

# AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR II QUARTER  
AND 6 MONTHS OF 2017 (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 – 30 June 2017 and after the reporting period

- Total revenue of the Company for six months in 2017 was 7 566 thousand euros, a decrease of 8% compared to the reference period (2016 6 months: 8 203 thousand euros). Total revenue of the second quarter was 3 952 thousand euros comparing to 5 426 thousand euros in 2016.
- Gross profit for six months was 2 347 thousand euros, an increase of 67% compared to the reference period (2016 6 months: 1 409 thousand euros). Gross profit for the second quarter was 1 412 thousand euros comparing to 1 146 thousand euros in 2016.
- Net operating result during six months increased by 744 thousand euros (59%) compared to the reference period, totalling to loss of 524 thousand euros (2016 6 months: loss of 1 268 thousand euros). Net operating result for the second quarter was loss of 27 thousand euros (2016 Q2: loss of 319 thousand euros).
- Net result for six months of 2017 has increased by 839 thousand euros (27%) compared to the reference period, totalling to loss of 2 310 thousand euros (2016 6 months: loss of 3 149 thousand euros). Net result for the second quarter was loss of 881 thousand euros (2016 Q2: loss of 1 668 thousand euros).
- Cash flow from operations for six months of 2017 was negative 2 135 thousand euros (2016 6 months: negative 437 thousand euros). Cash flow from operations for the second quarter was positive 423 thousand euros (2016 Q2: negative 200 thousand euros).
- Net assets per share on 30 June 2017 totalled 1,43 euros (30 June 2016: 1,50 euros).
- On 12 January 2017 Pro Kapital group company PK Invest UAB concluded the contract for construction of four residential apartment buildings and underground parking to be located in Vilnius City, in the existing Šaltinių Namai quarter in the Old Town. The price of the construction contract is 10,8 million euros, excluding VAT and has the duration of 24 months.
- On 3 February 2017 Pro Kapital group company AS Tondi Kvartāls and Tarrest LT OÜ concluded the contract for reconstruction of historical caserm building Marsi 6 to an apartment building with 45 flats in Kristiine City. The cost of the construction works will be close to 2,5 million euros, to which VAT is added and shall have the duration of ca 1 year.
- On 8 March 2017 the Company prolonged the redemption date of 382 778 PKG6 convertible bonds by 2 years. New redemption date is 8 March 2019. 186 495 PKG6 convertible bonds were redeemed with issue price of 522 186,00 euros.
- On 6 April 2017 Pro Kapital group company OÜ Marsi Elu notified Nordecon AS to start with the second construction phase of Kristina Houses. In the second phase a 5-storey residential building with 31 apartments shall be completed. The planned completion of the works is June 2018 and the price of construction works is slightly over two million euros, to which VAT is added. In addition OÜ Marsi Elu and Nordecon AS have agreed on option for the two remaining construction phases for 62 additional apartments which will include also accomplishment of utility networks on Sõjakooli and Sammu streets.
- On 3 May 2017 AS Pro Kapital Grupp decided to make a change in the composition of the Supervisory Council of its Latvian group subsidiary AS Pro Kapital Latvia. Aivars Blūmiņš was recalled from the Supervisory Council of AS Pro Kapital Latvia and Pro Kapital Head of Legal Ervin Nurmela was elected as a new council member. AS Pro Kapital Latvia Supervisory Council shall continue with three members in the following composition: Ernesto Achille Preatoni, Emanuele Bozzone and Ervin Nurmela.
- On 23 May 2017 the Company prolonged the redemption date of 82 950 PKG7 convertible bonds by 2 years. New redemption date is 25 May 2019. 5 937 PKG7 convertible bonds were redeemed with issue price of 16 623,60 euros.
- On 26 May 2017 the Company informed that it has hired advisors to explore the possible increase of the share capital and possibility to attract additional investors for the total amount of shares ca 10-15%.
- On 25 July 2017, after the reporting period, the Company concluded the contract for the sale of group hotels PK Ilmarine and PK Riga. The object of the transaction was the sale of both operating activities and real-estate of hotels. Transaction concerning Estonian segment involved completion of the sale of 100% shares of OÜ Hotel Management Services (operator of PK Ilmarine hotel) and sale of real estate used by PK Ilmarine hotel. Transaction concerning Latvian segment involved sale of 100% shares of SIA Hotel

Management Services (operator of PK Riga hotel) and 100% shares of SIA Investhotel (owner of real estate of PK Riga hotel). Completion of the Latvian transaction is dependent on conditions to be fulfilled by the buyer before 30 September 2017. Estimated total amount of the Transaction is 12 957 777 euros.

- Sale of Šaltinių Namai project in Vilnius and Kristina Houses (also known as Tondi residential quarter) in Tallinn have been successfully continued. In Vilnius, at the moment of issuing interim report 42 apartments out of 44 in K4-1 building have been handed over to the clients. For the second stage of Šaltinių Namai project 56 preliminary agreements have been signed. In Tallinn, in Kristiine City (also known as Tondi quarter), three apartment buildings have been completed, 87 apartments out of 93 have been handed over to the clients. Presale has been continuing also for the fourth building with 24 presale agreements signed out of 31, fifth building with 12 presale out of 31 and in Marsi 6 project 38 presale agreements out of 45 apartments have been signed. In Kliversala project in Riga, 9 presale agreements out of 47 apartments have been concluded for the first residential building.

