844
Cost of providing rental services	233	217
Cost of hotel operations	1 100	996
Cost of other services	383	682
Total	2 702	5 739

(Th. EUR)	2013 Q1	2012 Q1
Staff costs	275	337
Depreciation charge	164	258
Impairment of tangible and intangible assets	0	1
Inventory write-offs	0	2
Maintenance costs	125	158
Other	2 138	4 983
Total	2 702	5 739

Note 9. Administrative expenses

Administrative expenses (Th. EUR)	2013 Q1	2012 Q1
Staff costs	706	474
Depreciation charge	27	26
Amortisation charge	3	2
Other	483	779
Total	1 219	1 281

Note 10. Financial income and expenses

Financial income (Th. EUR)	2013 Q1	2012 Q1
Interest income	7	30
Gain from foreign currency translation	3	2
Other financial income	417	17
Total	427	49

Other financial income for the first quarter of 2013 contains 409 th. EUR income arising from the reversal of provision formed for the court case with Aprisco B.V. The parties have reached mutual agreement in March 2013, according to which the Company paid the settlement fee of 1,0 mln EUR for the counterparty and closed the courtcase.

Financial expenses (Th. EUR)	2013 Q1	2012 Q1
Interest expenses	338	386
Foreign currency loss	2	3
Other financial expenses	4	0
Total	343	389

Note 11. Earnings per share and shareholder meetings

Earnings per share are calculated by dividing the net profit (loss) for the period with the weighted average number of shares in the period:

Average number of shares:

In period 01.01.2013 - 31.03.2013 $(53\,185\,422 \times 9/9) = 53\,185\,422$

In period 01.01.2012 - 31.03.2012 $(53\,185\,422 \times 9/9) = 53\,185\,422$

Indicative earnings per share (in EUR):

01.01- 31.03.2013 $(908\,000)/53\,185\,422=(0,02)$

01.01- 31.03.2012 $(636\,000)/53\,185\,422= (0,01)$

The convertible bonds issued did not have a dilutive effect on earnings in 2012 and 2011, therefore they have not been included in the calculation of the diluted net gain (loss) per share and the diluted gain (loss) per share equals the net gain (loss) per share indicator.

Shareholder meetings

06.02.2013 shareholders meeting

The extraordinary shareholders meeting of AS Pro Kapital Grupp (hereinafter referred to as the Company) took place on 06th of February 2013 starting at 11.00. As per the registration list of the meeting 14 shareholders were present at the meeting, who represented in total 36 674 543 votes, which form 68,96 % of all votes attached to the shares.

The reason for calling the meeting was to decide on amending the articles of association of the Company, allowing the Supervisory Board (Council) to increase the share capital of the Company and to decide on amending the terms and conditions of the convertible bonds of the Company. The proposal to call the extraordinary shareholders meeting was made by the Management Board of the Company.

The shareholders meeting decided on amendment of the articles of association of the Company. The article 5.8 of the articles of association was amended as follows:

“The Supervisory board (Council) has the right to increase the share capital of the Company by up to 5 318 542,20 euros within 3 years as from adopting this version of the articles of association. Shares issued by the Council may be paid for by monetary contributions and/or by non-monetary contribution, if so resolved by the Council. Non-monetary contribution shall be valued pursuant to law and these articles of association”

The shareholders meeting decided on amendment of the terms and conditions of the convertible bonds of the Company. The 13.04.2009 decision of the extraordinary shareholders meeting was amended as follows:

Amend the terms and conditions of the convertible bonds, which were approved by the 13.04.2009 extraordinary shareholders meeting by amending the article 4.3. of the terms and conditions of the convertible bonds as follows:

4.3. A Bond shall expire on a maturity date (hereinafter the “Maturity Date”), which shall be:

4.3.1. one of the following dates:

4.3.1.1. the day which shall occur 4 (four) years as of the registering such Bond in the Register, shall be the Maturity Date for all bonds whose bondholder (the person owning the bond at 10.00 on the Maturity Date) has not given the Company its acceptance to prolong the Maturity Date as per the article 4.3.1.2.

4.3.1.2. The Company may make a proposal, for the bondholder who has not exchanged its bond to the company share, to extend the Maturity Date of the bond by up to 2 (two) years as of the Maturity Date calculated under article 4.3.1.1. The Maturity Date of the bond, whose bondholder has submitted to the Company its written acceptance to prolong the maturity of the bond, shall be the new Maturity Date stated by the Company in the notice sent to the bondholder.

4.3.2. the Exchange Date referred to in Clause 7 hereof, if the Bond is exchanged to a share of the Company.

Minutes of the extraordinary shareholders meeting are published on AS Pro Kapital Grupp web page www.prokapital.com.

