

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR I QUARTER
AND 3 MONTHS OF 2016 (UNAUDITED)

PROKAPITAL



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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 190 000 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.

Management report

Key figures and main events 1 January – 31 March 2016 and after the reporting period

- Total revenue for three months of 2016 was 2 777 thousand euros, a decrease of 11% compared to the reference period (2015 3 months: 3 135 thousand euros).
- Net operating result during three months decreased by 227 thousand euros (31%) compared to the reference period, totalling to losses of 949 thousand euros (2015 3 months: -722 thousand euros).
- Net result for three months of 2016 has decreased by 323 thousand euros (28%) compared to the reference period, totalling to losses of 1 481 thousand euros (2015 3 months: -1 158 thousand euros).
- Cash flow from operations for the first three months of 2016 was minus 237 thousand euros (2015 3 months: -857 thousand euros).
- Net assets per share totalled 1,53 euros (31.03.2015: 1,55 euros).
- On 19 January 2016 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2018. 4 234 PKG2 convertible bonds were redeemed with issue price of 11 855,20 euros.
- On 21 January 2016 the Supervisory Council decided to elect Edoardo Axel Preatoni as an additional Management Board member of AS Pro Kapital Grupp starting from 1 March 2016 with the term in office of 3 years.
- In March 2016 the Management Board of AS Pro Kapital Grupp decided on the allocation of the third subscription of secured, callable, fixed rate bonds with nominal value of 900 000 euros and total issue price of 919 726 euros with redemption date on 1 June 2020. After the third subscription the total nominal value of the issued bonds was 14,3 million euros.
- In May 2016, after the reporting period, the Management Board of AS Pro Kapital Grupp decided on the allocation of the fourth subscription of secured, callable, fixed rate bonds with nominal value of 15 000 000 euros and total issue price of 15 083 333 euros with redemption date on 1 June 2020. After the fourth subscription the total nominal value of the issued bonds is 29,3 million euros.
- Presales for Vilnius Šaltinių Namai project and Tallinn's Tondi residential quarter have been successfully continued. At the moment of issuing interim report presale agreements for 32 apartments out of 44 in K4-1 building have been signed. In Tallinn, Tondi quarter the Company has completed first two new apartment buildings where 47 apartments out of 62 have been handed over to the clients. The presales for the third building were continued with 17 presale agreements signed out of 31 apartments. Presales have been started also for the 4th building with 3 reservation agreements signed. In Kliversala project in Riga, 7 presale agreements out of 47 apartments have been concluded for the first residential building.

Key financial figures

| | 2016 3M | 2015 3M | 2015 12M |
|-------------------------------------|-------------------|-------------------|-------------------|
| Revenue, th EUR | 2 777 | 3 135 | 18 322 |
| Gross profit, th EUR | 263 | 597 | 4 448 |
| Gross profit, % | 9% | 19% | 24% |
| Operating result, th EUR | -949 | -722 | 1 424 |
| Operating result, % | -34% | -23% | 8% |
| Net result, th EUR | -1 481 | -1 158 | -2 010 |
| Net result, % | -53% | -37% | -11% |
| Earnings per share, EUR | -0,03 | -0,02 | -0,04 |
| | 31.03.2016 | 31.03.2015 | 31.12.2015 |
| Total Assets, th EUR | 131 478 | 123 764 | 130 356 |
| Total Liabilities, th EUR | 48 341 | 39 752 | 46 892 |
| Total Equity, th EUR | 83 137 | 84 012 | 83 464 |
| Debt/ Equity * | 0,58 | 0,47 | 0,56 |
| Return on Assets, % ** | -1,1% | -0,9% | -1,5% |
| Return on Equity, % *** | -1,8% | -1,4% | -2,4% |
| Net asset value per share, EUR **** | 1,53 | 1,55 | 1,54 |

*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 first quarter of 2016 Pro Kapital continued the construction works of the new T1 shopping and entertainment centre in Tallinn, which is the Company's largest single-object development project. Active negotiations with several local and international retail operators were carried on. The Company continued also the construction works in two of its residential development projects – Šaltinių Namai in Vilnius and Tondi Quarter in Tallinn.

In Vilnius by the issuing of the present report 32 presale agreements have been concluded out of 44 in building K4-1. Projecting works were continued for obtaining the building licence for the 2nd stage residential buildings.

In Tondi quarter in Tallinn construction of two first buildings are completed, with 15 flats out of 62 yet in sale. In the 3rd building 17 presale agreements have been signed out of 31 flats. Presales have been started also for the 4th building with 3 reservation agreements signed. The construction works were started for converting a historical barrack on Tondi 53 land plot into an office building and projecting works for renovating other two historical barracks into office and residential buildings were continued.

In Riga, the first residential building in Kliversala project has been issued a building permit and 7 presale agreements have been signed out of 47 flats in total. The projecting works were continued also for Tallinas Residential Complex.

During the 1st quarter and subsequently after the reporting period, the Company concluded two tranches of emission of bonds to the professional investors with the total issue price of 16 003 059 euros. The proceeds are mainly planned for the development projects of the Company.

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 short-term financing to strengthen Company's working capital remains also one of the priorities of the management.

At the end of reporting period the Company recorded net revenue of 2,8 million euros, decrease of 11% as compared to 3,1 million euros in the same period in 2015. Revenues have decreased in real estate segment. At the end of comparative period a residential building was completed and several notary agreements were signed during a short period of time. The similar effect could be expected during this summer. The profitability of the real estate segment as well as the average price per square meter in Estonia during reporting period were influenced by sales of a couple of premises, that have been in inventories for a longer period of time and were sold with a discount therefore. Decrease in gross profit affected also the net result. Recorded net losses of 1,5 million euros for three months in 2016 were 28% higher as compared to 1,2 million euros losses in the same period last year.

Overall loans from financial institutions were 8,1 million euros as at 31 March 2016. The loans from minority shareholders were 1,3 million euros, the Company had 11,1 million euros worth convertible bonds and 16,5 million euros worth non-convertible bonds at the end of reporting date.