## Key financial figures

	2017 6M	2016 6M	2017 Q2	2016 Q2
Revenue, th EUR	7 566	8 203	3 952	5 426
Gross profit, th EUR	2 347	1 409	1 412	1 146
Gross profit, %	31%	17%	36%	21%
Operating result, th EUR	-524	-1 268	-27	-319
Operating result, %	-7%	-15%	-1%	-6%
Net result, th EUR	-2 310	-3 149	-881	-1 668
Net result, %	-31%	-38%	-22%	-31%
Earnings per share, EUR	-0,04	-0,06	-0,02	-0,03
	<b>30.06.2017</b>	<b>30.06.2016</b>		<b>31.12.2016</b>
Total Assets, th EUR	151 944	142 008		142 314
Total Liabilities, th EUR	74 529	60 459		62 110
Total Equity, th EUR	77 415	81 549		80 204
Debt / Equity *	0,96	0,74		0,77
Return on Assets, % **	-1,6%	-2,3%		-3,0%
Return on Equity, % ***	-2,9%	-3,8%		-4,8%
Net asset value per share, EUR ****	1,43	1,50		1,48

\*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 second quarter of 2017 Pro Kapital continued construction works of the new T1 Mall of Tallinn 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 development activities also in Kliversala residential quarter in Riga and residential development projects – Šaltinių Namai in Vilnius and Kristiine City in Tallinn, in Tondi.

In Vilnius by the issuing of the present report 42 apartments out of 44 in building K4-1 have been handed over to the clients. In January 2017, the construction works for the second stage residential buildings started and 56 preliminary agreements have been signed.

In Tallinn, Kristiine City (Tondi quarter), the Company has completed three apartment buildings where 87 apartments out of 93 have been handed over to the clients. Presale continued for the fourth building with 24 presale agreements signed and started also in the fifth building with 12 presale agreements already signed. Presale for Marsi 6 historical building that will be renovated into a special design loft apartments have been continued successfully having 38 presale agreements out of 45 flats signed.

In Riga, the construction works for the first residential building in Kliversala project were continued and 9 presale agreements have been signed out of 47 flats in total. The projecting works were continued also for Tallinas Residential Complex and were initiated for the first stage of office complex in Zvaigznes Quarter.

After the reporting period Pro Kapital concluded the sale transaction of its hotel activities both in Tallinn and in Riga. The goal of the transaction was to exit Tallinn and Riga hotel market which has not been a core business for the Company and to help to speed up the development of its real estate projects in the market which has positive trends.

For the activity of the Company and development of new projects the Company seeks to attain attractive mix of financing through combining acceptable level of borrowings from financial institutions, expanding its investor base and attracting additional private equity.

At the end of reporting period the Company recorded net revenue of 7,6 million euros, decrease of 8% as compared to 8,2 million euros in the same period in 2016. Revenues have decreased in real estate segment. This segment is influenced by completion of the buildings as revenues are recorded at the moment notary deed of sale is concluded. In spite of decreased revenues gross profit has increased by 67%. The net result remained negative also due to high financial costs, though recorded net losses of 2,3 million euros for six months in 2017 were 27% lower as compared to 3,1 million euros losses in the same period last year.

Overall loans from financial institutions were 18,4 million euros as at 30 June 2017. The loans from minority shareholders were 0,3 million euros. The Company had 10,5 million euros worth convertible bonds and 28,8 million euros worth non-convertible bonds at the end of reporting date.

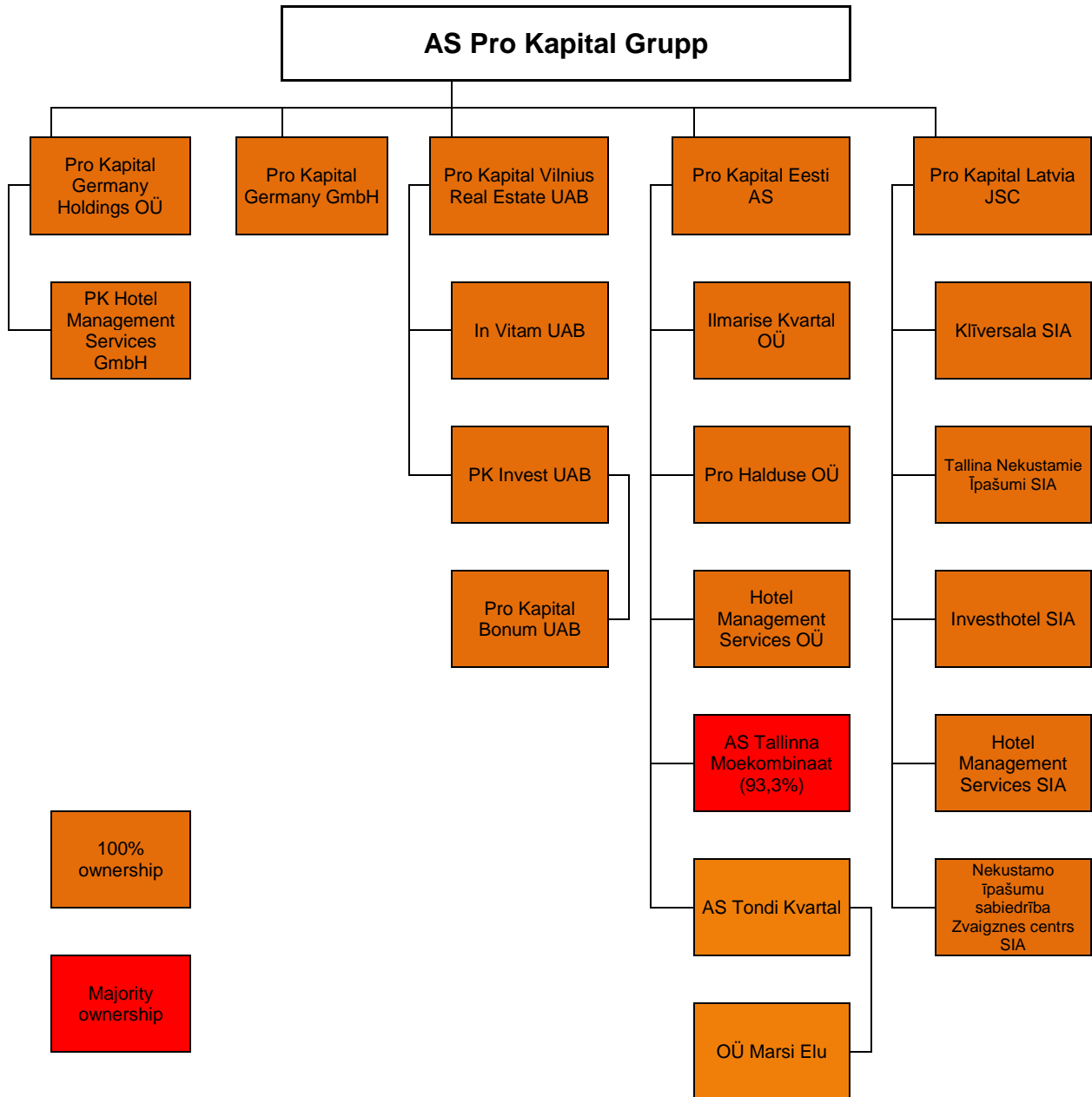
As at 30 June 2017 there were 124 employees working in the Company, 88 of them were employed in hotel and property maintenance business.