05.04.2013 shareholders meeting

The extraordinary shareholders meeting of AS Pro Kapital Grupp (hereinafter referred to as the Company) took place on 05th of April 2013 starting at 11.00. As per the registration list of the meeting 11 shareholders were present and represented at the meeting, whereas the shares held by them represent 32 310 280 votes, which constitutes in total 60,75% of the votes represented by the shares.

The reason for calling the meeting was to decide on the increase of share capital of the Company and take for information the resignation of one Council member. The proposal to call the extraordinary shareholders meeting was made by the Management Board of the Company.

The shareholders meeting decided on conditional increase of the share capital of the Company and issue of new shares as follows:

Increase conditionally the share capital of the Company in accordance with the § 351'2 of Commercial Code on the following conditions:

- (a) Due to the planned offering of the Company's shares to increase conditionally the share capital of the Company by 280 000 euro. The Management Board of the Company has the right to issue up to 1 400 000 new shares of the Company, with nominal value 0,2 euro.
- (b) Each person (hereinafter "Investor") is entitled to participate in the conditional increase of the share capital on the following conditions:
 - (1) Offering the shares to the Investor or subscribing the shares by Investor shall not result in Company's obligation to register a prospectus in any country or other similar obligation which the Company has not fulfilled;
 - (2) Investor shall subscribe at least 55 556 new shares;
 - (3) Subscribing the shares by the Investor shall not result in breach of any legislation by such Investor.
- (c) The issue price of each new share of the Company shall be 1,80 euro, including the share premium of 1,60 euro;
- (d) New shares shall be paid for by monetary contribution;
- (e) The pre-emptive right to subscribe the new shares by the current shareholders shall be excluded in accordance with the § 345 section 1 of the Commercial Code;
- (f) The term to exercise the right to subscribe for the new shares shall be 10 business days as from announcement of the subscription by the Management Board.
- (g) New shares shall give the shareholder the right to dividends which are decided and paid since 1st of January 2013;
- (h) As of the date of this decision the share capital of the Company is 10 637 084,40 euro and conditional share capital 19 442 236 euro. As of the date of this decision the Company, based on the registered conditional share capital, can issue 4 025 758 new shares in connection to the conversion of same amount of convertible bonds of the Company and increase the share capital of the Company by 805 151,60 euro. Based on the aforementioned the conditional share capital of the Company is amended in a way that the new conditional share capital is 11 722 236 euro.
- (i) To subscribe for the new shares the Investor should have the securities account in Estonian Central Securities Depository and/or arrangements to use on nominees account in Estonian Central Securities Depository and the Investor shall submit the subscription application through the custodian of such securities account. The Management Board of the Company shall publish the exact instructions for subscription of new shares before the beginning of the subscription period.
- (j) In case of oversubscription of the shares the Council of the Company has the right to:
 - (1) As per the Council discretion decide the allocation of the shares to the investors who have placed the subscriptions;
 - (2) Cancel the oversubscribed new shares.
- (k) if all new shares are not subscribed for during the subscription period the Management Board of the Company has the right in 15 days since the end of the subscription period to:
 - (1) prolong the subscription period by up to 10 business days;
 - (2) cancel the shares, which were not subscribed during the subscription period.

The shareholders meeting took for information the resignation of the Company's Council member Sari Aitokallio

Company's council member Sari Aitokallio informed the Company in January 2013 of her resignation as of 31.03.2013. As she explained the resignation is due to time constraints and a possible conflict of interest in the future, emphasizing that as for now such conflict doesn't exist.

As per Commercial Code § 319 section 7 a member of the supervisory board may resign from the supervisory board regardless of the reason notifying thereof the general meeting or his or her appointer.

The meeting took for information the resignation of council member Sari Aitokallio.

Minutes of the extraordinary shareholders meeting are published on AS Pro Kapital Grupp web page www.prokapital.com.

Note 12. Transactions with related parties

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

Transactions with related parties

(Th. EUR)	2013 Q1	2012 Q1
Significant owners and owner related companies		
Interest income	21	38
Issued loans	0	475
Granted claims	17 627	19 927
Interest expense	314	197
Paid interest	398	652
Acquisition of shares in subsidiaries	9	0
Salaries and bonuses paid to management	151	183

Receivables from related parties

(Th. EUR)	31.03.2013	31.12.2012
Significant owners and owner related companies		
Current receivables from related parties	497	492
Total	497	492

Payables to related parties

(Th. EUR)	31.03.2013	31.12.2012
Significant owners and owner related companies		
Payables to related parties	4 204	4 153
Total	4 204	4 153

Holdings in the Ultimate Parent Company

	31.03.2013	31.12.2012
Members of the Council and individuals related them	8,61%	8,61%

Furthermore, 22 224 pieces of convertible bonds are held by the members of the council.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties. The Group has been provided loans to related parties at rates comparable to the average commercial rate of interest. The loans to related parties are unsecured.