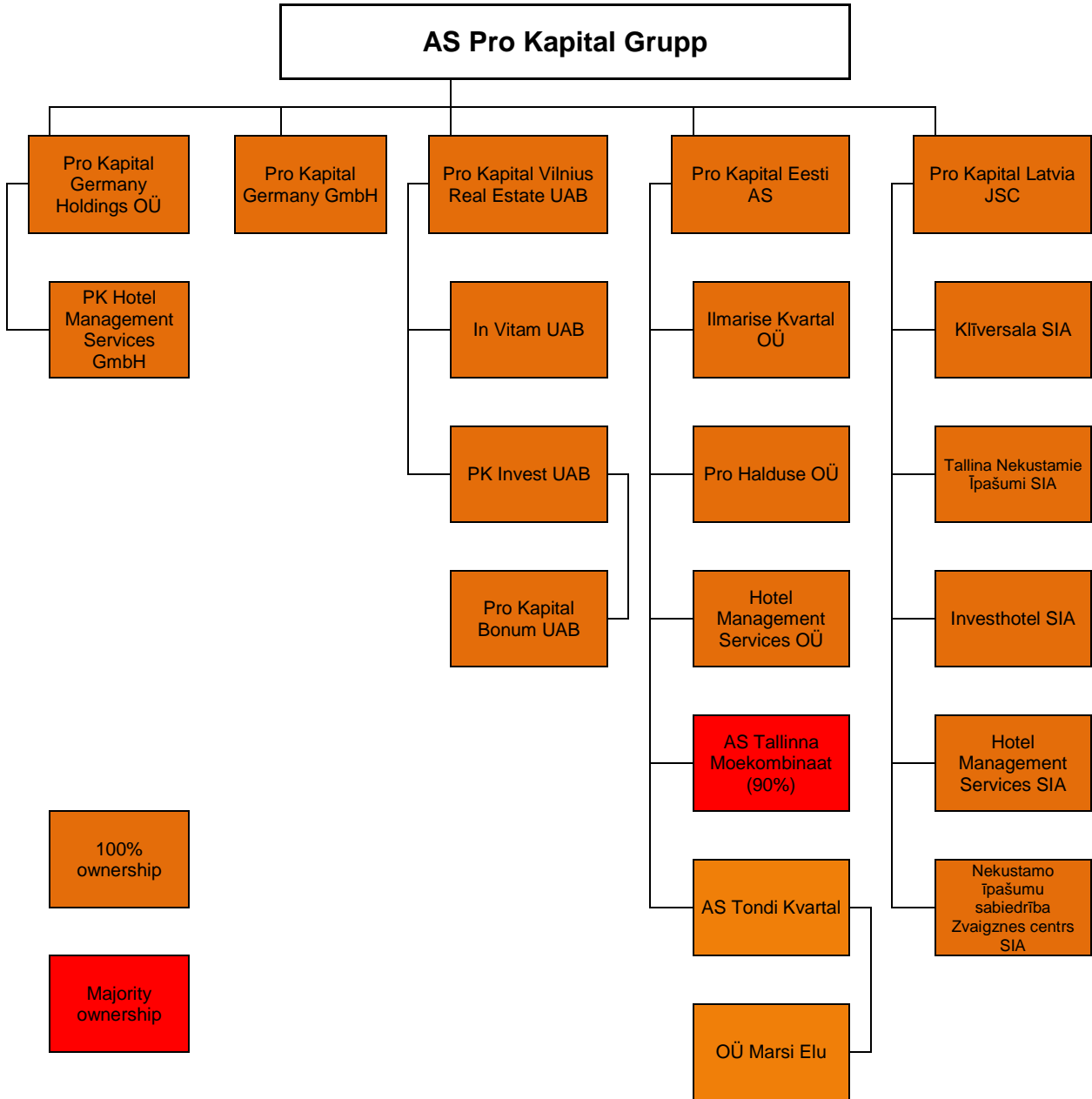
As at 31 March 2016 there were 110 employees working in the Company, 77 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

24 May 2016

Group Structure

As at 31 March 2016



Overview of development projects

| <u>Project name</u> | <u>Type</u> | <u>Location</u> | <u>Ownership</u> | <u>Planned Volume</u> | <u>Classification</u> |
|---------------------|-------------|-----------------|------------------|--|----------------------------------|
| T1 shopping centre | Retail | Tallinn | 90% | GLA 55 000 m ² | Investment property |
| Ülemiste 5 | Offices | Tallinn | 100% | GLA 13 931 m ² | Investment property |
| Tondi Quarter | Residential | Tallinn | 100% | NSA 86 264 m ² 59 546 m ² resid. 26 718 m ² comm. | Inventories, investment property |
| Marsi 3, 3a, 3b | Residential | Tallinn | 100% | 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 55 666 m ² 44 746 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:

| | |
|------------------------------------|--|
| T1 shopping & entertainment centre | Building licence obtained. Excavation works for the foundation of the building completed. Construction agreement concluded and construction works started. |
| 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 seven residential buildings of the 2 nd stage obtained. Construction works started for small historical building on Tondi 53 land plot, to be converted to an office building. |
| Marsi 3, 3a, 3b | First two buildings completed, sales in process. Construction works and presales of the third building continuing. |
| 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 detail plan approved, building licence received for the 1 st building. |
| Zvaigznes Quarter | Building licence for reconstruction of the existing building issued. |
| Šaltinių Namai | 1 st stage completed, available for sale. Construction of the first additional building completed, the second one is under construction and presales continued. 2 nd 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 1 January – 31 March 2016, in thousand euros

| | EST 2016 3M | EST 2015 3M | LV 2016 3M | LV 2015 3M | LT 2016 3M | LT 2015 3M | GER 2016 3M | GER 2015 3M | TOTAL 2016 3M | TOTAL 2015 3M |
|--------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|------------------|------------------|
| Real estate | 526 | 860 | 0 | 0 | 522 | 563 | 0 | 0 | 1 048 | 1 423 |
| Rent | 5 | 7 | 19 | 20 | 24 | 26 | 0 | 0 | 48 | 53 |
| Hotels | 238 | 250 | 243 | 250 | 0 | 0 | 726 | 708 | 1 207 | 1 208 |
| Maintenance | 432 | 400 | 9 | 9 | 27 | 24 | 0 | 0 | 468 | 433 |
| Other | 1 | 13 | 3 | 3 | 2 | 2 | 0 | 0 | 6 | 18 |
| TOTAL | 1 202 | 1 530 | 274 | 282 | 575 | 615 | 726 | 708 | 2 777 | 3 135 |

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 hotel property.

The share of the Estonian segment as a percentage of total revenues of the Company during first three months in 2016 amounted 43,3% comparing to 48,8% during the same period last year.

In 2016 total of 4 apartments, 2 parking lots and 2 storage rooms (2015 3M: 7 apartments, 5 parking lots and 5 storage rooms) were sold. During 2015 construction works of Marsi 3 and 3b buildings in Tondi Quarter were completed. 47 notary deeds agreements have been signed out of 62 apartments at the moment of the preparation of current report. This summer construction of Marsi 3a will be completed and 17 apartments out of 31 have been presold. At the end of reporting period stock consisting of 24 apartments and office premises, also several parking spaces and storage rooms was available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate 51% shows 7% decrease comparing to 55% for the same period in 2015. The hotel has decreased its gross operating profit by 20% comparing 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 first three months in 2016 remained almost the same comparing to the same period last year, amounting to 10%.