Paolo Michelozzi  
CEO  
AS Pro Kapital Grupp

14 August 2017

## Group Structure

As at 30 June 2017



## 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 Mall of Tallinn	Retail	Tallinn	93%	GLA 55 000 m <sup>2</sup>	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 13 931 m <sup>2</sup>	Investment property
Kristiine City (Tondi Quarter)	Residential	Tallinn	100%	NSA 76 588 m <sup>2</sup> 50 248 m <sup>2</sup> resid. 26 340 m <sup>2</sup> comm.	Inventories, investment property
Kristina Houses (Marsi and Sõjakooli)	Residential	Tallinn	100%	NSA 15 386 m <sup>2</sup> 15 386 m <sup>2</sup> resid.	Inventories
Kalaranna District	Residential	Tallinn	100%	NSA 33 013 m <sup>2</sup> 27 600 m <sup>2</sup> resid. 5 413 m <sup>2</sup> comm.	Investment property
Tallinas Quarter	Residential	Riga	100%	NSA 22 055 m <sup>2</sup> 21 009 m <sup>2</sup> resid. 1 046 m <sup>2</sup> comm.	Investment property
Kliversala District	Residential	Riga	100%	NSA 55 666 m <sup>2</sup> 44 746 m <sup>2</sup> resid. 10 920 m <sup>2</sup> comm.	Inventories, investment property
Zvaigznes Quarter	Residential	Riga	100%	NSA 18 378 m <sup>2</sup> 18 378 m <sup>2</sup> comm.	Investment property
Šaltinių Namai	Residential	Vilnius	100%	NSA 21 150 m <sup>2</sup> 18 583 m <sup>2</sup> resid. 2 567 m <sup>2</sup> comm.	Inventories

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

### Status of the projects:

T1 Mall of Tallinn	Building licence obtained. Projecting and construction works continuing, financing agreement signed for the full financing of the project.
Ülemiste 5	Detail plan adopted, project not started. New detail plan under consideration in collaboration with the city in connection with Rail Baltica terminal.
Kristiine City Kristina Houses	Construction works and presale of Marsi 6 building continuing. Three apartment buildings completed, almost all apartments sold. Construction works and presale of the fourth and fifth building continuing.
Kalaranna District	Detailed plan approved. Architectural competition completed and negotiations for projecting contract ongoing.
Tallinas Quarter Kliversala District	Building licence issued, technical project in process. New detail plan approved, construction works and presale continuing for the first building. Projecting of second phase started.



Zvaigznes Quarter  
Šaltinių Namai

Projecting works to get new building licence in process.  
First stage completed, almost all premises sold. Second stage presale and construction works started.

## 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 (sale), rental activities, hotel operations, maintenance of real estate and other services.

### Revenue structure 1 January – 30 June 2017, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2017 6M	2016 6M	2017 6M	2016 6M	2017 6M	2016 6M	2017 6M	2016 6M	2017 6M	2016 6M
Real estate	2 012	3 126	0	0	1 430	1 238	0	0	3 442	4 364
Rent	13	10	33	37	45	43	0	0	91	90
Hotels	847	725	692	657	0	0	1 623	1 547	3 162	2 929
Maintenance	739	731	51	17	68	51	0	0	858	799
Other	0	7	10	11	3	3	0	0	13	21
<b>TOTAL</b>	<b>3 611</b>	<b>4 599</b>	<b>786</b>	<b>722</b>	<b>1 546</b>	<b>1 335</b>	<b>1 623</b>	<b>1 547</b>	<b>7 566</b>	<b>8 203</b>

### Revenue structure 1 April – 30 June 2017, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2017 Q2	2016 Q2	2017 Q2	2016 Q2	2017 Q2	2016 Q2	2017 Q2	2016 Q2	2017 Q2	2016 Q2
Real estate	1 004	2 600	0	0	610	716	0	0	1 614	3 316
Rent	6	5	18	18	23	19	0	0	47	42
Hotels	539	487	469	414	0	0	902	821	1 910	1 722
Maintenance	321	299	17	8	35	24	0	0	373	331
Other	0	6	7	8	1	1	0	0	8	15
<b>TOTAL</b>	<b>1 870</b>	<b>3 397</b>	<b>511</b>	<b>448</b>	<b>669</b>	<b>760</b>	<b>902</b>	<b>821</b>	<b>3 952</b>	<b>5 426</b>

During reporting period the Company's operations in **Estonia** mainly consisted of development and sale of apartments in premium residential real estate properties, development and lease of office premises and management of cash flow generating hotel property.