Note 13. Lawsuits

Ultimate parent company

	As of 31.03.2013	As of 31.12.2012
Pending disputes:	0	2
Resolved disputes:	2	0
New disputes:	0	0

As of 31.12.2012 AS Pro Kapital Grupp had two pending court cases. Both court cases have been settled during the reporting period.

As of 31.03.2013 AS Pro Kapital Grupp as the ultimate parent company does not have any pending court cases.

Resolved disputes:

On 27.05.2010 Aprisco B.V filed a case to Rotterdam court against AS Pro Kapital Grupp related to the guarantee letter with what AS Pro Kapital Grupp assures the rental liabilities of the Serval S.r.l (former Domina Hotel Group Spa, a former group company) arising from the rental agreement of the Rotterdam hotel, concluded on 04.08.2006 between Serval S.r.l and Hotel Blijdorp B.V.

In 2007 Aprisco B.V acquired the hotel that was managed by subsidiary of Serval S.r.l and the rental agreement with Serval S.r.l was transferred to Aprisco B.V. Serval S.r.l has not fulfilled the rental obligations to Aprisco B.V, therefore Aprisco B.V claims the payments according to the guarantee letter from AS Pro Kapital Grupp.

Aprisco has filed alternative claims to the court. Firstly, Aprisco B.V claims the payment of caused loss in the amount of 2 300 thousand Euros or in the amount stated by the court. As an alternative claim, Aprisco B.V claims overdue rental payments in the amount of 904 thousand Euros with accumulated interest for default or in the amount of 504 thousand Euros with accumulated interest for default. On 31.08.2011 Aprisco B.V changed its claim and claims the payment of caused loss in the amount of 2 300 thousand Euros with accumulated interest for default, or in the amount stated by the court. As an alternative claim, Aprisco B.V claims overdue rental payments in the amount of 1 776 thousand Euros and accumulated interest for default or in the amount of 1 409 thousand Euros and accumulated interest for default.

On 04.07.2012 Rotterdam City Court made a decision and awarded Aprisco B.V claim in the amount of 1 409 265,2 EUR to be paid, the sum to be increased by default interest. AS Pro Kapital Grupp appealed the decision on 11.09.2012.

Nevertheless, to keep in line with the Company's conservative policies, the provision has been formed for the maximum amount of the claim 1 409 thousand Euros as of 30.06.2012 so the potential negative outcome of the dispute shall not have a significant impact on AS Pro Kapital Grupp income statement.

The dispute was settled on 13.03.2013 by signing the settlement agreement between AS Pro Kapital Grupp and Aprisco B.V.

The condition precedents of the settlement agreement was signing the settlement agreement by both parties and timely and full payment of the lump sum of 1 000 000 euro by Pro Kapital. The settlement agreement was signed and the settlement amount of 1 000 000 euro was paid by AS Pro Kapital Grupp. The amount is final and the parties shall have no additional claims against each other (including legal fees). With the settlement agreement the parties agreed to terminate all litigation connected to the dispute.

The settlement had a positive impact on the income statement of the reporting period in the amount of 409 000 euro as a provision in the amount of 1 409 000 euro was formed in connection with the dispute as of 30.06.2012. The only and final payment to Aprisco amounted to 1 000 000 euro.

On 06.08.2012 Aprisco B.V has filed the application to the Harju County Court for the recognition and enforcement of the Rotterdam City Court decision of 04.07.2012. AS Pro Kapital Grupp rejects the application of Aprisco B.V. as the Rotterdam City Court decision of 04.07.2012 has been appealed and the decision is not in force and final, thus can't be deemed enforceable in Republic of Estonia in the opinion of AS Pro Kapital Grupp.

On 17.01.2013 Harju County court decided to suspend the proceeding until the Rotterdam City Court decision is final. Aprisco B.V. has appealed the Harju County court decision of suspending the proceedings.

Aprisco B.V also applied for the court mortgage to be set on AS Pro Kapital Grupp real-estate assets located at Narva road 13a to secure their claim arising from the Rotterdam City Court decision of 04.07.2012. On 27.08.2012 Harju County Court made the ruling in regards to the application to secure the claim of Aprisco B.V. The court set the court mortgage in total of 807 514,56 Euros on Narva road 13a real-estate properties belonging to AS Pro Kapital Grupp.

The referred dispute was settled with the settlement agreement signed on 13.03.2013 which has been referred above. With the settlement agreement the parties agreed to terminate all litigation connected to the dispute.

