

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR IV QUARTER AND
12 MONTHS OF 2014 (UNAUDITED)

PROKAPITAL



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Management report

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's operating strategy is to develop prime residential and retail real estate in all three Baltic capitals. The Company adds value through the entire life cycle of the development process, taking a long-term approach. 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 and decrease the effect of real estate market fluctuations.

Key figures and main events, January 1 – December 31, 2014 and after the reporting period

- Total revenue for twelve months was 10,3 mln EUR, a decrease of 16% compared to the reference period.
- Net operating result during twelve months increased by 27,6 mln EUR (1 626%) compared to the reference period, totalling to profit of 25,9 mln EUR (2013 12 months: -1,7 mln EUR). Net operating profit for the fourth quarter of 2014 was 27,6 mln EUR (2013 Q4: net operating loss of 0,8 mln EUR). Net operating result was influenced by reclassification of assets and recording them in fair value (more details in Note 6).
- Net result for the twelve months of 2014 has increased by 24,9 mln EUR (968%) compared to the reference period, totalling to profit 22,4 mln EUR (2013 12 months: -2,6 mln EUR). Net result for the fourth quarter of 2014 was profit 25,3 mln EUR (2013 Q4: net result -0,7 mln EUR).
- Cash flow from operations for the twelve months of 2014 was negative of 0,1 mln EUR (2013 12 months: -0,3 mln EUR). Cash flow for the fourth quarter of 2014 was -0,7 mln EUR (2013 Q4: 0,4 mln EUR).
- Net assets per share totalled 1,59 EUR (31.12.2013: 1,20 EUR).
- On January 01, 2014 the sale of Latvian group subsidiary LLC Pasaules Tirdzniecibas centrs „Riga“ (WTC Riga) was finalized according to the agreement concluded on 12.12.2013. WTC Riga operated as a management company for maintenance and administration of state owned WTC office building in Riga and the sale was motivated by the Group's strategy to focus on development of its own real estate projects.
- On January 30, 2014 subsidiaries of the group AS Pro Kapital Eesti and AS Täismaja (former business name AS Kristiine Kaubanduskeskus) concluded a merger contract, in according to which AS Pro Kapital Eesti was merged with itself AS Täismaja. The purpose of the merge is to simplify the group structure.
- On January 30, 2014 the subsidiary company of the Group AS Tondi Kvartal concluded the contract for establishing a new company OÜ Marsi Elu with the aim to develop first phase of the second stage of Tondi residential complex in Tallinn and to create a legal platform for possible participation of co-investor in the project. On March 13, 2014 the minority shareholding equal to 35% of OÜ Marsi Elu was sold to a financial investor Combrimat Limited. The investor has to fulfilled its obligations prior to transfer of the ownership of the shares including to provide OÜ Marsi Elu with an unsecured shareholder loan in amount of 1 000 000 EUR, with repayment date of 5 years and interest of 5% per year.
- On February 5, 2014 the construction works of a new residential building were started in Vilnius, Saltiniu Namai residential complex by UAB Merko Statyba.
- On February 26, 2014, the Group company, OÜ Marsi Elu and Nordecon AS concluded a contract for construction of residential apartment building to be located in Tondi Residential Quarter, Tallinn, with the price of the construction works of the first construction phase approximately three million euros. The financing agreement for the same project in amount up to 5 million euros was signed with Nordea Bank Finland Plc Eesti on 27.03.2014.
- As of March 13, 2014 the Group shares are traded on the Quotation Board of Frankfurt Stock Exchange, part of the Open Market segment at Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange). This enables investors around Europe to trade with AS Pro Kapital Grupp shares using the Xetra trading system which is one of the world's fastest and most efficient trading systems.
- On March 14, 2014 the extraordinary meeting of shareholders approved the main terms and conditions of issuance of the new shares of AS Pro Kapital Eesti's subsidiary AS Tallinna Moekombinaat in amount of 18 300 000 shares to be subscribed by a company Summer Solstice Limited. According to the non-binding agreement signed with the co-investor it must grant to the Subsidiary as a precondition for the subscription of the shares, an unsecured shareholder loan in the amount of EUR 0,492 per every share that it subscribes for. The amount of money to be received for the issuance of all new shares will be EUR 27 999 000. Provided that all new shares will be issued, the new investor shall obtain a participation of approximately 47.63% of the entire share capital of the subsidiary whereas AS Pro Kapital Eesti shall maintain the participation approximately 50.27%. As a precondition for the subscription of the new shares, an unsecured shareholder loan in the amount of EUR 0,492 per every subscribed share shall be given to the subsidiary. The investor has not taken a binding commitment to make such investment. The purpose for attracting co- investor is the development of Peterburi road 2 property in Tallinn into one of the leading shopping centres in Tallinn.

- On March 14, 2014 the Company decided to offer unsecured non- convertible bonds with nominal value of 10 000 EUR each, duration period of 5 years and with 5 % annual interest. During the subscription period 30 bonds with nominal value of 10 000 Euro were subscribed in total sum of 300 000 Euro.
- On March 24 a subsidiary company of the group AS Pro Kapital Eesti concluded the contract for establishment of OÜ Vene 19. The purpose of establishment of the subsidiary is to transfer the commercial premises located at Vene Street in Tallinn to the subsidiary. On April 25 AS Pro Kapital Eesti concluded the contract for sale of full shareholding of its subsidiary OÜ Vene 19 to OÜ Silver Grupp.
- On April 24 2014 the shareholders meeting of the subsidiary of the group AS Tallinna Moekombinaat adopted the resolution to increase the share capital of the subsidiary by issuing 18 300 000 new shares. Subsidiary's shareholders decision corresponds to the terms of approval granted by AS Pro Kapital Grupp shareholders on 14th of March 2014.
- The Company has applied for liquidation of its Latvian subsidiary SIA Prokurs as the Company has sold its stock and is currently carrying no active economic activity. Due to the same reasons the liquidation of another Latvian subsidiary SIA PK Latvia was carried out.
- On April 30 2014 the subsidiary of the group AS Tallinna Moekombinaat and AS Nordecon concluded the agreement for building excavation works of the shopping and entertainment centre located at Peterburi 2, Tallinn with conditional entering into force upon AS Tallinna Moekombinaat's notification to AS Nordecon about the handover of the construction site. Tallinna Moekombinaat sent the notification to AS Nordecon about the handover of the construction site and the agreement entered into force. The excavation works have been completed during reporting period.
- On May 21 2014 the subsidiary company of the group PK Invest UAB concluded the contract for establishment of PRO KAPITAL BONUM UAB. The business area of the new subsidiary of PK Invest UAB is real-estate development and the planned business activity is the development of new residential building to be located in Saltiniu Namai residential complex in Vilnius. The purpose of establishment of the subsidiary is to start with the residential development of new residential building to be located in Saltiniu Namai residential complex in Vilnius and to create a legal platform for possible participation of co-investor in the project.
- On May 27 2014 ended the first subscription of the share capital increase of AS Tallinna Moekombinaat. During the subscription period 808 800 euro was raised of which 612 000 euro was paid for the B-shares of the Subsidiary and 196 800 euro was granted as loan by the subscriber Fiduciaria Emiliana S.r.l.
- On June 13 AS Pro Kapital Grupp informed the Chief Financial Officer of the group Ruta Juzulenaite leaving the company at the end of August due to personal reasons and on her own initiative. Angelika Annus is the new Chief Financial Officer of the group starting 01.09.2014, having been working as financial controller of the group. Angelika Annus has worked at different positions in the group since 1998.
- On June 20 the annual general meeting of AS Pro Kapital Grupp shareholders took place approving of the audited annual report of the Company for the financial year of 2013 and electing AS Deloitte Audit Eesti as the auditor of the Company for the financial year of 2014
- On July 8 ended the second subscription of the share capital increase of AS Tallinna Moekombinaat. No new shares were issued as the result of the subscription period.
- On August 1 the subsidiary company of AS Pro Kapital Grupp Pro Kapital Bonum UAB concluded the construction contract with UAB Merko Statyba for construction and design works of new residential apartment building in Vilnius for lump sum 2,9 million Euros. Construction works shall start after Pro Kapital Bonum UAB gives the notification of the start of the construction works.
- On August 4 ended the third subscription of the share capital increase of AS Tallinna Moekombinaat. No new shares were issued as the result of the subscription period.
- On August 5 the Company prolonged the redemption date of 840 184 convertible bonds PKG3 by 2 years.
- On September 4 the Company decided to offer for subscription unsecured and non-convertible bonds with issue price of 10 000 EUR per each bond. The maturity of the bonds is 5 years and they bear annual interest of 5%. During the subscription period 30 bonds with total sum of 300 000 Euros were subscribed.
- On September 16 the Company prolonged the redemption date of 517 029 convertible bonds PKG4 by 2 years.
- On September 26 the Court of Appeal of Lithuania decided to annul the decision of first instance court and adopted a new decision – rejected the claim of UAB „Gatvių statyba” and satisfied the counterclaim of PK INVEST UAB. Further information in Note 15. Lawsuits.