The share of the Estonian segment as a percentage of total revenues of the Company during six months in 2017 amounted 47,7% comparing to 56,1% during the same period last year.

During six months in 2017 total of 15 apartments, 18 parking lots and 10 storage rooms (2016 6M: 24 apartments, 20 parking lots and 16 storage rooms) were sold. In Kristina Houses development project construction works of Marsi 3, Marsi 3a and Marsi 3b apartment buildings have been completed. The notary deeds for 87 apartments have been signed out of 93 at the moment of the preparation of current report, 24 presale agreements have been concluded for the fourth building construction of which started in the fourth quarter of 2016 and 12 presale agreements for the fifth building. In Marsi 6 project 38 presale agreements have been signed out of 45. At the end of reporting period the stock consisting of 8 apartments and 2 office premises, also several parking spaces and storage rooms was available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate 73,8% increased by 7% comparing to the same period in 2016. The hotel has increased its gross operating profit by 32% comparing to the same period last year. After reporting period the Company has sold hotel real estate property and the hotel operating company (for more details, please see Stock Exchange notice:

<https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=784814&messageId=986892>).

During reporting period the Company's operations in **Latvia** mainly consisted of development and sale 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 six months in 2017 was 10,6% comparing to 8,8% in the same period last year.

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 and construction is ongoing. At the moment of issuing current report 9 presale agreement have been signed.

PK Riga Hotel occupancy rate has increased during reporting period by 1% and was 69,3% comparing to 68,4% during comparative period. Gross operating margin has decreased by 3%. Considering the complicated situation on Riga's hotel market, the results of the hotel are considered to be good.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company during six months in 2017 amounted to 20,2% comparing to 16,3% during the same period last year. The first stage of the project has been completed and construction works of the second stage have started. At the moment of compilation of this report notary deeds on 42 apartments out of 44 have been signed in K4-1 building of the first stage and 56 preliminary agreements have been signed for the second stage in Šaltinių Namai project.

In Lithuania 4 apartments, 2 business premises and 8 parking lots were sold during six months in 2017 (2016 6M: 2 apartments, 4 business premise, 6 parking lots and 1 storage room). There were 4 apartments, 4 cottages, 5 business premises, 12 storage rooms and several parking lots in stock in Vilnius at the end of the reporting period.

The Company's operations in **Germany** consist of 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 six months in 2017 amounted to 21,5% comparing to 18,9% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel 58,8% shows 0,6% decrease comparing to 59,2% for the same period in 2016. Lower occupancy was influenced by renovation works in the hotel that started in 2016 and ended in spring 2017. Gross operating margin has increased by 39% comparing to the same period last year as a result of average rate increase.

### Other operative data 1 January – 30 June 2017

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
M <sup>2</sup> sold*	1 212	1 921	0	0	508	556	0	0	1 720	2 476
Average price, m <sup>2</sup> /EUR*	1 558	1 671	0	0	2 587	2 070	0	0	1 862	1 760
M <sup>2</sup> under maintenance	61 869	61 869	15 038	15 038	17 292	13 867	0	0	94 199	90 774
Occupancy rate %, hotels	73,8%	69,2%	69,3%	68,4%	0,0%	0,0%	58,8%	59,2%	66,8%	65,1%

### Other operative data 1 April – 30 June 2017

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2017 Q2	2016 Q2	2017 Q2	2016 Q2	2017 Q2	2016 Q2	2017 Q2	2016 Q2	2017 Q2	2016 Q2
M <sup>2</sup> sold*	664	1 560	0	0	286	334	0	0	950	1 893
Average price, m <sup>2</sup> /EUR*	1 445	1 732	0	0	1 980	2 056	0	0	1 606	1 789
M <sup>2</sup> under maintenance	61 869	61 869	15 038	15 038	17 292	13 867	0	0	94 199	90 774
Occupancy rate %, hotels	85,1%	87,1%	86,6%	81,1%	0,0%	0,0%	63,3%	62,0%	77,2%	75,8%

\*Square meters do not include parking spaces nor storage rooms, prices are considered 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 six months of 2017 the Company has borrowed 7 241 thousand euros from Lintgen Adjacent Investments, 3 603 thousand euros from Swedbank Latvia and 189 thousand euros from Nordea Bank. The Company has repaid 324 thousand euros of bank loans during 2017. Total amount borrowed from banks was 18,4 million euros as at 30 June 2017. Bank loans are predominantly of middle-term duration, maturing within one to five years. Repayment schedule is mixed, both fixed for some loans and floating in dependence on sales volumes for others.

As at 30 June 2017 the Company had 10,4 million euros convertible bonds (current portion: 4,3 million euros; long term portion: 6,2 million euros), 1,2 million euros non-convertible bonds (all long term portion) and 29,3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020 of which 1,7 million euros worth bonds are held by pro Kapital.

## Shares and shareholders

As at 30 June 2017 Pro Kapital has issued total 54 271 722 shares with the nominal value 0,20 euros. The registered share capital of the Company is 10 854 344,40 euros.

As at 30 June 2017 there were 88 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 30 June 2017:

	Shareholders	Number of shares	Participation in %
1	Nordea Bank Finland Plc Clients	25 285 425	46,59%
2	Eurofiduciaria S.R.L.	6 756 432	12,45%
3	Svalbork Invest OÜ	5 994 539	11,05%
4	Clearstream Banking Luxembourg S.A. Clients	4 890 159	9,01%

Participation of Member of the Management Board and the Council Members as at 30 June 2017:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi	CEO	252 647	0,47%
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%

Since May 2016 Paolo Vittorio Michelozzi is holding 3 secured, callable, fixed rate bond of the Company with the nominal value of 300 000 euros.