In Latvia there are no residential real estate properties for sale until new developments will be completed. Kliversala project has been issued a building permit for the first building with 47 flats. At the moment of issuing current report 7 presale agreement have been signed.

PK Riga Hotel occupancy rate has decreased in 2016 by 2% and was 56% (2015 3M: 57%). Also gross operating margin has decreased. Nevertheless company considers hotel results satisfactory considering the general hotel market situation in Riga.

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 first three months in 2016 amounted to 20,7% comparing to 19,6% during the same period last year. At the moment of compilation of this report reservations for 32 apartments out of 44 have been signed in K4-1 building in Šaltinių Namai project.

In Lithuania 1 apartment, 2 business premises, 4 parking lots and 1 storage room were sold during three months (2015 3M: 2 apartments and 2 parking lots). There were 7 apartments, 4 cottages, 9 business premises, 13 storage rooms and 75 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 first three months in 2016 amounted to 26,1% comparing to 22,6% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel 56% shows 13% increase comparing to 50% for the same period in 2015. Gross operating margin has decreased comparing to the same period last year.

Other operative data 1 January – 31 March 2016

| | EST 2016 3M | EST 2015 3M | LV 2016 3M | LV 2015 3M | LT 2016 3M | LT 2015 3M | GER 2016 3M | GER 2015 3M | TOTAL 2016 3M | TOTAL 2015 3M |
|-------------------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|---------------------|---------------------|
| M ² sold | 361 | 564 | 0 | 0 | 222 | 197 | 0 | 0 | 583 | 761 |
| Average price, m ² /EUR* | 1 407 | 1 449 | 0 | 0 | 2 091 | 2 698 | 0 | 0 | 1 668 | 1 773 |
| M ² under maintenance | 59 400 | 57 770 | 15 038 | 15 002 | 13 771 | 11 634 | 0 | 0 | 88 209 | 84 406 |
| Occupancy rate %, hotels | 51,1% | 55,3% | 55,6% | 57,0% | 0,0% | 0,0% | 56,4% | 49,8% | 54,4% | 53,7% |

*Without value added tax

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 first three months of 2016 the Company has borrowed 675 thousand euros from Nordea Bank and 114 thousand euros from Swedbank Lithuania. The Company repaid 521 thousand euros of bank loans during the first quarter of 2016. Total amount borrowed from banks was 8,1 million euros as at 31 March, 2016. 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.

As at 31 March, 2016 the Company had 11,1 million euros convertible bonds (current portion: 6,6 million euros; long term portion: 4,6 million euros), 2,2 million euros non-convertible bonds (current portion: 1 million euros; long term portion: 1,2 million euros) and 14,3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020.

Shares and shareholders

As at 31 March 2016 Pro Kapital has issued total 54 203 938 shares with the nominal value 0,20 euros. The registered share capital of the Company is 10 840 787,60 euros.

As at 31 March 2016 there were 74 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 at 31 March 2016:

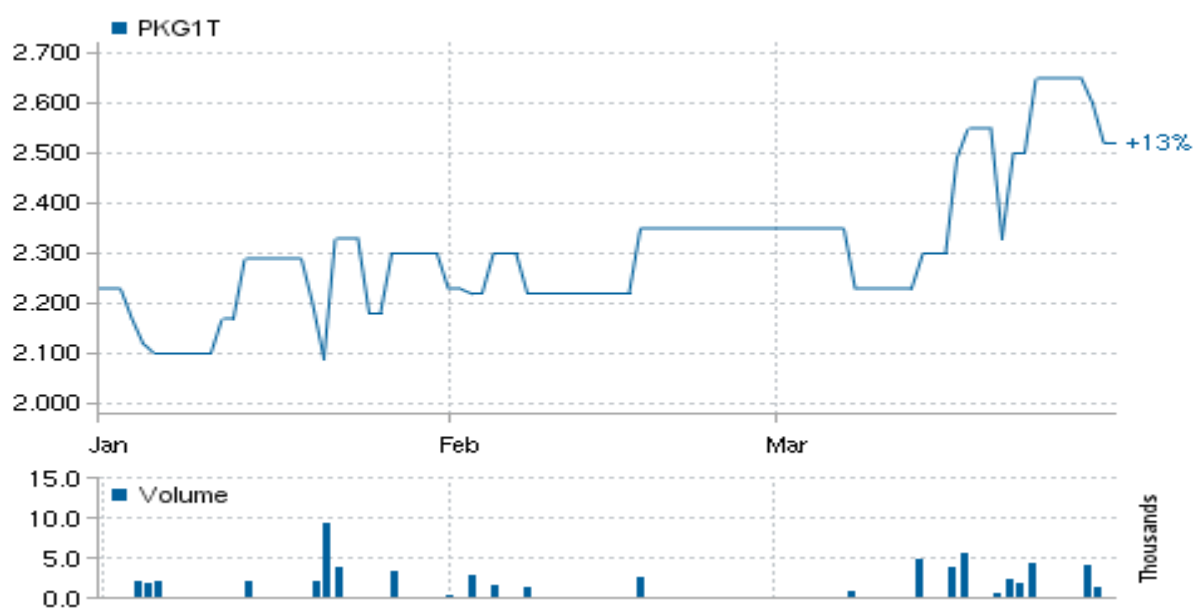
| | Shareholders | Number of shares | Participation in % |
|---|---------------------------------|------------------|--------------------|
| 1 | Nordea Bank Finland Plc Clients | 22 430 777 | 41,38% |
| 2 | Eurofiduciaria S.R.L. | 6 972 534 | 12,86% |
| 3 | Svalbork Invest OÜ | 6 840 368 | 12,62% |
| 4 | Sueno Latino AG | 4 528 531 | 8,35% |

Participation of Member of the Management Board and the Council Members as of 31 March 2016:

| Name | Position | Number of shares | Participation in % |
|---------------------------|-------------------------|------------------|--------------------|
| Paolo Vittorio Michelozzi | CEO | 184 863 | 0,34% |
| Allan Remmelkoor | COO | 0 | 0,00% |
| Emanuele Bozzone | Chairman of the Council | 0 | 0,00% |
| Petri Olkinuora | Council Member | 0 | 0,00% |
| Pertti Huuskonen | Council Member | 12 553 | 0,02% |

Earnings per share during first three months in 2016 were -0,03 euros (2015 3M: -0,02 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 31 March 2016, NASDAQ Baltic Secondary List



On 23 November 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange. During the reporting period 1 January – 31 March 2016 the shares were trading at the price range of 2,08 - 2,65

euros, with the closing price of 2,52 EUR/share on 31 March 2016. During the period 63 thousand of the Company's shares were traded, with their turnover amounting to 144 thousand euros.