- After the reporting period, on October 14, ended the fourth and final subscription period of the share capital increase of AS Tallinna Moekombinaat. As the result of the subscription period the Subsidiary raised 457 724 euros of which 346 349 euros was the payment for the B-shares of the Subsidiary and 111 375 euros was the loan granted by the subscriber. After the last subscription the participation of Pro Kapital in the share capital of AS Tallinna Moekombinaat remains equal to 93,1%.
- On November 18 the Company submitted an offer to participate in the first round of the combined offer for the sale of „Kopli liinid“ development. City of Tallinn is selling the „Kopli liinid“ development by the procedure of two-stage combined offer. In the first stage of the offer AS Pro Kapital Grupp submitted the offer corresponding to the set sales conditions and the offer included the written consent to buy the development for at least the initial price totalling 1 500 000 euros, the obligation to develop the area´s infrastructure and the consent to ensure the safety of the area. As per the terms and conditions of the offer AS Pro Kapital Grupp has the right to withdraw from the offer at any time prior to submitting the final offer.
- On November 27 the Company prolonged the redemption date of 422 067 convertible bonds PKG5 by 2 years and the new redemption date is 29.11.2016.
- On December 19 the subsidiary of the Company OÜ Marsi Elu notified AS Nordecon to start with the works of the second building of second construction phase of Tondi Residential Quarter, based on an agreement concluded on 25.02.2014. The building consists of 31 apartments, the planned completion of the works is November 2015 and the price of the works is approximately two million Euros, to which VAT is added.
- Presales for Vilnius Saltiniu Namai project and Tallinn's Tondi residential quarter have been successfully continued. At the moment of issuing the report presale agreements for 16 premises out of 19 in Vilnius K7 building and reservations for 10 apartments out of 44 in K4-1 building have been signed. In Tallinn, Tondi, 19 presale agreements out of 31 in the 1st building and 9 out of 31 in the 2nd building have been signed.

Key financial figures

	2014 12M	2013 12M	2014 Q4	2013 Q4
Revenue, th. EUR	10 335	12 287	2 174	3 040
Gross profit, th. EUR	2 579	3 088	240	683
Gross profit, %	24,95%	25,13%	11,04%	22,47%
Operating result, th. EUR	25 859	-1 695	27 579	-786
Operating result, %	250,21%	13,80%	1268,58%	-25,86%
Net result, th. EUR	22 369	-2 578	25 275	-746
Net result, %	216,44%	-20,98%	1162,60%	-24,54%
Earnings per share, EUR	0,41	-0,05	0,47	-0,01
	31.12.2014	31.12.2013		
Total Assets, th. EUR	125 031	98 294		
Total Liabilities, th. EUR	39 243	33 599		
Total Equity, th. EUR	85 788	64 695		
Debt/ Equity *	0,46	0,52		
Return on Assets, % **	17,9%	-2,6%		
Return on Equity, % ***	26,1%	-4,0%		
Net asset value per share, EUR ****	1,59	1,20		

*debt / equity = total debt / total equity

**return on assets = net profit/loss / total average assets

***return on equity = net profit/loss / total average equity

**** net asset value per share = net equity / number of shares

CEO review

During the fourth quarter of 2014 Pro Kapital continued the construction works of new buildings in 2 of its new residential development projects – Saltiniu Namai in Vilnius and Tondi Quarter in Tallinn and in Tondi already started the construction works of the second building.

At the moment of compilation of the present report, there has been signed total of 16 presale agreements out of 19 units for the Vilnius Saltiniu Namai new stage project. For further development of the project in Vilnius the Company established a new subsidiary, Pro Kapital Bonum UAB, which has concluded the construction contract with UAB Merko Statyba for construction and design works of new residential building on August 1, 2014. 10 presale agreement have been concluded out of 44 flats, construction works have not started yet. In Tondi project in Tallinn 19 presale agreements out of 31 flats have been signed for the 1st building and 9 agreements out of 31 for the 2nd building.

During the reporting period the City of Tallinn announced the winning concept of Rail Baltica Joint passenger terminal to be constructed to the neighbouring land plot of the planned shopping centre at Peterburi 2. Pro Kapital was part of the jury and the winning concept raises significantly the attractiveness of the whole area. The Company continues to have a close cooperation with the City and the winning architects in order to increase the synergy between the new main infrastructural objects of the City and the shopping centre. The Company continued as well to sign rental agreements for the shopping centre premises.

Pro Kapital also decided to participate in the combined offer for the sale of „Kopli liinid“ development. City of Tallinn is selling the „Kopli liinid“ development property in Põhja-Tallinn on over 16 ha by the procedure of two-stage combined offer. Pro Kapital consider the area with strong potentiality but shall decide its participation in the final and binding stage after the negotiation phase with the City of Tallinn.

The Company continued with projecting works for the Tallinas Residential Complex and 1st stage of Kliversala development project in Riga and carried on further steps for establishing the detail plan of the Kalaranna residential project in Tallinn.

In order to develop transparency of the Company's assets the Council decided to approve reclassification and revaluation plan of real estate properties of the Company. At the end of 2014 real estate assets were reviewed considering short and long-term development strategy. Until now many properties have been recorded as inventories at cost price since acquisition long time ago and financial reports have not been reflecting the fair value of the properties in Company's portfolio. After reviewing the strategy, the properties that will not be developed in the nearest upcoming years, were transferred from inventories to investment property as long-term assets. The fair value of the properties has been recorded as per valuation performed by an independent real estate appraiser Newsec Valuation in November 2014.

For the activity of the Company and development of new projects the Company will seek to attain attractive mix of financing through combining acceptable level of borrowings from financial institutions, expanding its investor base and attracting additional private equity. The arranging of the short-term financing to strengthen Company's working capital remains a top priority of the management.

At the end of twelve months the Company recorded net revenue of 10,3 mln EUR, decrease of 16% as compared to 12,3 mln EUR in the same period in 2013 (2014 Q4: 2,2 mln EUR; 2013 Q4: 3,0 mln EUR). Recorded net profit of 22,4 mln EUR for twelve months of 2014 was 968% higher as compared to 2,6 mln EUR loss in the same period last year (2014 Q4: 25,3 mln EUR; 2013 Q4: -0,7 mln EUR). Net result was influenced by reclassification of assets and recording them in fair value (more details in Note 6).

Overall loans from financial institutions were 10,6 mln EUR as of December 31, 2014. The loans from minority shareholders as of December 31, 2014, were 1,3 mln EUR. The Company as of December 31, 2014 had 11,2 mln EUR worth convertible bonds and 2,2 mln EUR worth non- convertible bonds.