Earnings per share during six months in 2017 were -0,04 euros (2016 6M: -0,06 euros).

**Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 June 2017, NASDAQ Baltic Secondary List**



Source: [nasdaqbaltic.com](http://nasdaqbaltic.com)

On 23 November 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange. During the period 1 January – 30 June 2017 the shares were trading at the price range 1,83 - 2,20 euros, with the closing price of 2,15 euros per share on 30 June 2017. During the period 125 thousand of the Company's shares were traded, with their turnover amounting to 249 thousand euros.

On 13 March 2014 the Company's shares started trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 30 June 2017 the shares were trading at the price range of 1,55- 2,23 euros, with the closing price 2,00 euros per share on 30 June 2017.

## 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 30 June 2017 the Company employed 124 people compared to 110 people on 30 June 2016, 88 of them were engaged in hotel and property maintenance services (78 on 30 June 2016).

## Risks

Market risk, liquidity risk and risk of financing have 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 cause the slow-down of realization of its real estate portfolio. The risk is managed through maintaining the 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. The interim report includes description of relevant transactions with related parties.

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	14 August 2017
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	14 August 2017
Edoardo Preatoni	Member of the Management Board	14 August 2017

# Consolidated financial report

## Consolidated interim statements of financial position

<i>in thousands of euros</i>	Notes	30.06.2017	31.12.2016
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		3 181	5 382
Current receivables		4 737	4 475
Inventories	5	29 524	14 144
<b>Total Current Assets</b>		<b>37 442</b>	<b>24 001</b>
Non-Current Assets			
Non-current receivables		40	42
Property, plant and equipment	6	18 130	18 336
Investment property	7	96 038	99 660
Intangible assets		294	275
<b>Total Non-Current Assets</b>		<b>114 502</b>	<b>118 313</b>
<b>TOTAL ASSETS</b>	3	<b>151 944</b>	<b>142 314</b>

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	30.06.2017	31.12.2016
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Current debt	8	7 319	8 261
Customer advances		5 290	2 226
Current payables		5 316	8 502
Taxes payable		318	547
Short-term provisions		145	5
<b>Total Current Liabilities</b>		<b>18 388</b>	<b>19 541</b>
<b>Non-Current Liabilities</b>			
Long-term debt	8	50 580	38 040
Other long-term liabilities		2 182	804
Deferred income tax liability		3 330	3 360
Long-term provisions		49	365
<b>Total Non-Current Liabilities</b>		<b>56 141</b>	<b>42 569</b>
<b>TOTAL LIABILITIES</b>	3	<b>74 529</b>	<b>62 110</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital in nominal value		10 854	10 854
Paid in capital		1 816	1 816
Statutory reserve		1 082	1 082
Revaluation reserve		9 462	9 462
Retained earnings		55 017	59 104
Profit (loss) for the period		-2 265	-3 913
<b>Total equity attributable to equity holders of the parent</b>		<b>75 966</b>	<b>78 405</b>
<b>Non-controlling interest</b>	4	<b>1 449</b>	<b>1 799</b>
<b>TOTAL EQUITY</b>		<b>77 415</b>	<b>80 204</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>151 944</b>	<b>142 314</b>

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	2017 6M	2016 6M	2017 Q2	2016 Q2
<b>Operating income</b>					
Revenue	3, 9	7 566	8 203	3 952	5 426
Cost of goods sold	10	-5 219	-6 794	-2 540	-4 280
<b>Gross profit</b>	11	<b>2 347</b>	<b>1 409</b>	<b>1 412</b>	<b>1 146</b>
Marketing expenses		-503	-202	-289	-85
Administrative expenses	12	-2 642	-2 569	-1 365	-1 388
Other income		302	152	238	47
Other expenses		-28	-58	-23	-39
<b>Operating profit/ loss</b>	3	<b>-524</b>	<b>-1 268</b>	<b>-27</b>	<b>-319</b>
Financial income	13	2	16	1	14
Financial expense	13	-1 747	-1 883	-858	-1 355
<b>Loss before income tax</b>	3	<b>-2 269</b>	<b>-3 135</b>	<b>-884</b>	<b>-1 660</b>
Income tax	3	-41	-14	3	-8
<b>Net loss for the period</b>		<b>-2 310</b>	<b>-3 149</b>	<b>-881</b>	<b>-1 668</b>
<b>Equity holders of the parent</b>	3	-2 265	-3 116	-854	-1 651
<b>Non-controlling interest</b>	3	-45	-33	-27	-17
Earnings per share (EUR)	14	-0,04	-0,06	-0,02	-0,03
Diluted earnings per share (EUR)	14	-0,04	-0,06	-0,02	-0,03