On 13 March 2015 the Company's shares started trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 31 March 2016 the shares were trading at the price range of 2,01- 2,31 euros, with the closing price of Classic Xetra 2,29 EUR/share and Xetra Frankfurt Specialist price 2,18 EUR/share on 31 March 2016.

Legal overview and developments

The Company has set the policy to disclose in its reporting pending court litigation disputes which might have material financial effect on the Company and its share price. As per the policy all disputes which might have financial effect of at least 100 000 euros (at once or during the period of one financial year) are disclosed in the reporting.

In the opinion of the Management Board AS Pro Kapital Grupp and its subsidiaries did not have any pending court litigation which might have financial effect of at least 100 000 euros as of the end of the reporting period.

People

As at 31 March 2016 the Company employed 105 people compared to 110 people on 31 March 2015, 77 of them were engaged in hotel and property maintenance services (78 on 31 March 2016).

Risks

Market risk, liquidity risk and risk of financing are of the most significant influence on the Company. The long-term orientation in business model the Company enables to mitigate the risks of possible market fluctuation.

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 cycle, 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 | 24 May 2016 |
|------------------|---|-------------|

| | | |
|------------------|---|-------------|
| Allan Remmelkoor | Chief Operating Officer and Member of the Management Board | 24 May 2016 |
|------------------|---|-------------|

Consolidated financial report

Consolidated interim statements of financial position

| <i>in thousands of euros</i> | Notes | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---------------------------------|-------|----------------|----------------|----------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | | 5 787 | 1 337 | 6 392 |
| Current receivables | | 1 194 | 2 059 | 1 608 |
| Inventories | | 13 005 | 14 482 | 12 438 |
| Total Current Assets | | 19 986 | 17 878 | 20 438 |
| Non-Current Assets | | | | |
| Non-current receivables | | 47 | 45 | 48 |
| Property, plant and equipment | 5 | 16 942 | 17 460 | 17 103 |
| Investment property | 6 | 94 227 | 88 110 | 92 457 |
| Intangible assets | | 276 | 271 | 277 |
| Total Non-Current Assets | | 111 492 | 105 886 | 109 885 |
| TOTAL ASSETS | | 131 478 | 123 764 | 130 323 |

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

Consolidated interim statements of financial position

| <i>in thousands of euros</i> | Notes | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|--|-------|----------------|----------------|----------------|
| LIABILITIES AND EQUITY | | | | |
| Current Liabilities | | | | |
| Current debt | 7 | 9 046 | 16 798 | 8 004 |
| Customer advances | | 1 620 | 1 403 | 1 692 |
| Current payables | | 3 867 | 4 090 | 5 103 |
| Taxes payable | | 288 | 414 | 264 |
| Short-term provisions | | 3 | 5 | 87 |
| Total Current Liabilities | | 14 824 | 22 710 | 15 150 |
| Non-Current Liabilities | | | | |
| Long-term debt | 7 | 27 173 | 13 416 | 27 054 |
| Other long-term liabilities | | 2 501 | 739 | 837 |
| Deferred income tax liability | | 3 486 | 2 733 | 3 503 |
| Long-term provisions | | 357 | 154 | 347 |
| Total Non-Current Liabilities | | 33 517 | 17 042 | 31 741 |
| TOTAL LIABILITIES | | 48 341 | 39 752 | 46 891 |
| Equity attributable to equity holders of the parent | | | | |
| Share capital in nominal value | | 10 841 | 10 821 | 10 841 |
| Paid in capital | | 1 669 | 1 474 | 1 669 |
| Statutory reserve | | 1 082 | 1 064 | 1 082 |
| Revaluation reserve | | 9 462 | 9 389 | 9 462 |
| Foreign currency differences | | 0 | -143 | 0 |
| Retained earnings | | 59 283 | -61 159 | 60 677 |
| Profit (loss) for the period | | -1 465 | -1 166 | -1 934 |
| Total equity attributable to equity holders of the parent | | 80 872 | 82 598 | 81 797 |
| Non-controlling interest | | 2 265 | 1 414 | 1 635 |
| TOTAL EQUITY | | 83 137 | 84 012 | 83 432 |
| TOTAL LIABILITIES AND EQUITY | | 131 478 | 123 764 | 130 323 |

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

Consolidated interim statements of comprehensive income

| <i>in thousands of euros</i> | Notes | 2016 3M | 2015 3M | 2015 12M |
|---|-------|---------------|---------------|---------------|
| Operating income | | | | |
| Revenue | 8 | 2 777 | 3 135 | 18 322 |
| Cost of goods sold | 9 | -2 514 | -2 538 | -13 874 |
| Gross profit | 10 | 263 | 597 | 4 448 |
| Marketing expenses | | -117 | -99 | -466 |
| Administrative expenses | 11 | -1 181 | -1 181 | -5 250 |
| Other income | | 105 | 45 | 3 353 |
| Other expenses | | -19 | -84 | -661 |
| Operating loss | | -949 | -722 | 1 424 |
| Financial income | 12 | 2 | 2 | 13 |
| Financial expense | 12 | -528 | -426 | -2 606 |
| Loss before income tax | | -1 475 | -1 146 | -1 169 |
| Income tax | | -6 | -12 | -841 |
| Net loss for the period | | -1 481 | -1 158 | -2 010 |
| Equity holders of the parent | | -1 465 | -1 166 | -1 934 |
| Non-controlling interest | | -16 | 8 | -76 |
| Other comprehensive income, net of income tax | | | | |
| Items that may be classified subsequently to profit or loss | | | | |
| <i>Exchange differences on translating foreign operations</i> | | 0 | 0 | 143 |
| Items that will not be classified subsequently to profit or loss | | | | |
| <i>Net change in properties revaluation reserve</i> | | 0 | 0 | 73 |
| Total comprehensive loss for the year | | -1 481 | -1 158 | -1 794 |
| Equity holders of the parent | | -1 465 | -1 166 | -1 718 |
| Non-controlling interest | | -16 | 8 | -76 |
| Earnings per share (EUR) | 13 | -0,03 | -0,02 | -0,04 |
| Diluted earnings per share (EUR) | 13 | -0,03 | -0,02 | -0,04 |