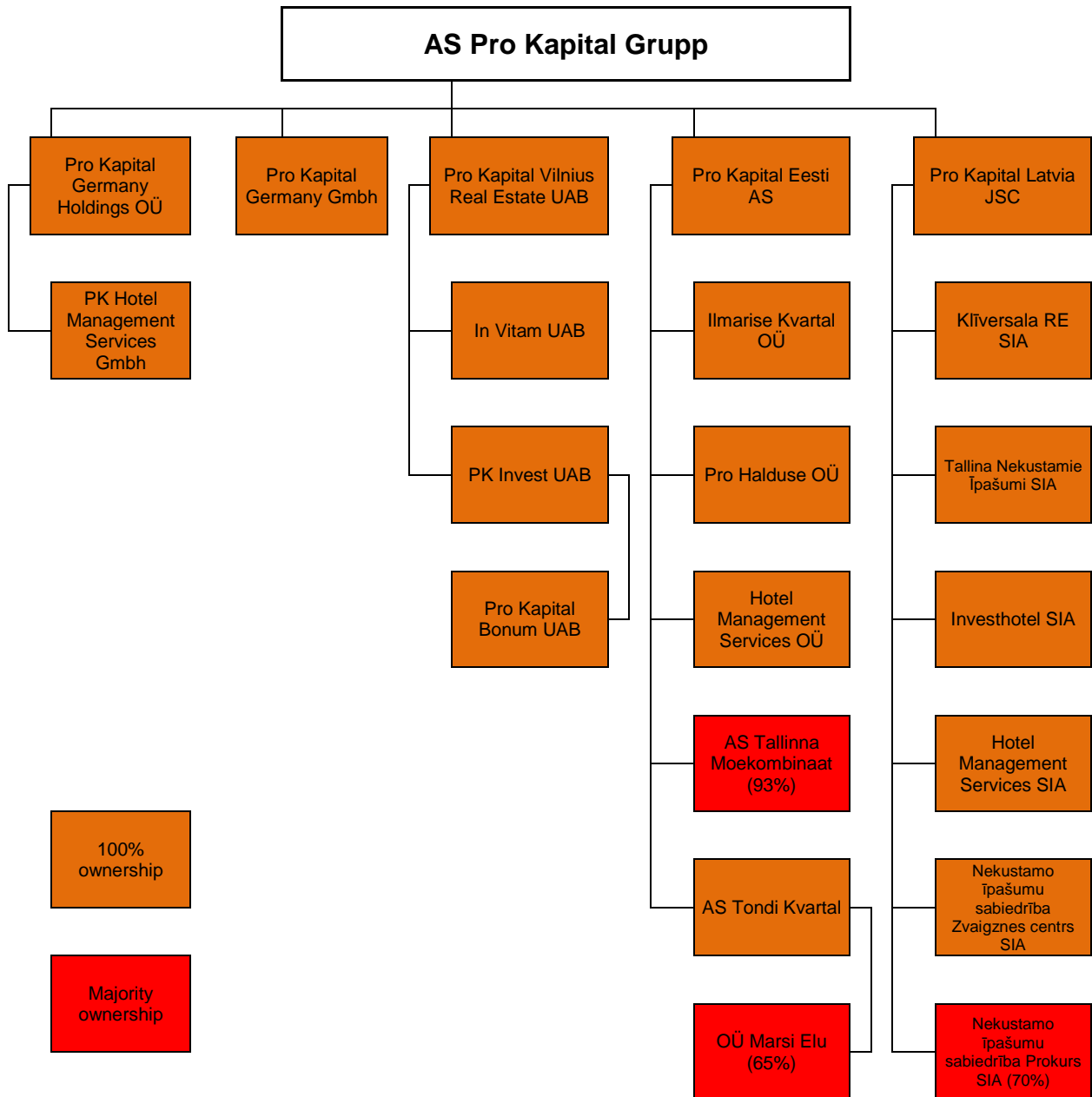
As of December 31, 2014 there were 106 employees working in the Company, 81 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

February 20, 2015

Group Structure

As of 31.12.2014



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	93%	GLA 52 000 m ²	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 13 931 m ²	Investment property
Tondi Quarter	Residential	Tallinn	100%	NSA 115 550 m ² 80 963 m ² resid. 34 587 m ² comm.	Inventories, investment property
Marsi 3, 3a, 3b	Residential	Tallinn	65%	NSA 6 594 m ² 6 594 m ² resid.	Inventories
Kalaranna District	Residential	Tallinn	100%	NSA 33 013 m ² 27 600 m ² resid. 5 413 m ² comm.	Investment property
Tallinas Quarter	Residential	Riga	100%	NSA 22 055 m ² 21 009 m ² resid. 1 046 m ² comm.	Investment property
Kliversala District	Residential	Riga	100%	NSA 74 777 m ² 63 857 m ² resid. 10 920 m ² comm.	Inventories, investment property
Zvaigznes Quarter	Residential	Riga	100%	NSA 18 378 m ² 18 378 m ² comm.	Investment property
Šaltinių Namai	Residential	Vilnius	100%	NSA 21 150 m ² 18 583 m ² resid. 2 567 m ² comm.	Inventories, investment property

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

Status of the projects:

Peterburi road shopping centre	Building licence obtained. Excavation works for the foundation of the building completed. Tender process for choosing the building constructor continued.
Ülemiste 5	Detail plan adopted, project not started. New detail plan under consideration in collaboration with the city in connection with Rail Baltica terminal.
Tondi Quarter	Building license for the 2nd stage obtained.
Marsi 3, 3a, 3b	Presale and construction works of 2 buildings started.
Kalaranna District	Detailed plan approval in process
Tallinas Quarter	Projecting works in process in order to apply for the building licence. Sketch design approved by the city.
Kliversala District	New Master plan approved by the city. New Detail plan submitted.
Zvaigznes Quarter	Building licence for reconstruction of the existing building issued.

Šaltinių Namai

1st stage completed and available for sale with an exception of two more buildings that have received the building licence. Presale started in both buildings and construction of one of the buildings has started. 2nd stage is being projected in order to apply for the building permit.

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. – 31.12.2014

	EST 2014 12M	EST 2013 12M	LV 2014 12M	LV 2013 12M	LT 2014 12M	LT 2013 12M	GER 2014 12M	GER 2013 12M	TOTAL 2014 12M	TOTAL 2013 12M
Real Estate	492	1 065	0	500	2 228	1 938	0	0	2 720	3 503
Rent	28	71	70	936	107	104	0	0	205	1 111
Hotels	1 513	1 395	1 440	1 555	0	0	2 927	2 847	5 880	5 797
Maintenance	1 337	1 341	30	53	98	87	0	0	1 465	1 481
Other	35	328	23	56	7	11	0	0	65	395
TOTAL	3 405	4 200	1 563	3 100	2 440	2 140	2 927	2 847	10 335	12 287

Revenue structure, th. EUR, 01.10. – 31.12.2014

	EST 2014 Q4	EST 2013 Q4	LV 2014 Q4	LV 2013 Q4	LT 2014 Q4	LT 2013 Q4	GER 2014 Q4	GER 2013 Q4	TOTAL 2014 Q4	TOTAL 2013 Q4
Real Estate	146	220	0	0	185	662	0	0	331	882
Rent	6	23	19	188	22	29	0	0	47	240
Hotels	309	281	241	320	0	0	813	790	1 363	1 391
Maintenance	387	430	8	20	25	23	0	0	420	473
Other	5	-4	7	54	1	4	0	0	13	54
TOTAL	853	950	275	582	233	718	813	790	2 174	3 040

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 office properties and management of cash flow generating office and hotel property.

The share of the Estonian segment as a percentage of total revenues of the Company during twelve months amounted 32,9% comparing to 34,2% in the same period last year, mainly due to lower sales of real estate in 2014.

In 2014, total of 4 apartments, 2 business premises, 6 parking lots, 1 storage room (2013 12M: 11 apartments, 4 business premises, 19 parking lots, 2 storage rooms) were sold. During the fourth quarter 1 apartment, 1 parking lot and 1 storage room were sold (2013 Q4: 3 apartments, 1 business premise, 9 parking lots, 1 storage room). 19 out of 31 apartments in Marsi 3 were presold as of the moment of the preparation of current report and 9 apartments out of 31 were presold in the next building Marsi 3a. However, these apartments will be recorded as sales at the moment they are passed on to the owners. At the end of reporting period stock consisting of 6 apartments and office premises and several parking lots was yet available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate has increased during twelve months to 73,6% (2013 12M: 66,2%). The hotel has significantly increased its operating margin as compared to the same period last year.

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

The share of the Latvian segment as a percentage of total revenues of the Company during twelve months amounted 15,1% comparing to 25,2% in the same period last year.

In Latvia there are no residential real estate properties left for sale. The subsidiary dealing with lease of office properties was sold on January 1, 2014, and currently the Company does not engage in office property segment in Latvia.