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	2017 6M	2016 6M	2017 Q2	2016 Q2
<b>Cash flows from operating activities</b>					
Loss for the year		-2 310	-3 149	-881	-1 668
Adjustments for:					
Depreciation and amortisation of non-current assets	3	351	357	176	183
Finance income and costs	13	1 744	1 867	857	1 341
Other non-monetary changes (net amounts)		12 898	50	314	21
Changes in working capital:					
Trade receivables and prepayments		-260	349	-167	-428
Inventories	5	-15 380	1 194	-2 438	1 761
Liabilities and prepayments		997	-1 071	2 749	-1 452
Provisions		-175	-34	-187	42
<b>Net cash from operating activities</b>		<b>-2 135</b>	<b>-437</b>	<b>423</b>	<b>-200</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	6	-141	-100	-43	-87
Payments for intangible assets		-24	-1	0	0
Payments for investment property	7	-9 057	-4 423	-4 972	-2 653
Payments for other investments		0	-2 813	0	-2 813
Interests received		3	16	2	14
<b>Net cash from investing activities</b>		<b>-9 219</b>	<b>-7 321</b>	<b>-5 013</b>	<b>-5 539</b>
<b>Cash flows from financing activities</b>					
Net changes related to non-controlling interests		-480	826	0	0
Proceeds from bonds		1 164	15 450	1 164	14 519
Redemption of convertible bonds	8	-539	-12	-17	0
Proceeds from borrowings		11 034	1 554	4 584	765
Repayment of borrowings		-324	-1 950	-156	-1 429
Interests paid		-1 702	-1 860	-1 135	-1 291
<b>Net cash from financing activities</b>		<b>9 153</b>	<b>14 008</b>	<b>4 440</b>	<b>12 594</b>
<b>Net change in cash and cash equivalents</b>		<b>-2 201</b>	<b>6 250</b>	<b>-150</b>	<b>6 855</b>
Cash and cash equivalents at the beginning of the period		5 382	6 392	3 331	5 787
Cash and cash equivalents at the end of the period		3 181	12 642	3 181	12 642

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
<b>1 January 2015</b>	<b>10 821</b>	<b>1 474</b>	<b>1 064</b>	<b>9 389</b>	<b>-143</b>	<b>61 159</b>	<b>83 764</b>	<b>2 024</b>	<b>85 788</b>
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	-1934	-1 718	-76	-1 794
<b>31 December 2015</b>	<b>10 841</b>	<b>1 669</b>	<b>1 082</b>	<b>9 462</b>	<b>0</b>	<b>58 743</b>	<b>81 797</b>	<b>1 635</b>	<b>83 432</b>
Increase of share capital	7	73	0	0	0	0	80	0	80
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	-3 116	-3 116	-33	-3 149
<b>30 June 2016</b>	<b>10 848</b>	<b>1 742</b>	<b>1 082</b>	<b>9 462</b>	<b>0</b>	<b>56 167</b>	<b>79 301</b>	<b>2 248</b>	<b>81 549</b>
Increase of share capital	6	74	0	0	0	0	80	0	80
Changes in non-controlling interests	0	0	0	0	0	-179	-179	-370	-549
Comprehensive profit/ loss for the period	0	0	0	0	0	-797	-797	-79	-876
<b>31 December 2016</b>	<b>10 854</b>	<b>1 816</b>	<b>1 082</b>	<b>9 462</b>	<b>0</b>	<b>55 191</b>	<b>78 405</b>	<b>1 799</b>	<b>80 204</b>
Changes in non-controlling interests	0	0	0	0	0	-174	-174	-305	-479
Comprehensive profit/ loss for the period	0	0	0	0	0	-2 265	-2 265	-45	-2 310
<b>30 June 2017</b>	<b>10 854</b>	<b>1 816</b>	<b>1 082</b>	<b>9 462</b>	<b>0</b>	<b>52 752</b>	<b>75 966</b>	<b>1 449</b>	<b>77 415</b>

## 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 30.06.2017	Share of ownership 31.12.2016
Nordea Bank Finland Plc Clients	Finland	46,59%	52,57%
Eurofiduciaria S.R.L.	Italy	12,45%	12,89%
Svalbork Invest OÜ	Estonia	11,05%	11,05%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	9,01%	2,04%

For the purpose of comparative financial figures of these interim financial statements as at 30 June 2017, 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 six months of 2017, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Ultimate Parent Company and its subsidiaries.

### 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 2016.

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 2016.

## Note 3. Segment reporting

<i>in thousands of euros</i>	the Ultimate Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
<b>2017 6M</b>							
Revenue	12	3 612	789	1 546	1 841	-234	7 566
Other operating income and expenses (net)	0	3	228	0	89	-46	274
Segment operating profit (loss)	-932	215	-41	386	-152		-524
Financial income and expense (net)	-2 259	1 019	-264	-160	-81		-1 745
<b>Profit (loss) before income tax</b>	<b>-3 191</b>	<b>1 234</b>	<b>-305</b>	<b>226</b>	<b>-233</b>		<b>-2 269</b>
Income tax	0	0	-26	-15	0		-41
Non-controlling interest	0	-45	0	0	0		-45
<b>Net profit (loss) for the financial year attributable to equity holders of the parent</b>	<b>-3 191</b>	<b>1 279</b>	<b>-331</b>	<b>211</b>	<b>-233</b>		<b>-2 265</b>
<b>30.06.2017</b>							
Assets	55 512	158 567	37 595	17 696	7 234	-124 660	151 944
Liabilities	109 465	18 615	26 191	8 995	5 152	-93 889	74 529
Acquisition of non-current assets	0	32	1	8	124		165
Depreciation and amortisation	0	-85	-108	-12	-141		-346
<b>2016 6M</b>							
Revenue	0	4 602	735	1 335	1 775	-244	8 203
Other operating income and expenses (net)	7	1	24	2	90	-30	94
Segment operating profit (loss)	-902	134	-260	-84	-156		-1 268
Financial income and expense (net)	-2 612	1 191	-150	-247	-49		-1 867
<b>Profit (loss) before income tax</b>	<b>-3 514</b>	<b>1 325</b>	<b>-410</b>	<b>-331</b>	<b>-205</b>		<b>-3 135</b>
Income tax	0	0	-22	8	0		-14
Non-controlling interest	0	-33	0	0	0		-33
<b>Net profit (loss) for the financial year attributable to equity holders of the parent</b>	<b>-3 514</b>	<b>1 358</b>	<b>-432</b>	<b>-323</b>	<b>-205</b>		<b>-3 116</b>
<b>31.12.2016</b>							
Assets	56 710	149 116	35 917	18 060	7 019	-124 508	142 314
Liabilities	107 472	9 918	24 182	9 570	4 705	-93 737	62 110
Acquisition of non-current assets	0	75	5	2	1 124		1 206
Depreciation and amortisation	0	-159	-217	-35	-284		-695