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

Consolidated interim statements of cash flows

| <i>in thousands of euros</i> | Note | 2016 3M | 2015 3M | 2015 12M |
|--|------|---------------|-------------|---------------|
| Cash flows from operating activities | | | | |
| Loss for the year | | -1 158 | -1 158 | -2 010 |
| Adjustments for: | | | | |
| Depreciation and amortisation of non-current assets | 5 | 174 | 173 | 693 |
| Change in fair value of non-current assets | | 0 | 0 | -44 |
| Change in fair value of investment property | 6 | 0 | 0 | -3 041 |
| Finance income and costs | 12 | 526 | 424 | 2 593 |
| Other non-monetary changes (net amounts) | | 29 | -175 | 645 |
| Changes in working capital: | | | | |
| Trade receivables and prepayments | | 777 | 404 | 957 |
| Inventories | | -567 | 52 | 2 097 |
| Liabilities and prepayments | | 381 | -580 | 878 |
| Provisions | | -76 | 3 | 730 |
| Net cash from operating activities | | -237 | -857 | 3 498 |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment | 5 | -13 | -6 | -55 |
| Payments for intangible assets | | -1 | 0 | -13 |
| Payments for investment property | 6 | -1 770 | -68 | -1 306 |
| Interests received | | 2 | 2 | 6 |
| Net cash from investing activities | | -1 782 | -72 | -1 368 |
| Cash flows from financing activities | | | | |
| Proceeds from increase of share and paid in capital | | 0 | 0 | 214 |
| Proceeds from changes in non-controlling interests | | 1 187 | 0 | 153 |
| Payment for purchase of minority shareholding | | -361 | 0 | 0 |
| Proceeds from issue of bonds | | 901 | 0 | 7 652 |
| Redemption of convertible bonds | | -12 | 0 | -62 |
| Proceeds from borrowings | | 789 | 1 791 | 3 673 |
| Repayment of borrowings | | -521 | -821 | -6 794 |
| Interests paid | | -569 | -585 | -2 455 |
| Net cash from financing activities | | 1 414 | 385 | 2 381 |
| Net change in cash and cash equivalents | | -605 | -544 | 4 511 |
| Cash and cash equivalents at the beginning of the period | | 6 392 | 1 881 | 1 881 |
| Cash and cash equivalents at the end of the period | | 5 787 | 1 337 | 6 392 |

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 2014 | 10 821 | 1 474 | 1 064 | 11 330 | -1 277 | 39 778 | 63 190 | 1 505 | 64 695 |
| Changes in non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 665 | 665 |
| Comprehensive profit/ loss for the year | 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 |
| Allocation of funds to statutory reserve | 0 | 0 | 18 | 0 | 0 | -18 | 0 | 0 | 0 |
| Increase of share capital | 20 | 195 | 0 | 0 | 0 | 0 | 215 | 0 | 215 |
| Changes in non-controlling interests | 0 | 0 | 0 | 0 | 0 | -464 | -464 | -313 | -777 |
| Comprehensive profit/ loss for the period | 0 | 0 | 0 | 73 | 143 | -1 934 | -1 718 | -76 | -1 794 |
| 31 December 2015 | 10 841 | 1 669 | 1 082 | 9 462 | 0 | 58 743 | 81 797 | 1 635 | 83 432 |
| Changes in non-controlling interests | 0 | 0 | 0 | 0 | 0 | 540 | 540 | 646 | 1 186 |
| Comprehensive profit/ loss for the period | 0 | 0 | 0 | 0 | 0 | -1 465 | -1 465 | -16 | -1 481 |
| 31 March 2016 | 10 841 | 1 669 | 1 082 | 9 462 | 0 | 57 818 | 80 872 | 2 265 | 83 137 |

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 31.03.2016 | Share of ownership 31.03.2015 | Share of ownership 31.12.2015 |
|---------------------------------|--------------------------|----------------------------------|----------------------------------|----------------------------------|
| Nordea Bank Finland Plc Clients | Finland | 41,38% | 0,30% | 36,47% |
| Eurofiduciaria S.r.l. | Italy | 12,86% | 12,91% | 12,71% |
| Svalbork Invest OÜ | Estonia | 12,62% | 12,64% | 12,62% |
| Sueno Latino AG | Liechtenstein | 8,35% | 8,37% | 8,35% |

For the purpose of comparative financial figures of these interim financial statements as at 31 March 2016, 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 Holding OÜ) (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 2016, 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

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 2015.

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 2015.

Note 3. Segment reporting

| <i>in thousands of euros</i> | the Ultimate Parent | Estonia | Latvia | Lithuania | Germany | Internal transactions elimination | Total |
|--|---------------------------|------------|-------------|-------------|-------------|---|---------------|
| 2016 3M | | | | | | | |
| Revenue | 0 | 1 203 | 281 | 575 | 838 | -120 | 2 777 |
| Other operating income and expenses (net) | 9 | 2 | 14 | 31 | 43 | -13 | 86 |
| Segment operating profit (loss) | -356 | -238 | -192 | -30 | -133 | | -949 |
| Financial income and expense (net) | -909 | 605 | -73 | -125 | -24 | | -526 |
| Profit (loss) before income tax | -1 265 | 367 | -265 | -155 | -157 | | -1 475 |
| Income tax | 0 | 0 | -9 | 3 | 0 | | -6 |
| Non-controlling interest | 0 | -16 | 0 | 0 | 0 | | -16 |
| Net profit (loss) for the financial year attributable to equity holders of the parent | -1 265 | 383 | -274 | -152 | -157 | | -1 465 |
| 31.03.2016 | | | | | | | |
| Assets | 57 206 | 148 114 | 28 373 | 21 366 | 5 796 | -129 377 | 131 478 |
| Liabilities | 103 175 | 9 516 | 15 896 | 15 427 | 2 933 | -98 606 | 48 341 |
| Acquisition of non-current assets | 0 | 1 | 1 | 1 | 10 | | 13 |
| Depreciation and amortisation | 0 | -37 | -55 | -8 | -74 | | -174 |
| 2015 3M | | | | | | | |
| Revenue | 0 | 1 530 | 288 | 615 | 817 | -115 | 3 135 |
| Other operating income and expenses (net) | -4 | -27 | -25 | -9 | 37 | -11 | -39 |
| Segment operating profit (loss) | -379 | -161 | -187 | 77 | -72 | | -722 |
| Financial income and expense (net) | -806 | 608 | -60 | -140 | -26 | | -424 |
| Profit (loss) before income tax | -1 185 | 447 | -247 | -63 | -98 | | -1 146 |
| Income tax | 0 | 0 | -13 | 1 | 0 | | -12 |
| Non-controlling interest | 0 | 8 | 0 | 0 | 0 | | 8 |
| Net profit (loss) for the financial year attributable to equity holders of the parent | -1 185 | 439 | -260 | -62 | -98 | | -1 166 |
| 31.03.2015 | | | | | | | |
| Assets | 52 731 | 146 279 | 30 210 | 14 563 | 5 876 | -125 894 | 123 765 |
| Liabilities | 93 368 | 8 705 | 14 479 | 15 385 | 2 939 | -95 124 | 39 752 |
| Acquisition of non-current assets | 0 | 0 | 6 | 0 | 0 | | 6 |
| Depreciation and amortisation | 0 | -39 | -55 | -6 | -73 | | -173 |