PK Riga Hotel occupancy rate has decreased in 2014 and was 70,9% (2013 12M: 77,5%). Nevertheless the operating margin has increased due to timely reaction to the market changes.

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 twelve months amounted to 23,6% compared to 17,4% of the comparable period last year. The reason for such increase was strong residential property sales. Presales for new stage of Vilnius' Saltiniu Namai residential quarter are going very successfully, with 16 premises out of 19 in Vilnius K7 building and reservations for 10 apartments out of 44 in K4-1 building have been signed at the moment of compiling this report.

In Lithuania 5 apartments, 1 business premise, 7 parking lots and 2 cottages were sold during twelve months (2013 12M: 6 apartments, 2 business premise, 7 parking lots and one cottage). There were still 11 apartments, 6 cottages, 15 business premises, 15 storage rooms and 89 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 twelve months amounted to 28,3% comparing to 23,2% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel has increased to 53,1% in 2014 (2013 12M: 49,7%).

Other operative data, 01.01. - 31.12.2014

	EST 2014 12M	EST 2013 12M	LV 2014 12M	LV 2013 12M	LT 2014 12M	LT 2013 12M	GER 2014 12M	GER 2013 12M	TOTAL 2014 12M	TOTAL 2013 12M
M ² sold	385	1 225	0	318	968	848	0	0	1 353	2 391
Average price, m2/EUR	1 098	1 226	0	2 019	2 302	2 285	0	0	2 036	1 684
M ² under maintenance management	54 793	52 241	0	15 002	11 925	11 234	0	0	66 718	78 477
Occupancy rate, hotels	73,6%	66,2%	70,9%	77,5%	0,0%	0,0%	53,1%	49,7%	65,0%	63,1%

Other operative data, 01.10. - 31.12.2014

	EST 2014 Q4	EST 2013 Q4	LV 2014 Q4	LV 2013 Q4	LT 2014 Q4	LT 2013 Q4	GER 2014 Q4	GER 2013 Q4	TOTAL 2014 Q4	TOTAL 2013 Q4
M ² sold	153	467	0	0	75	290	0	0	228	757
Average price, m2/EUR	952	1 276	0	0	2 480	2 283	0	0	1 454	1 534
M ² under maintenance management	54 793	52 241	0	15 002	11 925	11 234	0	0	66 718	78 477
Occupancy rate, hotels	71,0%	58,4%	56,6%	79,0%	0,0%	0,0%	59,1%	46,1%	62,4%	63,6%

Financing sources and policies

Pro Kapital 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.

During the twelve months of 2014 the Company has borrowed 1,3 mln EUR from minority shareholders in Estonian subsidiaries Marsi Elu OÜ and Tallinna Moekombinaat AS, 0,7 mln from Nordea Bank and 0,7 mln EUR from Swedbank Lithuania. The Company repaid 2,8 mln EUR of bank loans during 2014.

Total amount borrowed from banks was 10,6 mln EUR as of 31. December, 2014.

As of 31. December, 2014 the Company had 11,2 mln EUR convertible bonds (current portion: 5,2 mln EUR; long term portion: 6,0 mln EUR) and 2,2 mln EUR non-convertible bonds (all long-term maturity). During 2014 the Company issued 0,6 mln EUR non-convertible non-secured bonds with maturity of 5 years and annual interest of 5%.

Bank loans are predominantly of middle-term duration, maturing within one to three years. Repayment schedule is mixed, both fixed for some loans and floating in dependence on sales volumes for others.

Shares and shareholders

As of 31.12.2014 Pro Kapital has issued total 54 106 575 shares with the nominal value 0,2 euros. The registered share capital of the Company is 10 821 315 EUR.

As of 31.12.2014 there were 63 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 31.12.2014:

	Shareholders	Number of shares	Participation
1	Clearstream Banking Luxembourg S.A. Clients	15 061 669	27,84%
2	Eurofiduciaria S.R.L.	7 171 606	13,25%
3	Svalbork Invest OÜ	6 840 368	12,64%
4	Sueno Latino AG	4 528 531	8,37%
5	A.F.I. American Financial Investments Ltd.	4 168 269	7,70%
6	Anndare Ltd.	3 736 765	6,91%

Participation of Member of the Management Board and the Council Members as of 31.12.2014:

Name	Position	Number of shares	Participation in %	Number of convertible bonds
Paolo Vittorio Michelozzi	CEO	87 500	0,16%	0
Allan Remmelkoo	COO	0	0	0
Emanuele Bozzone	Chairman of the Council	0	0	22 224
Petri Olkinuora	Council Member	0	0	0
Pertti Huuskonen	Council Member	0	0	0

Ernesto Achille Preatoni	Council Member	19 522 402*	36,08%	0
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* In the above table the following Shares are considered as being controlled by Mr Preatoni because the Management Board believes that Mr Preatoni is able to control the use of voting rights by such persons: (a) OÜ Svalbork Invest, Estonian company controlled by Ms Evelyn Tihemets which holds 6 840 368 Shares representing 12,64% of the total shares of the Company, (b) Sueno Latino A.G., a Liechtenstein company controlled by Ms Evelyn Tihemets, which controls 4 528 531 Shares representing 8,37% of the total shares of the Company; (c) 2 507 508 Shares representing 4,63% of the total shares of the Company, which are held through a nominee account opened by Clearstream Banking Luxembourg and are held for the benefit of Ms Evelyn Tihemets; (d) 2 696 445 Shares representing 4,98% of the total shares of the Company held through a nominee account opened by Clearstream Banking Luxembourg for the benefit of Mr David Trausti Oddsson; (e) 1 904 703 Shares representing 3,52% of the total shares of the Company held by Katmandu Stiftung, a Liechtenstein company controlled by Mr Ernesto Preatoni; and (f) 1 044 847 Shares representing 1,93% of the total shares of the Company held by A.F.I American Financial Investments Ltd, a Liechtenstein company for the benefit of Mr Ernesto Preatoni.

Earnings per share during twelve months 2014 were 0,41 EUR, compared to -0,05 EUR for the same period of 2013.

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- December 31, 2014 the shares were trading at the price range of 2,07- 2,73 EUR, with the closing price of 2,50 EUR/share on 31. December, 2014. During the period 724 th. of the Company's shares were traded, with their turnover amounting to 1,81 mln EUR.

Trading price range and trading amounts of Pro Kapital Grupp shares, January 1- December 31, 2014, the secondary list of Tallinn's stock exchange



On March 13, 2014 the Company's shares started trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of March 13- December 31, 2014 the shares were trading at the price range of 2,06- 2,71 EUR, with the closing price of Classic Xetra 2,50 EUR/share and Xetra Frankfurt Specialist price 2,425 EUR/share on 31. December, 2014. During twelve months the trading volume on Classic Xetra was 435 th euros (68 th shares) and on Xetra Frankfurt Specialist 598 th euros (71 th shares).

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 1 litigation dispute was resolved.

You can find more detailed information about the legal disputes in Note no 15 of this interim report.

People

As of December 31, 2014 the Company employed 106 people compared to 108 people as of December 31, 2013. 81 of them were engaged in hotel and property maintenance services (78 as of December 31, 2013).

Risks

Market risk, liquidity risk and risk of financing 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.

Risk of financing might prolong the Company's schedule of property development and causing the slow-down of realization of its real estate portfolio. The risk is managed through the maintaining of continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and other debentures as well as expanding its investor base and attracting additional private equity.