Pro Kapital Estonia sub-group

	As of 31.03.2013	As of 31.12.2012
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 31.12.2012 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. Sub-group subsidiary AS Tāismaja is involved in one law suit as a third party.

As of 31.03.2013 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. Sub-group subsidiary AS Tāismaja is involved in one law suit as a third party.

Pro Kapital Latvia sub-group

	As of 31.03.2013	As of 31.12.2012
Pending disputes:	0	1
Resolved disputes:	1	0
New disputes:	1	0

As of 31.12.2012 the Pro Kapital Latvia sub-group had one pending court case and one court case in which the sub-group subsidiary is involved as third party. During the reporting period one court case reached a final decision, also one additional court case was initiated.

As of 31.03.2013 the Pro Kapital Latvia sub-group had one pending court case and one court case in which the sub-group subsidiary is involved as third party.

Italian citizen Mr. Antonio Sugaroni Ziemelu started litigation against maintenance company (not belonging to Pro Kapital group of companies) claiming personal damages in amount of LVL 4'945,09 on the basis that he was walking through the street near the building at Pulkveza Brieza 11, Riga and was injured by the snow and ice falling from the roof of the building. Group company LLC Hotel Management Services is involved in the proceeding as a third party (not defendant).

Resolved disputes:

During August – October 2007 the Tax Board audited the VAT accounting of Pro Kapital Latvia PJSC for the period from January 2005 to December 2006. As a result the Tax Board found that the company's loss should be 60 thousand Latvian latts smaller (approx. 86 thousand Euros). The Company disputed the decision. The Administrative District Court left the claim unsatisfied. The company appealed, but on 28.09.2012 the Administrative Regional Court decided to reject the appeal. The Company submitted the cassation to the Supreme Court of Republic of Latvia. On 11.03.2013 the Supreme Court decided not to initiate the cassation proceeding and the decision of the Administrative Regional Court came into force, leaving the Tax Board decision in force.

New disputes:

On 30.07.2012 the Property department of Riga's City Council issued a decision according to which buildings belonging to SIA "Nekustamo īpašumu sabiedrība "Zvaigznes centrs"" at 193 Brīvības Street, in Riga are classified as degrading the environment and endangering the security of people. On the basis of this decision the company would have to pay an increased real estate tax. The company appealed against the mentioned decision to the chairman of the Riga City Council, however the chairman decided to reject the claim. The company has on 14.02.2013 appealed against the decision to the Administrative District Court asking for revocation of the decision. The proceedings are currently pending.

Pro Kapital Vilnius sub-group

	As of 31.03.2013	As of 31.12.2012
Pending disputes:	2	2
New disputes:	0	0
Resolved disputes:	0	0

As of 31.12.2012 the entities of Pro Kapital Vilnius sub-group had two pending court cases.

As of 31.03.2013 the entities of Pro Kapital Vilnius sub-group had the same two pending court cases.

Pending disputes:

UAB "Natalex" has filed a claim in the amount of 166 thousand Lithuanian litas (approx. 48 thousand Euros), plus interest 6% for return of the prepayment under an apartment sale contract. Group company PK Invest UAB found that UAB "Natalex" had breached the contract and the prepayment has been set-off with the penalty against UAB "Natalex". In April 2012 the court rejected UAB "Natalex" claim. UAB "Natalex" has appealed court decision.

In February 2012, UAB "Gatvių statyba" submitted the claim to the Vilnius district court requesting for LTL 197 thousand Lithuanian litas (approx. 57 thousand Euros), plus 8,06 % interest, for the performed works in Saltiniu Namai. Group company PK INVEST UAB did not agree with the claim because the works were performed unduly and the deficiencies were recorded by the parties in writing. The case was heard at Vilnius district court. The claim of the contractor and the counter-claim of PK INVEST UAB had been upheld partially. PK INVEST UAB has filed an appeal on the basis that the court refused to lower the price of the works that were performed partially and with deficiencies. Appeal proceeding are ongoing.

Pro Kapital German sub-group

	As of 31.03.2013	As of 31.12.2012
Pending disputes:	0	0
New disputes:	0	0
Resolved disputes:	0	0

As of 31.12.2012 Pro Kapital German sub-group entities did not have any legal disputes.

As of 31.03.2013 Pro Kapital German sub-group entities did not have any legal disputes.

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for the first quarter of 2013.

The consolidated interim report has been prepared in accordance with the International Financial Reporting Standards and gives a true and fair view of the company's financial position, its results of the operations and cash flows. AS Pro Kapital Group is a going concern.

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	22 May 2013
------------------	---	-------------

Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	22 May 2013
------------------	---	-------------