PROKAPITAL

| <i>in thousands of euros</i> | the Ultimate Parent | Estonia | Latvia | Lithuania | Germany | <i>Internal transactions elimination</i> | Total |
|--|---------------------------|------------|---------------|--------------|------------|--|---------------|
| 2015 12M | | | | | | | |
| Revenue | 386 | 8 279 | 1 624 | 4 925 | 3 937 | -829 | 18 322 |
| Other operating income and expenses (net) | -25 | -2 484 | -2 724 | 7 748 | 177 | | 2 692 |
| Segment operating profit (loss) | -1 395 | -2 438 | -3 311 | 8 476 | 92 | | 1 424 |
| Financial income and expense (net) | -4 072 | 2 515 | -254 | -537 | -102 | -143 | -2 593 |
| Profit (loss) before income tax | -5 467 | 77 | -3 532 | 7 939 | -10 | -143 | -1 169 |
| Income tax | 0 | 0 | 325 | -1 166 | 0 | | -841 |
| Non-controlling interest | 0 | -76 | 0 | 0 | 0 | | -76 |
| Net profit (loss) for the financial year attributable to equity holders of the parent | -5 467 | 153 | -3 240 | 6 773 | -10 | -143 | -1 934 |
| 31.12.2015 | | | | | | | |
| Assets | 52 650 | 145 587 | 30 694 | 14 812 | 5 967 | -124 679 | 125 031 |
| Liabilities | 92 101 | 8 461 | 14 084 | 15 573 | 3 132 | -94 108 | 39 243 |
| Acquisition of non-current assets | 0 | 40 | 40 | 2 | 89 | | 171 |
| Depreciation and amortisation | 0 | -143 | -214 | -25 | -361 | | -743 |

Note 4. Increase in minority shareholding

AS Tallinna Moekombinaat

| | |
|--|--------------|
| Minority (%) as at 31 December 2015 | 7,22% |
| Subscription of new shares | 2,44% |
| Minority (%) as at 31 March 2016 | 9,66% |

in thousands of euros

| | |
|--|-------|
| Non-controlling interest as at 31 December 2015 | 1 634 |
| Increase of non-controlling interest | 647 |
| Loss for the reporting period | -16 |
| Non-controlling interest as at 31 March 2016 | 2 265 |

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.

The last valuation by independent real estate appraiser Newsec Valuations was performed in November 2015. 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 million euros. Other properties remained unchanged.

PROKAPITAL

| <i>in thousands of euros</i> | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|------------------------------|---------------|---------------|---------------|
| Acquisition value | 22 211 | 22 567 | 22 209 |
| Accumulated depreciation | -5 107 | -5 107 | -5 107 |
| Balance value | 17 104 | 17 460 | 17 102 |

| <i>in thousands of euros</i> | Land and buildings | Machinery and equipment | Other tangible assets | Prepay-ments | TOTAL |
|-------------------------------------|--------------------|-------------------------|-----------------------|--------------|---------------|
| Acquisition value 01.01.2015 | 18 791 | 1 275 | 2 489 | 0 | 22 555 |
| Additions: | | | | | |
| Acquired | 7 | 34 | 20 | 0 | 61 |
| Assets reclassified | 475 | 395 | -870 | 0 | 0 |
| Revaluation (+/-) | 43 | 0 | 0 | 0 | 43 |
| Disposals: | | | | | |
| Sold | 0 | 0 | -1 | 0 | -1 |
| Written off | 0 | -16 | -433 | 0 | -449 |
| Acquisition value 31.12.2015 | 19 316 | 1 688 | 1 205 | 0 | 22 209 |
| Additions: | | | | | |
| Acquired | 0 | 1 | 2 | 9 | 12 |
| Disposals: | | | | | |
| Written off | 0 | 0 | -10 | 0 | -10 |
| Acquisition value 31.03.2016 | 19 316 | 1 689 | 1 197 | 9 | 22 211 |

| <i>in thousands of euros</i> | Land and buildings | Machinery and equipment | Other tangible assets | Prepay-ments | TOTAL |
|--|--------------------|-------------------------|-----------------------|--------------|--------------|
| Accumulated depreciation 01.01.2015 | 1 731 | 1 012 | 2 193 | 0 | 4 936 |
| Additions: | | | | | |
| Depreciation charge for the period | 488 | 152 | 44 | 0 | 684 |
| Assets reclassified | 428 | 280 | -708 | 0 | 0 |
| Disposals: | | | | | |
| Sold | 0 | 0 | -1 | 0 | -1 |
| Written off | 0 | -15 | -433 | 0 | -448 |
| Accumulated depreciation 31.12.2015 | 2 583 | 1 429 | 1 095 | 0 | 5 107 |
| Additions: | | | | | |
| Depreciation charge for the period | 123 | 37 | 11 | 0 | 171 |
| Disposals: | | | | | |
| Written off | 0 | 0 | -10 | 0 | -10 |
| Accumulated depreciation 31.03.2016 | 2 706 | 1 467 | 1 096 | 0 | 5 269 |

Note 6. Investment property

| <i>in thousands of euros</i> | Investment property held for increase in value | Total |
|--------------------------------|---|---------------|
| Balance at 01.01.2015 | 88 110 | 88 110 |
| Additions: | | |
| Investments | 1 306 | 1 306 |
| Changes in fair value: | | |
| Gain from change in fair value | 3 041 | 3 041 |
| Balance at 31.12.2015 | 92 457 | 92 457 |
| Additions: | | |
| Investments | 1 770 | 1 770 |
| Balance at 31.03.2016 | 94 227 | 94 227 |

The fair value of the Group's investment property at 31 December 2015 has been derived on the basis of valuations carried out by Colliers International, an independent valuator not related to the Group. The valuations were performed by reference to recent market information. Mainly discounted cash flow method was used due to low number of comparable market transactions.

Investments into property include mainly construction costs of AS Tallinna Moekombinaat – 1 674 thousand euros during the reporting period.

Note 7. Loans

| <i>in thousands of euros</i> | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|--|---------------|---------------|---------------|
| Current debt, financial institutions | 1 447 | 7 804 | 931 |
| Non-current debt, financial institutions | 6 674 | 3 171 | 6 924 |
| Current debt, related parties | 30 | 4 538 | 30 |
| Non-current debt, minority shareholder | 308 | 1 308 | 308 |
| Non-current debt, other | 0 | 600 | 0 |
| Convertible debt, bonds | 11 145 | 11 219 | 11 157 |
| Non-convertible debt, bonds | 16 540 | 2 240 | 15 640 |
| Total | 36 144 | 30 880 | 34 990 |

The Company has issued convertible bonds with issue price 2,80 euros and remaining total value of 11 145 thousand euros. Each convertible bond entitles the holder to redeem and exchange one bond to one share of the Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by AS Pro Kapital Grupp. Convertible bonds carry interest rate of 7%. On 19 January 2016 the Company redeemed 4 234 PKG2 convertible bonds with total value of 11 855,20 euros and prolonged the maturity of convertible bonds with total value of 1 058 596 euros. The new maturity date for those convertible bonds is 20 January 2018. All other conditions for convertible bonds have remained unchanged.