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	February 20, 2015
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Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	February 20, 2015
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Consolidated financial report

Consolidated interim statements of financial position

(Th. EUR)	Notes	31.12.2014	31.12.2013
ASSETS			
Current Assets			
Cash and cash equivalents		1 881	2 759
Current receivables		2 463	2 738
Inventories	6	14 535	45 587
Total Current Assets		18 879	51 084
Non-Current Assets			
Non-current receivables		150	168
Deferred tax assets		0	540
Property, plant and equipment	5	17 619	20 221
Investment property	6	88 110	26 001
Intangible assets		273	280
Total Non-Current Assets		106 152	47 210
TOTAL ASSETS		125 031	98 294

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

Consolidated interim statements of financial position

(Th. EUR)	Notes	31.12.2014	31.12.2013
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	7	16 348	11 730
Customer advances		1 548	501
Current payables		4 761	2 133
Taxes payable		177	189
Short-term provisions		5	47
Total Current Liabilities		22 839	14 600
Non-Current Liabilities			
Long-term debt	7	13 430	17 040
Other long-term liabilities		79	54
Deferred income tax liability		2 744	1 758
Long-term provisions		151	147
Total Non-Current Liabilities		16 404	18 999
TOTAL LIABILITIES		39 243	33 599
Equity attributable to equity holders of the parent			
Share capital in nominal value		10 821	10 821
Paid in capital		1 474	1 474
Statutory reserve		1 064	1 064
Revaluation reserve		9 389	11 330
Foreign currency differences		-143	-1 277
Retained earnings		39 778	42 378
Profit (loss) for the period		21 381	-2 600
Total equity attributable to equity holders of the parent		83 764	63 190
Non-controlling interest		2 024	1 505
TOTAL EQUITY		85 788	64 695
TOTAL LIABILITIES AND EQUITY		125 031	98 294

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

Consolidated interim statements of comprehensive income

(Th. EUR)	Notes	2014 12M	2013 12M	2014 Q4	2013 Q4
Operating income					
Revenue	3, 8	10 335	12 287	2 174	3 040
Cost of goods sold	9	-7 756	-9 199	-1 934	-2 357
Gross profit		2 579	3 088	240	683
Marketing expenses		-530	-420	-155	-129
Administrative expenses	10	-5 160	-4 606	-1 179	-1 285
Other income	6	31 659	410	31 302	255
Other expenses	6	-2 689	-384	-2 629	-310
Operating profit (loss)		25 859	-1 912	27 579	-786
Financial income	11	45	447	2	18
Financial expense	11	-1 627	-1413	-419	-66
Profit (loss) before income tax		24 277	-2 878	27 162	-834
Income tax		-1 908	84	-1 887	88
Net profit (loss) for the period		22 369	-2 794	25 275	-746
<i>Foreign exchange differences</i>		<i>-1 134*</i>	<i>-64</i>	<i>-1 134*</i>	<i>-28</i>
Equity holders of the parent		21 381	-2 880	24 151	-772
Non-controlling interest		-146	22	-10	-2
Earnings per share (EUR)	12	0,41	-0,05	0,47	-0,01
Diluted earnings per share (EUR)	12	0,41	-0,05	0,47	-0,01

**Due to Latvia entering into Eurozone on 01.01.2014, the Company has considered currency exchange differences realised and accordingly written off currency exchange differences in amount 1 134 th euros.*

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

Consolidated interim statements of cash flows

<i>Th. EUR</i>	Note	2014 12M	2013 12M	2014 Q4	2013 Q4
Cash flows from operating activities					
Profit (loss) for the year		22 369	-2 578	25 275	-530
Adjustments for:					
Depreciation and amortisation of non-current assets	5	749	794	222	261
Change in fair value of investment property	6	-31 696	85	-32 256	-253
Gain/loss from sale of PPE		-7	-4	-4	-4
Loss from impairment of PPE	5	1 946	0	1 946	0
Gain/loss from disposal of subsidiary	4	-19	0	0	0
Finance income and costs, net	11	1 518	1 329	397	34
Net foreign exchange gain / loss		0	64	0	0
Other non-monetary changes (net amounts)		-29 924	-914	-30 571	-141
Movements in working capital:					
Change in trade receivables and prepayments		275	460	770	337
Change in inventories		31 052	2 604	32 233	695
Change in liabilities and prepayments		3 664	-126	1 314	518
Change in provisions		-38	-1 972	4	-503
Net cash generated by operating activities		-111	-258	-670	442
Cash flows from investing activities					
Payments for property, plant and equipment	5	-171	-47	-92	-14
Proceeds from disposal of property, plant and equipment		11	10	4	6
Payments for investment property	6	-822	-302	-262	36
Proceeds from disposal of investment property		0	318	0	318
Proceeds from disposal of subsidiaries	4	146	0	4	0
Interest received		61	17	55	6
Net cash (used in) / generated by investing activities		-775	-4	-291	352
Cash flows from financing activities					
Proceeds- increase of share capital		0	184	0	0
Proceeds- increase of paid- in capital		0	1 474	0	0
Net proceeds from bonds		547	1 640	0	1 000
Proceeds from borrowings		3 448	2 930	1 608	500
Repayment of borrowings		-2 840	-2 757	-575	-995
Interest paid		-1 147	-1 157	-85	-26
Net cash used in financing activities		8	2 314	948	479
Net change in cash and cash equivalents		-878	2 052	-13	1 273
Cash and cash equivalents at the beginning of the period		2 759	707	1 894	1 486
Cash and cash equivalents at the end of the period		1 881	2 759	1 881	2 759

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

Consolidated interim statements 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 2012	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	-6 182	-6 265	3	-6 262
31. December 2012	10 637	0	0	11 330	-1 213	43 442	64 196	1 552	65 748
Increase of share capital, 15.05.2013	184	1 474	0	0	0	0	1 658	0	1 658
Allocation of funds to statutory reserve	0	0	1 064	0	0	-1 064	0	0	0
Acquisition of holdings from non-controlling and other changes in subsidiaries	0	0	0	0	0	0	0	-69	-69
Comprehensive loss for the year	0	0	0	0	-64	-2 600	-2 664	22	-2 642
31. December 2013	10 821	1 474	1 064	11 330	-1 277	39 778	63 190	1 505	64 695
Changes of non-controlling interests in subsidiaries	0	0	0	0	0	0	0	665	665
Comprehensive profit/ loss for the period	0	0	0	-1 941	1 134	21 381	20 574	-146	20 428
31. December 2014	10 821	1 474	1 064	9 389	-143	61 159	83 764	2 024	85 788

Notes to consolidated interim financial statements

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 31.12.2014	Share of ownership 31.12.2013
Clearstream Banking Luxembourg S.A.	Luxembourg	27,84%	22,37%
Eurofiduciaria S.r.l.	Italy	13,25%	13,50%
Svalbork Invest OÜ	Estonia	12,64%	12,64%
Sueno Latino AG	Liechtenstein	8,37%	8,37%
A.F.I. American Financial Investments Ltd.	Liechtenstein	7,70%	8,09%
Anndare Ltd.	Ireland	6,91%	6,08%

For the purpose of comparative financial figures of these interim financial statements as at 31. December 2014, Pro Kapital 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 twelve months of 2014, 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 2013.

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 2013.

Note 3. Segment reporting

(Th. EUR)	Estonia	Latvia	Lithuania	Germany	Total
2014 12M					
Revenue	3 405	1 562	2 441	2 927	10 335
Other operating income	21 128	8 581	1 679	271	31 659
Segment operating profit (loss)	18 511	5 492	1 959	-103	25 859
Financial income and expense (net)	-1 417	-94	-69	-2	-1 582
Profit (loss) before income tax	17 785	5 291	1 420	-219	24 277
Income tax	0	-1 605	-303	0	-1 908
Non-controlling interest	-154	8	0	0	-146
Net profit (loss) for the financial year attributable to equity holders of the parent	17 939	3 678	1 117	-219	22 515
31.12.2014					
Assets	73 559	30 694	14 812	5 967	125 031
Liabilities	28 134	5 719	4 448	942	39 243
Acquisition of non-current assets	40	40	2	89	171
Depreciation and amortisation	-143	-214	-25	-361	-743
2013 12M					
Revenue	4 200	3 100	2 140	2 847	12 287
Other operating income	172	41	2	195	410
Segment operating profit (loss)	-1 454	-229	106	-118	-1 695
Financial income and expense (net)	-721	-119	-125	-2	-967
Profit (loss) before income tax	-2 175	-348	-19	-120	-2 662
Income tax	0	79	5	0	84
Non-controlling interest	-7	29	0	0	22
Net profit for the financial year attributable to equity holders of the parent	-2 168	-298	-14	-120	-2 600

31.12.2013

Assets	50 674	25 590	13 805	8 225	98 294
Liabilities	22 904	5 184	4 376	1 135	33 599
Acquisition of non-current assets	11	25	2	9	47
Depreciation and amortisation	-175	-202	-25	-384	-786

Note 4. Disposal of subsidiary

	Pasaules tirdzniecības centrs "Rīga" SIA	Vene 19 OÜ
<i>in thousands of euros</i>		
Net assets at the date of disposal	2 007	101
Share (%) as at 31. December 2013	100%	0%*
Disposed	100%	100%
Share (%) as at 31. December 2014	0%	0%
Cash received	39	103
Non- cash, received	1 985	0
Profit/loss from disposal	17	2

Vene 19 OÜ, subsidiary of Estonian subgroup, was established on March 24, 2014 and disposed on April 25, 2014.