## Note 4. Changes in minority shareholding

### AS Tallinna Moekombinaat

<b>Minority (%) as at 31 December 2016</b>	<b>8,05%</b>
Purchase of minority shares	-1,40%
<b>Minority (%) as at 30 June 2017</b>	<b>6,65%</b>

*in thousands of euros*

<b>Non-controlling interest as at 31 December 2016</b>	<b>1 799</b>
Increase of non-controlling interest	-305
Loss for the reporting period	-45
<b>Non-controlling interest as at 30 June 2017</b>	<b>1 449</b>

## Note 5. Inventories

<i>in thousands of euros</i>	<b>30.06.2017</b>	<b>31.12.2016</b>
Property held for resale	3 050	4 956
Works in progress	26 401	9 078
Goods bought for resale	64	75
Prepayments for inventories	9	35
<b>Total</b>	<b>29 524</b>	<b>14 144</b>

Property held for resale include completed real estate stock in Tallinn and Vilnius. Works in progress include properties being under development or awaiting for development in the nearest future. In the beginning of 2017 Lithuanian subsidiary PK Invest UAB concluded a construction contract for developing second stage of residential buildings. In relation to that the investment property in Vilnius was reclassified as inventories in total amount of 12 890 thousand euros.

## Note 6. Property, plant and equipment

Land and buildings held for providing services or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less subsequent accumulated depreciation and/ or impairment losses. Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Land and buildings include three hotel properties (in Tallinn, Riga and Bad Kreuznach) and administrative premises in Tallinn and Vilnius.

<i>in thousands of euros</i>	<b>30.06.2017</b>	<b>31.12.2016</b>
Acquisition value	24 159	24 086
Accumulated depreciation	-6 029	-5 750
<b>Residual value</b>	<b>18 130</b>	<b>18 336</b>

# PROKAPITAL

<i>in thousands of euros</i>	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Other tangible assets</b>	<b>Prepay-ments</b>	<b>TOTAL</b>
<b>Acquisition value 01.01.2016</b>	<b>19 316</b>	<b>1 688</b>	<b>1 205</b>	<b>0</b>	<b>22 209</b>
Additions:					
Acquired	0	11	77	1 118	<b>1 206</b>
Reclassified from investment property	750	0	0	0	<b>750</b>
Disposals:					
Sold	0	0	-9	0	<b>-9</b>
Written off	0	-13	-57	0	<b>-70</b>
<b>Acquisition value 31.12.2016</b>	<b>20 066</b>	<b>1 686</b>	<b>1 216</b>	<b>1 118</b>	<b>24 086</b>
Additions:					
Acquired	1 242	1	11	-1 113	<b>141</b>
Disposals:					
Sold	0	0	-9	0	<b>-9</b>
Written off	0	-8	-51	0	<b>-59</b>
<b>Acquisition value 30.06.2017</b>	<b>21 308</b>	<b>1 679</b>	<b>1 167</b>	<b>5</b>	<b>24 159</b>

In the third quarter of 2016 the German hotel started renovation works of ca 60 rooms and public spaces. The cost of works until end of 2016 were recorded as prepayments for property, plant and equipment. At the end of the first quarter of 2017 renovation works of the first step were completed.

Starting from September 2016 the headquarters of the Company are situated in newly renovated Sõjakooli 11 (part of Tondi 53 plot) premises in Tondi quarter, in Tallinn. The property was recorded as investment property until end of renovation works. After renovation investment property was reclassified as property, plant and equipment.

<i>in thousands of euros</i>	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Other tangible assets</b>	<b>Prepay-ments</b>	<b>TOTAL</b>
<b>Accumulated depreciation 01.01.2016</b>	<b>2 583</b>	<b>1 429</b>	<b>1 095</b>	<b>0</b>	<b>5 107</b>
Additions:					
Depreciation charge for the period	490	144	55	0	<b>689</b>
Change in fair value	-64	30	0	0	<b>0</b>
Disposals:					
Sold	0	0	-9	0	<b>-9</b>
Written off	0	-13	-54	0	<b>-67</b>
<b>Accumulated depreciation 31.12.2016</b>	<b>3 103</b>	<b>1 560</b>	<b>1 087</b>	<b>0</b>	<b>5 750</b>
Additions:					
Depreciation charge for the period	365	58	23	0	<b>346</b>
Disposals:					
Sold	0	0	-8	0	<b>-8</b>
Written off	0	-8	-51	0	<b>-59</b>
<b>Accumulated depreciation 30.06.2017</b>	<b>3 368</b>	<b>1 610</b>	<b>1 051</b>	<b>0</b>	<b>6 029</b>

## Note 7. Investment property

<i>in thousands of euros</i>	Investment property held for increase in value	Total
<b>Balance at 01.01.2016</b>	<b>92 457</b>	<b>92 457</b>
Additions:		
Investments	8 552	<b>8 552</b>
Changes in fair value:		
Loss from change in fair value	-599	<b>-599</b>
Reclassified to property plant and equipment	-750	<b>-750</b>
<b>Balance at 31.12.2016</b>	<b>99 660</b>	<b>99 660</b>
Additions:		
Investments	9 057	<b>9 057</b>
Capitalised interests	211	<b>211</b>
Reclassified into inventories	-12 890	<b>-12 890</b>
<b>Balance at 30.06.2017</b>	<b>96 038</b>	<b>96 038</b>

The fair values of the Group's investment property at 31 December 2016 have 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 during reporting period include mainly construction costs of AS Tallinna Moekombinaat ca 9 million euros. In the beginning of 2017 Lithuanian subsidiary PK Invest UAB concluded a construction contract for developing second stage of residential buildings, in relation to that the investment property in Vilnius was reclassified as inventories – construction in progress.