On 2 April 2015 the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the Company. The Management Board of the Company was authorized to issue the bonds in several tranches maximum up to 50 million euros. As at 31 December 2015 the Company has issued 134 bonds with the total value of 13,4 million euros with redemption date on 1 June 2020 and with a fixed rate of 8%. During the reporting period additional 9 bonds have been issued with the total value of 900 thousand euros. Secured, callable, fixed rate bonds of the Company are secured with the shares of all subsidiaries of the Group with an exception for AS Tallinna Moekombinaat and Investhotel SIA shares. Since 8 July 2015 the bonds have been listed on Nasdaq Stockholm.

Creditors

| <i>in thousands of euros</i> | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---|-------------------|-------------------|-------------------|
| Swedbank AS (EE) | 3 444 | 3 711 | 3 512 |
| Nordea Bank Finland Plc Est branch (EE) | 699 | 1 089 | 220 |
| AS Swedbank (LV) | 3 153 | 3 516 | 3 245 |
| “Swedbank” AB (LT) | 825 | 2 659 | 878 |
| Fiducaria Emiliana S.r.l | 197 | 197 | 197 |
| Nikasi Overseas SA | 111 | 111 | 111 |
| Estrella Ltd | 0 | 800 | 0 |
| Eginvest Ltd | 0 | 600 | 0 |
| Colosseum OÜ | 30 | 0 | 30 |
| Convertible bonds, various investors | 11 145 | 11 219 | 11 157 |
| Non- convertible bonds, various investors | 2 240 | 2 240 | 2 240 |
| Secured bonds, various investors | 14 300 | 0 | 13 400 |
| Total | 36 144 | 30 880 | 34 990 |

All agreements are fixed in euros. The total interest cost for the reporting period was 486 thousand euros (2015 3 months: 394 thousand euros).

Loan repayment

| <i>in thousands of euros</i> | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|------------------------------|-------------------|-------------------|-------------------|
| Due within 1 year | 9 053 | 16 985 | 8 013 |
| Due between 2 to 5 years | 26 783 | 13 587 | 26 669 |
| Due after 5 years | 308 | 308 | 308 |
| Total | 36 144 | 30 880 | 34 990 |

Pledged assets

| <i>in thousands of euros</i> | | Carrying value of pledged assets | | |
|---------------------------------|--|---|-------------------|-------------------|
| Beneficiary | Collateral description | 31.03.2016 | 31.03.2015 | 31.12.2015 |
| Swedbank AS (Estonia) | Põhja Avenue 21, 21a, 21 b-1, Tallinn | 5 568 | 5 693 | 5 600 |
| Swedbank AS (Estonia) | Põhja Avenue 21, 23, Tallinn | 291 | 427 | 303 |
| Nordea Bank AB Est Br (Estonia) | Marsi St 3, 3a, 3b, Tallinn | 4 811 | 4 918 | 4 346 |
| Nordea Bank AB Est Br (Estonia) | Sõjakooli St 12, 12a, 12b, 12c, Tallinn | 229 | 184 | 208 |
| Nordea Bank AB Est Br (Estonia) | Sammu St 6, 6a, 6b, Tallinn | 2 300 | 2 300 | 2 190 |
| AS Swedbanka (Latvia) | Pulkveza Brieza St 11, Riga | 5 470 | 5 611 | 5 506 |
| AS Swedbanka (Latvia) | Trijadibas St 5, Riga | 15 752 | 17 490 | 15 601 |
| Swedbank AB (Lithuania) | Aguonu St 10,12,14; Saltiniu 20, 22, 24, 26, Vilnius | 20 117 | 13 556 | 19 920 |
| AS Merko Ehitus Eesti | Peterburi tee 2, Tallinn | 27 974 | N/A | 26 300 |

Share pledges related to secured callable fixed rate bonds:

| | | | | |
|----------------------------|-----------------------------------|--------|-----|--------|
| Nordic Trustee & Agency AB | Pro Kapital Germany Holdings OÜ | 10 | N/A | 10 |
| Nordic Trustee & Agency AB | Pro Kapital Germany GmbH | 25 | N/A | 25 |
| Nordic Trustee & Agency AB | PK Hotel Management Services GmbH | 116 | N/A | 116 |
| Nordic Trustee & Agency AB | Pro Kapital Eesti AS | 16 880 | N/A | 16 880 |
| Nordic Trustee & Agency AB | OÜ Ilmarise Kvartal | 3 | N/A | 3 |
| Nordic Trustee & Agency AB | Pro Halduse OÜ | 26 | N/A | 26 |
| Nordic Trustee & Agency AB | OÜ Hotel Management Services | 25 | N/A | 25 |
| Nordic Trustee & Agency AB | AS Tondi Kvartal | 160 | N/A | 160 |
| Nordic Trustee & Agency AB | OÜ Marsi Elu | 13 | N/A | 13 |

| | | | | |
|----------------------------|---|----------------|---------------|----------------|
| Nordic Trustee & Agency AB | Pro Kapital Latvia JSC | 9 960 | N/A | 9 960 |
| Nordic Trustee & Agency AB | Kliversala SIA | 14 531 | N/A | 14 531 |
| Nordic Trustee & Agency AB | Tallina Nekustamie Īpašumi SIA | 3 100 | N/A | 3 100 |
| Nordic Trustee & Agency AB | Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA | 2 500 | N/A | 2 500 |
| Nordic Trustee & Agency AB | Hotel Management Services SIA | 569 | N/A | 569 |
| Nordic Trustee & Agency AB | Pro Kapital Vilnius Real estate UAB | 1 335 | N/A | 1 335 |
| Nordic Trustee & Agency AB | In Vitam UAB | 3 | N/A | 3 |
| Nordic Trustee & Agency AB | PK Invest UAB | 823 | N/A | 823 |
| Nordic Trustee & Agency AB | Pro Kapital Bonum UAB | 800 | N/A | 800 |
| Nordic Trustee & Agency AB | bank accounts with Nordea Bank AB (SE) | 24 | N/A | 25 |
| Total | | 133 421 | 50 179 | 130 877 |

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

- To Swedbank AS (Latvia) to assure the potential liability of Kliversala SIA, an entity belonging to Pro Kapital Latvia subsidiary group, as Swedbank (Latvia) has issued a guarantee letter in amount of 8 084 thousand euros to VAS „Privatizācijas aģentūra” to assure the investment liabilities related to contract concluded between Kliversala SIA and VAS „Privatizācijas aģentūra”. The guarantee letter will expire 31 December 2017.
- Guarantee letter to Kristiine Keskus OÜ to secure (jointly with Pro Kapital Eesti AS) possible claims against Tāismaja AS (merged with Pro Kapital Eesti AS) arising from a loan contract concluded between Pro Kapital Eesti and Tāismaja 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.