Note 5. Property, plant and equipment

As of 31. December 2011 Pro Kapital'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 in January 2013. However, as the values determined by independent appraiser have not changed significantly (over 3% bigger or 1,5% smaller) from the balance sheet value of the properties, no fair value adjustment has been deemed necessary by the Company's management.

A new valuation by Newsec Valuation was performed in November 2014. Although some properties' fair value appeared to be higher than book value, the Management Board decided to follow revaluation of fixed assets once in each 5 years (next planned in 2016) unless impairment of assets has to be recognised. As a result of valuation report, the hotel property in Germany was decreased in value by 1,9 mln euros. Other properties remained unchanged.

	31.12.2014	31.12.2013
Acquisition value	22 555	25 290
Accumulated depreciation	-4 936	-5 069
Balance sheet value	17 619	20 221

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(Th. EUR)	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	TOTAL
Acquisition value 01.01.2013	21 897	1 218	2 477	0	25 592
Additions:					
Acquired	0	10	24	13	47
Disposals:					
Sold	-259	-8	-4	0	-271
Written off	0	-9	-56	-13	-78
Acquisition value 31.12.2013	21 638	1 211	2 441	0	25 290
Additions:					
Acquired	6	89	82	0	177
Revaluation (+/-)	-1 941	0	-5	0	-1 946
Disposals:					
Sold or disposed through subsidiary	-912	-12	-19	0	-943
Written off	0	-13	-10	0	-23
Acquisition value 31.12.2014	18 791	1 275	2 489	0	22 555
Accumulated depreciation 01.01.2013	1 448	815	2 168	0	4 431
Additions:					
Depreciation charge for the period	608	102	76	0	786
Disposals:					
Sold	-71	-8	-4	0	-83
Written off	0	-9	-56	0	-65
Accumulated depreciation 31.12.2013	1 985	900	2 184	0	5 069
Additions:					
Depreciation charge for the period	572	134	36	0	742
Disposals:					
Sold or disposed through subsidiary	-826	-9	-18	0	-853
Written off	0	-13	-9	0	-22
Accumulated depreciation 31.12.2014	1 731	1 012	2 193	0	4 936

Note 6. Investment property

(Th. EUR)	31.12.2014	31.12.2013
Investment property held for increase in value	88 110	26 001
Investment property held for earning rentals	0	0
Total	88 110	26 001

	Investment property held for increase in value	Investment property held for earning rentals	Total
NBV 01.01.2013	26 001*	88*	26 089*
Additions:			
Acquired	85	0	85
Disposals:			
Sold	0	-88	-88
Changes in fair value:			
Gain/loss from change in fair value	-85	0	-85
NBV 31.12.2013	26 001	0	26 001
Additions:			
Acquired	822	0	822
Transferred from inventories	29 591	0	29 591
Disposals:			
Sold	0	0	0
Changes in fair value:			
Gain/loss from change in fair value	31 696	0	31 696
NBV 31.12.2014	88 110	0	88 110

*The balances as of January 1, 2013 and the movements for the year 2013 were adjusted according to The Company's Annual Report 2013.

As of 31. December 2011 assessing the fair value of investment property the management of the Company was based on valuation reports of independent real estate appraisers. The valuation, which conforms 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.

In December 2013 Pro Kapital's investment properties were appraised by independent real estate expert Newsec Valuations EE. The appraiser determined no significant changes in the value of investment properties.

At the end of 2014, the Company decided to review its real estate assets considering short and long-term development strategy. Until now many properties have been recorded as inventories at cost price in spite of the fact that since acquisition long time has passed and financial reports have not been reflecting the fair value of the

properties in Company's portfolio. After reviewing the strategy, the properties that will not be developed in the nearest upcoming years, were transferred to investment property as long-term assets. The fair value of the properties has been recorded as per valuation performed by an independent real estate appraiser Newsec Valuation in November 2014.

Note 7. Loans

(Th. EUR)	31.12.2014	31.12.2013
Current debt, financial institutions	6 877	1 872
Non-current debt, financial institutions	3 728	10 233
Current debt, related parties	4 538	3 753
Non- current debt, minority shareholder	1 308	0
Convertible debt, bonds	11 219	11 272
Non- convertible debt, bonds	2 240	1 640
Total	29 910	28 770

On January 9, 2014 the Company prolonged maturity of its convertible bonds in the amount of 1 070 451,20 euros. The new maturity date for those convertible bonds is January 20, 2016.

On August 5, 2014 the Company prolonged maturity of its convertible bonds in the amount of 2 352 515,20 euros. The new maturity date for those convertible bonds is August 10, 2016.

On September 16, 2014 the Company prolonged maturity of its convertible bonds in the amount of 1 447 681,20 euros. The new maturity date for those convertible bonds is September 16, 2016. 18 983 convertible bonds were repurchased in the amount of 53 152,40 euros.

On November 27, 2014 the Company prolonged maturity of its convertible bonds in the amount of 1 181 787,60 euros. The new maturity date for those convertible bonds is November 29, 2016.

All other conditions for convertible bonds remained unchanged. Issue price of each convertible bond is 2,80 EUR and each convertible bond entitles the holder to redeem and exchange one bond to one share of the Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by AS Pro Kapital Grupp.

During twelve months the Company issued 600 non-convertible non-secured bonds with face value of 10 000 euros, maturity of 5 years and annual interest of 5%, thus increasing the amount of non-convertible non-secured bonds 2 240 thousand euros.

On March 24, 2014, loan agreement with Combrimat Ltd., the minor shareholder of Estonian subsidiary Marsi Elu OÜ (non-binding intention agreement signed) was signed, according to which Combrimat Ltd. should lend 1,0 mln euros for 5 years with annual interest of 5%. As of December 31, 2014, the full amount of 1,0 mln euros was borrowed.

On March 27, 2014, loan agreement with Nordea Bank Finland Plc Estonian branch was signed, according to which Estonian subsidiary Marsi Elu OÜ is entitled to borrow up to 5,0 mln euros for the annual interest of 1m Euribor+ 3,1%, to be repaid by September 27, 2016. During reporting period Marsi Elu OÜ has used the limit in amount of 659 th euros.

On September 4, 2014, loan agreement with Estrella Ltd, a company related to member the council, was concluded for the credit limit of 1 000 000 euros. The loan is considered as short-term being payable within 12 months and is carrying annual interest of 5%. During reporting period the credit limit in amount 800 th euros has been used.

The Company also received long-term loans from minority shareholders of Estonian subsidiary AS Tallinna Moekombinaat. On May 22, 2014, AS Tallinna Moekombinaat received a long-term loan from Fiducaria Emiliana

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s.r.l. in amount 197 th euros. On October 13, 2014, AS Tallinna Moekombinaat received a long-term loan from Nikasi Overseas SA in amount 111 th euros. Both loans are unsecured and carry annual interest of 12%.

Creditor	31.12.2014	31.12.2013	CCY	Interest %
Swedbank AS (EE)	1 507	1 647	EUR	2,65%+ 6m Euribor
Swedbank AS (EE)	2 271	2 436	EUR	2,65%+ 6m Euribor
Swedbank AS (EE)	18	446	EUR	2,5%+ 6m Euribor
Nordea Bank Finland Plc Est branch (EE)	659	0	EUR	3,1%+ 1m Euribor
AS Swedbank (LV)	3 605	3 952	EUR	3%+ 3m Euribor
"Swedbank" AB (LT)	1 871	3 624	EUR	3%+ 6m Euribor
"Swedbank" AB (LT)	674	0	EUR	3,85%+ 6m Euribor
Combrimat Ltd.	1 000	0	EUR	5%
Svalbork Invest, related party	3 738	3 753	EUR	5%
Fiducaria Emiliana S.r.l	197	0	EUR	12%
Nikasi Overseas SA	111	0	EUR	12%
Estrella Ltd.	800	0	EUR	5%
Convertible bonds, various investors	11 219	11 272	EUR	7%
Non- convertible bonds, various investors	2 240	1 640	EUR	5%
Total	29 910	28 770		

(Th. EUR)	31.12.2014	31.12.2013
Due within 1 year	16 582	11 730
Due between 2 to 5 years	13 020	17 040
Due after 5 years	308	0
Total	29 910	28 770

(Th. EUR)		Carrying value of the pledged assets	
Beneficiary	Collateral description	31.12.2014	31.12.2013
Swedbank AS (Estonia)	Tondi str. 51, Tallinn	874	1 340
Swedbank AS (Estonia)	Põhja Avenue. 21, 21a, 21 b-1, Tallinn	5 725	5 850
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	427	548
Swedbank AS (Estonia)	Kalaranna 1, Tallinn	14 500	4 857
Swedbank AS (Estonia)	Ülemiste Road 5, Tallinn	3 200	1 700
AS Swedbanka (Latvia)	Pulkveza Brieza St. 11, Riga	5 647	5 788
AS Swedbanka (Latvia)	Trijadibas St.5, Riga	17 466	8 869
Swedbank AB (Lithuania)	Aguonu str.10, Vilnius	13 358	12 428
Total		61 197	41 380

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 8 084 th. EUR, 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”.
- Guarantee letter to Kristiine Keskus OÜ to secure (jointly with Pro Kapital Eesti AS) possible claims against Täismaja AS (merged with Pro Kapital Eesti 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.

- To Swedbank AB (Lithuania) to assure loan liabilities of UAB PK Invest in the amount of 2 545 th. EUR as of 31. December 2014.

Note 8. Revenue

(Th. EUR)	2014 12M	2013 12M	2014 Q4	2013 Q4
Revenue from sales of real estate	2 720	3 503	331	882
Rental revenue	205	1 111	47	240
Hotel operating revenue	5 880	5 797	1 363	1 391
Revenue from maintenance services	1 465	1481	420	473
Other services	65	395	13	54
Total	10 335	12 287	2 174	3 040

Note 9. Cost of goods sold

(Th. EUR)	2014 12M	2013 12M	2014 Q4	2013 Q4
Cost of real estate sold	2 222	2 942	433	524
Cost of providing rental services	563	861	190	229
Cost of hotel operations	3 609	3 580	1 063	414
Cost of maintenance and other services	1 362	1 816	245	1 190
Total	7 756	9 199	1 931	2 357

(Th. EUR)	2014 12M	2013 12M	2014 Q4	2013 Q4
Staff costs	1 132	1 145	297	297
Depreciation charge	664	699	322	277
Inventory write-offs	0	14	0	3
Other	5 960	7 341	1 312	1 780
Total	7 756	9 199	1 931	2 357

Note 10. Administrative expenses

(Th. EUR)	2014 12M	2013 12M	2014 Q4	2013 Q4
Staff costs	2 286	2 176	648	579
Depreciation charge	79	87	28	-16
Amortisation charge	7	8	2	2
Other	2 788	2 335	501	351
Total	5 160	4 606	1 179	916

Note 11. Financial income and expenses

Financial income

(Th. EUR)	2014 12M	2013 12M	2014 Q4	2013 Q4
Interest income	19	37	3	17
Gain from foreign currency translation	1	1	0	1
Gain from disposal of subsidiary	17	0	-2	0
Other financial income	8	409	0	0
Total	45	447	1	18

Financial expenses

(Th. EUR)	2014 12M	2013 12M	2014 Q4	2013 Q4
Interest expenses	1 537	1 366	399	51
Foreign currency loss	1	5	0	1
Other financial expenses	89	42	19	14
Total	1 627	1 413	418	66

Note 12. Earnings per share

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	01.01.2014-31.12.2014	(54 106 575* 365/365)	=54 106 575
In period	01.01.2013-31.12.2013	(53 185 422* 134/365)+(54 106 575* 231/365)	=53 768 398
In period	01.10.2014-31.12.2014	(54 106 575* 92/92)	=54 106 575
In period	01.10.2013-31.12.2013	(54 106 575* 92/92)	=54 106 575

Indicative earnings per share (in EUR):

01.01.2014-31.12.2014	21 381 thousand/ 54 106 575 = 0,40
01.01.2013-31.12.2013	-2 664 thousand/ 53 768 398= -0,05
01.10.2014-31.12.2014	24 151thousand/ 54 106 575 = 0,45
01.10.2013-31.12.2013	- 772 thousand/ 54 106 575= -0,01

The convertible bonds issued did not have a dilutive effect on earnings in 2014 and 2013, 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.

Note 13. Shareholders meetings

Extraordinary shareholders meeting of AS Pro Kapital Grupp

Extraordinary shareholders meeting of AS Pro Kapital Grupp took place on the 14th of March 2014. The reason for calling the extraordinary general meeting was to decide on approval of the issuance of new shares by AS Tallinna Moekombinaat substantially on the terms and conditions approved by extraordinary general meeting of shareholders of AS Pro Kapital Grupp. The goal of the issuance of new shares by group company AS Tallinna Moekombinaat is to raise capital necessary for the development of the shopping centre at Peterburi road 2 in Tallinn. AS Pro Kapital Grupp shareholders approved the terms and conditions of issuance of new shares by AS Tallinna Moekombinaat.

Decision adopted was as follows:

Approve of the issuance of new shares by AS Tallinna Moekombinaat (the "Share Issue") substantially on the following terms and conditions:

- (1) AS Tallinna Moekombinaat (the "Subsidiary") will issue 18 300 000 new shares (the "New Shares");
- (2) the pre-emptive right of the existing shareholders of the Subsidiary to subscribe for the New shares will be cancelled in accordance with § 345 (1) of the Commercial Code (äriseadustik);
- (3) the New Shares will be registered as a separate class of shares in the Subsidiary and the articles of association of the Subsidiary will be amended respectively;
- (4) the New Shares will rank pari passu in all respects with all currently existing shares in the Subsidiary (the "Existing Shares"), except that when the Subsidiary resolves to pay dividends, each New Shares will be entitled to the dividend which is 22% higher than the dividend payable for each Existing Share;
- (5) the New Shares may be issued in one or several tranches during a period of 6 months after the general meeting of shareholders of the Subsidiary has resolved to issue the New Shares;
- (6) this approval permits the Subsidiary to resolve issuance of the New Shares latest on 30 September 2014;
- (7) the monetary contribution (subscription price) for each New Share is at least EUR 1.53 (of which EUR 0,60 is the nominal value and at least EUR 0,93 is the share premium);
- (8) SUMMER SOLSTICE Limited (a company established and operating under the laws of United Arab Emirates with registration number IC20120139; the "Investor") has the right to subscribe for the New Shares;
- (9) the Investor has the right to transfer the right to subscribe for a New Share (the "Subscription Right" and the "Subscription Rights" in plural) to a third person (the "Transferee" and the "Transferees" in plural) provided that:
 - (a) offer and/or transfer of the Subscription Right to the Transferee would not be incompliant with any provision of any law;
 - (b) offer and/or transfer of the Subscription Right would not constitute a public offering of securities;
- (10) the Subsidiary does not have an obligation to issue a New Share, if its issuance would:
 - (a) be incompliant with any provision of any law; or
 - (b) require any additional consent by the general meeting of shareholders of the Company;
- (11) if all New Shares are not subscribed for during the relevant subscription period, the management board of the Subsidiary will have a right to:
 - (a) prolong respective subscription period by up to 15 days; and/or
 - (b) cancel the New Shares that were not subscribed for during the relevant subscription period;
- (12) as a precondition for the subscription of a New Share, the subscriber must grant to the Subsidiary an unsecured shareholder loan in the amount of EUR 0,492 per New Share that it subscribes for (the "Shareholder Loan");
- (13) the main terms and conditions of each Shareholder Loan are as follows:
 - (a) the entire Shareholder Loan must be transferred to the Subsidiary during the subscription period when respective New Share can be subscribed for;
 - (b) the Shareholder Loan will be subordinated to the obligations and liabilities of the Subsidiary (the "Senior Liabilities") towards each credit institution, which will provide a loan to the Subsidiary (including by refinances any such loan) in relation to real estate development, including development of the shopping centre on the immovable property at Peterburi Rd. 2 in Tallinn;
 - (c) the interest at the rate of 12% per annum will accrue on the outstanding principal amount of the Shareholder Loan;
 - (d) the interest will be calculated on the basis of actual number of days elapsed in the relevant interest period divided by 365, or in the case of a leap year, 366 (Actual/Actual);
 - (e) the entire accrued interest will be paid and the principal amount of the Shareholder Loan will be repaid on its final repayment date, which will occur on the earlier of (1) 15 years as of the date the Shareholder Loan is transferred to the account of the Subsidiary or (2) the date occurring in 12 months after the full repayment of the Senior Liabilities.