Note 8. Revenue

| <i>in thousands of euros</i> | 2016 3M | 2015 3M | 2015 12M |
|-----------------------------------|----------------|----------------|-----------------|
| Revenue from sales of real estate | 1 048 | 1 423 | 10 055 |
| Rental revenue | 48 | 53 | 205 |
| Hotel operating revenue | 1 207 | 1 208 | 6 486 |
| Revenue from maintenance services | 468 | 433 | 1 486 |
| Other services | 6 | 18 | 87 |
| Total | 2 777 | 3 135 | 18 322 |

Note 9. Cost of goods sold

| <i>in thousands of euros</i> | 2016 3M | 2015 3M | 2015 12M |
|-----------------------------------|----------------|----------------|-----------------|
| Cost of real estate sold | 994 | 1 121 | 7 942 |
| Cost of providing rental services | 24 | 25 | 116 |
| Cost of hotel operations | 1 050 | 978 | 4 384 |
| Cost of maintenance | 445 | 413 | 1 401 |
| Cost of other services | 1 | 1 | 31 |
| Total | 2 514 | 2 538 | 13 874 |

To provide clearer presentation of operating results the following change in direct costs took place starting from the end of 2015. Direct depreciation costs of hotel properties have been previously recorded as “Cost of providing

rental services” and partially as “Cost of other services”. In the current report and further on depreciation costs of hotel properties are classified as “Cost of hotel operations”.

Note 10. Gross profit

| <i>in thousands of euros</i> | 2016 3M | 2015 3M | 2015 12M |
|------------------------------|------------|------------|--------------|
| Real estate | 54 | 302 | 2 113 |
| Rental revenue | 24 | 28 | 89 |
| Hotel operating | 157 | 230 | 2 105 |
| Maintenance services | 23 | 20 | 85 |
| Other services | 5 | 17 | 56 |
| Total | 263 | 597 | 4 448 |

Note 11. Administrative expenses

| <i>in thousands of euros</i> | 2016 3M | 2015 3M | 2015 12M |
|---------------------------------------|--------------|--------------|--------------|
| Staff costs | 633 | 591 | 2 437 |
| Offices and communication | 58 | 44 | 210 |
| Travel and transportation | 45 | 31 | 159 |
| Consulting, software licences, etc | 46 | 118 | 359 |
| Bank, stock exchange, depository fees | 86 | 68 | 382 |
| Land and real estate taxes | 118 | 91 | 482 |
| Depreciation charge | 26 | 25 | 100 |
| Amortisation charge | 2 | 2 | 7 |
| Other | 167 | 211 | 1 114 |
| Total | 1 181 | 1 181 | 5 250 |

Note 12. Financial income and expenses

Financial income

| <i>in thousands of euros</i> | 2016 3M | 2015 3M | 2015 12M |
|------------------------------|----------|----------|-----------|
| Interest income | 2 | 0 | 7 |
| Other financial income | 0 | 2 | 5 |
| Total | 2 | 2 | 12 |

Financial expenses

| <i>in thousands of euros</i> | 2016 3M | 2015 3M | 2015 12M |
|------------------------------|------------|------------|--------------|
| Interest expenses | 486 | 394 | 2 080 |
| Foreign currency loss | 0 | 1 | 144 |
| Other financial expenses | 42 | 31 | 382 |
| Total | 528 | 426 | 2 606 |

Note 13. 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 01.01.2016-31.03.2016 | (54 203 938* 91/91) | =54 203 938 |
| In period 01.01.2015-31.03.2015 | (54 106 575* 90/90) | =54 106 575 |
| In period 01.01.2015-31.12.2015 | (54 106 575* 312/365)+(54 203 938*53/365) | =54 120 713 |

Indicative earnings per share:

| | |
|-----------------------|--|
| 01.01.2016-31.03.2016 | - 1 465 thousand euros/ 54 203 938 = -0,03 euros |
| 01.01.2015-31.03.2015 | - 1 166 thousand euros/ 54 106 575 = -0,02 euros |
| 01.01.2015-31.12.2015 | - 1 934 thousand euros/ 54 120 713 = -0,04 euros |

The convertible bonds issued did not have a dilutive effect on earnings in 2016 and 2015, 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 14. Shareholders meetings

No shareholders meetings have been held during first quarter of 2016.

Note 15. 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

| <i>in thousands of euros</i> | 2016 3M | 2015 3M | 2015 12M |
|--|---------|---------|----------|
| Significant owners and owner related companies | | | |
| Loan repayments received (non-monetary) | 0 | 501 | 501 |
| Payment for minority shareholding | 361 | 0 | 0 |
| Revenues | 22 | 0 | 87 |
| Expenses | 3 | 0 | 12 |
| Loans received | 0 | 600 | 630 |
| Interest expense | 0 | 47 | 215 |
| Minority shareholders | | | |
| Interest expense | 10 | 9 | 37 |
| Salaries and bonuses paid to management | 191 | 187 | 929 |

Receivables from related parties

| <i>in thousands of euros</i> | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|--|-------------------|-------------------|-------------------|
| Short-term receivables | | | |
| Significant owners and owner related companies | 7 | 0 | 0 |
| Total | 7 | 0 | 0 |

Payables to related parties

| <i>in thousands of euros</i> | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|--|-------------------|-------------------|-------------------|
| Short-term payables | | | |
| Significant owners and owner related companies | 30 | 4 326 | 392 |
| Members of Council and Management Board | 0 | 121 | 0 |
| Long-term payables to minority shareholders | 372 | 335 | 362 |
| Total | 402 | 4 782 | 754 |

Shareholding in the Company %

| | 31.03.2016 | 31.03.2015 | 31.12.2015 |
|---|-------------------|-------------------|-------------------|
| Members of the Council and individuals related them | 0,02% | 0,00% | 0,00% |
| Members of the Board and individuals related them | 0,34% | 0,16% | 0,16% |

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

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 three months and the first quarter of 2016.

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 | 24 May 2016 |
| Allan Remmelkoor | Chief Operating Officer and Member of the Management Board | 24 May 2016 |