General annual shareholders meeting of AS Tallinna Moekombinaat

On 24th of April 2014 AS Tallinna Moekombinaat shareholders meeting adopted the resolution to increase the share capital of AS Tallinna Moekombinaat. AS Tallinna Moekombinaat shareholders decision corresponds to the terms of approval granted by AS Pro Kapital Grupp shareholders on 14th of March 2014.

Main terms of the Subsidiary’s share capital increase are as follows:

- Subsidiary will issue 18 300 000 new shares (the “New Shares”).
- New Shares will be issued in several tranches.
- The existing shareholders do not have the pre-emptive right to subscribe for the New Shares.
- The monetary contribution (subscription price) for each New Share is EUR 1.53. As a precondition for the subscription of a New Share, the subscriber must grant to the Subsidiary an unsecured shareholder loan in the amount of EUR 0,492 per New Share that it subscribes for (the “Shareholder Loan”). The Shareholder Loan will be subordinated to the obligations and liabilities of the Subsidiary (the “Senior Liabilities”) towards each credit institution, which will provide a loan to the Subsidiary (including by refinances any such loan) in relation to real estate development, including development of the shopping centre on the immovable property at Peterburi Rd. 2 in Tallinn. The interest at the rate of 12% per annum will accrue on the outstanding principal amount of the Shareholder Loan.
- SUMMER SOLSTICE Limited (a company established and operating under the laws of United Arab Emirates with registration number IC20120139; the “Investor”) has the right to subscribe for the New Shares. Investor has not taken a binding obligation to subscribe the New Shares.

In case the Subsidiary shall issue all New Shares, the New Shares shall correspond to approximately 47,63% of the share capital of the Subsidiary and the participation of AS Pro Kapital Eesti shall remain at 50,27%.

Note 14. 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)	2014 12M	2013 12M
Significant owners and owner related companies		
Interest income	8	19
Issued loans	0	475
Loans received	2 108	0
Claims granted	0	16 106
Loans repaid	68	248
Interest expense	190	199
Salaries and bonuses paid to management	942	879

Receivables from related parties

(Th. EUR)	31.12.2014	31.12.2013
Significant owners and owner related companies		
Current receivables from related parties	501	501
Total	501	501

Payables to related parties

(Th. EUR)	31.12.2014	31.12.2013
Significant owners and owner related companies		
Payables to related parties	4 284	4 105
Payables to members of Council and Management Board	116	0
Total	4 400	4 105

Members of the Council and individuals related them	36,24%	34,09%
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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 15. Lawsuits

Ultimate Parent Company

	As of 31.12.2014	As of 30.09.2014
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 30.09.2014 AS Pro Kapital Grupp as the ultimate parent company did not have any pending court cases.

As of 31.12.2014 AS Pro Kapital Grupp as the ultimate parent company did not have any pending court cases.

Pro Kapital Estonia sub-group

	As of 31.12.2014	As of 30.09.2014
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 30.09.2014 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. AS Pro Kapital Eesti is involved in one lawsuit as a third party (AS Täismaja who was involved in the lawsuit as third party was merged with AS Pro Kapital Eesti).

As of 31.12.2014 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. AS Pro Kapital Eesti is involved in one lawsuit as a third party.

Pro Kapital Latvia sub-group

	As of 31.12.2014	As of 30.09.2014
Pending disputes:	2	2
Resolved disputes:	0	0
New disputes:	0	0

As of 30.09.2014 Pro Kapital Latvia sub-group had two pending court cases.

As of 31.12.2014 Pro Kapital Latvia sub-group had the same two pending court cases.

Pending 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. Administrative District Court decided to reject the application of the company. On 29.05.2014 the company submitted the appellation to the Administrative Regional Court. The proceedings are currently pending.

On August 2, 2013 the Property department of Riga's City Council issued a decision according to which buildings belonging to LLC „TALLINA NEKUSTAMIE ĪPAŠUMI” at 5/7 Tallinas 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 (4th of November 2013) to reject the claim. The Company has on 18.12.2013 appealed against the decision of the chairman of Riga City Council to the Administrative District Court asking for revocation of the decision. Administrative District Court decided to reject the application of the company. On 14.07.2014 the company submitted the appellation to the Administrative Regional Court. The proceedings are currently pending.

Pro Kapital Vilnius sub-group

	As of 31.12.2014	As of 30.09.2014
Pending disputes:	1	2
Resolved disputes:	1	0
New disputes:	1	0

As of 30.09.2014 Pro Kapital Vilnius sub-group had one pending court case. During the reporting period PK Invest UAB won one court case and one new court case was initiated.

As of 31.12.2014 Pro Kapital Vilnius sub-group had one pending court case. During the reporting period one court case was resolved.

Pending disputes:

On 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 filed an appeal on the basis that the court refused to lower the price of the works that were performed partially and with deficiencies.

The Court of Appeal of Lithuania decided on 26.09.2014 to annul the decision of first instance court and adopted a new decision – court rejected the claim of UAB „Gatvių statyba” and satisfied the counterclaim of PK INVEST UAB.

The Court of Appeal of Lithuania decided to reduce the amount of the Construction agreement from LTL 2 247 085 to LTL 2 019 581,19 and also awarded PK Invest UAB LTL 39 740,18 of overpayment from UAB “Gatvių statyba” and 6% of annual interest from the awarded amount from 29.03.2012 until full implementation of court’s decision.

The plaintiff UAB "Gatvių statyba" was also obliged to submit the surety bond guarantee of LTL 93 881 to PK INVEST UAB within 40 days from the date of the appellate court decision. If UAB „Gatvių statyba" fails to submit the guarantee it should pay LTL 93.881 fine to PK INVEST UAB. The Court of Appeal of Lithuania also awarded to PK INVEST UAB litigation costs.

UAB „Gatvių statyba" lodged a cassation to the Supreme Court of Lithuania and the proceedings are currently pending.

Resolved disputes:

UAB "ALFA N GROUP" filed a claim to Vilnius district court against PK Invest UAB requesting the court to terminate the lease agreement before its expiration and also award the repayment of security deposit of LTL 15 929,56 and 6% of annual interest. PK Invest UAB did not agree with the claim and filed a counterclaim requesting the court to terminate the lease agreement due to the breach of the agreement by UAB "ALFA N GROUP", award LTL 6 759,74 of debt, a fine in amount of LTL 449 744,62, penalties and 6% annual interest.

Parties reached a settlement and agreed that the lease agreement shall be terminated as of 10.06.2015 by the mutual agreement of the parties, the rental fees owned to PK Invest UAB shall be covered until the termination date and the remaining deposit consisting of 7 965 LTL shall be returned to UAB "ALFA N GROUP". The settlement was favorable to PK Invest UAB.

Pro Kapital German sub-group

	As of 31.12.2014	As of 30.09.2014
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 30.09.2014 Pro Kapital German sub-group entities did not have any pending court cases.

As of 31.12.2014 Pro Kapital German sub-group entities did not have any pending court cases.

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 twelve months and the fourth quarter of 2014.

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	20. February 2015
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	20. February 2015