## Note 8. Current and non-current debts

### Current debts

<i>in thousands of euros</i>	30.06.2017	31.12.2016
Bank loans and overdrafts	2 991	3 141
Convertible bonds	4 320	5 104
Non-convertible bonds	0	0
Current portion of finance lease	8	16
<b>Total</b>	<b>7 319</b>	<b>8 261</b>

### Non-current debts

<i>in thousands of euros</i>	30.06.2017	31.12.2016
Bank loans and overdrafts	15 435	4 365
Convertible bonds	6 176	5 930
Non-convertible bonds	28 546	27 337
Payables to non-controlling interest	418	400
Non-current portion of finance lease	5	8
<b>Total</b>	<b>50 580</b>	<b>38 040</b>



## Creditors

<i>in thousands of euros</i>	30.06.2017	31.12.2016
Swedbank AS (EE)	1 252	1 303
Swedbank AS (EE)	1 860	1 942
Nordea Bank AB Estonian branch (EE)	488	501
Nordea Bank AB Estonian branch (EE)	189	0
AS Swedbank (LV)	2 697	2 874
AS Swedbank (LV)	3 603	0
Lintgen Adjacent Investments (Agent) incl long-term interests	8 338	886
Lease agencies	13	24
Fiducaria Emiliana S.r.l including long-term interests payable	270	259
Nikasi Overseas SA including long-term interests payable	147	141
Convertible bonds, various investors	10 496	11 034
Non-convertible bonds, various investors	1 240	1 240
Secured bonds, various investors	27 306	26 097
<b>Total</b>	<b>57 899</b>	<b>46 301</b>

All agreements and liabilities are fixed in euros. The total interest cost for the reporting period was 1 618 thousand euros (2016 6M: 1 301 thousand euros).

## Convertible bonds

The Company has issued convertible bonds with issue price 2,80 euros and remaining total value of 10 496 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 8 March 2017 the Company prolonged the redemption date of 382 778 PKG6 convertible bonds by 2 years. New redemption date is 8 March 2019. 186 495 PKG6 convertible bonds were redeemed with issue price of 522 186,00 euros.

On 23 May 2017 the Company prolonged the redemption date of 82 950 PKG7 convertible bonds by 2 years. New redemption date is 25 May 2019. 5 937 PKG7 convertible bonds were redeemed with issue price of 16 623,60 euros.

All other conditions for convertible bonds have remained unchanged.

## Non-convertible unsecured bonds

The company has issued non-convertible bonds with issue price 10 000 euros. On the reporting date the remaining balance of non-convertible unsecured bonds is 124 bonds with total value of 1 240 000 euros.

## Non-convertible secured bonds

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 30 June 2017 the Company has issued 293 bonds with the total value of 29,3 million euros with redemption date on 1 June 2020 and with a fixed rate of 8%. At the end of the reporting period 17 bonds were held by the Company itself and the liability on the balance sheet has been reduced by 1,7 million euros. The last emission of the bonds was issued with a discount, therefor 150 bonds are accounted for at a discounted rate. The total value of the bonds on the balance sheet on 30 June 2017 was 27,3 million euros.

Secured, callable, fixed rate bonds of the Company are secured with the shares of all subsidiaries of the Group with an exception for Investhotel SIA shares. Since 8 July 2015 the bonds have been listed on Nasdaq Stockholm.

**Pledged assets**

*in thousands of euros*

<b>Beneficiary</b>	<b>Collateral description</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
Swedbank AS (Estonia)	Põhja Avenue 21, 21a, 21 b-1, Tallinn	5 412	5 475
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	283	283
Nordea Bank AB Est Br (Estonia)*	Marsi St 3, 3a, 3b, Tallinn	1 160	2 445
Nordea Bank AB Est Br (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	1 099	230
Nordea Bank AB Est Br (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 312	2 310
Nordea Bank AB Est Br (Estonia)	Tondi 53-2 (Sõjakooli 11), Tallinn	713	720
Lintgen Adjacent Investments	Peterburi 2, Tallinn	42 442	33 500
AS Swedbanka (Latvia)	Pulkveza Brieza St 11, Riga	5 294	5 364
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	25 022	22 877

Share pledges related to secured callable fixed rate bonds:

Nordic Trustee & Agency AB	Pro Kapital Germany Holdings OÜ	10	10
Nordic Trustee & Agency AB	Pro Kapital Germany GmbH	25	25
Nordic Trustee & Agency AB	PK Hotel Management Services GmbH	116	116
Nordic Trustee & Agency AB	Pro Kapital Eesti AS	16 880	16 880
Nordic Trustee & Agency AB	OÜ Ilmarise Kvartal	3	3
Nordic Trustee & Agency AB	Pro Halduse OÜ	26	26
Nordic Trustee & Agency AB	OÜ Hotel Management Services	25	25
Nordic Trustee & Agency AB	AS Tondi Kvartal	160	160
Nordic Trustee & Agency AB	OÜ Marsi Elu	20	13
Nordic Trustee & Agency AB	AS Tallinna Moekombinaat	11 795	11 795
Nordic Trustee & Agency AB	Pro Kapital Latvia JSC	9 960	9 960
Nordic Trustee & Agency AB	Kliversala SIA	14 531	14 531
Nordic Trustee & Agency AB	Tallina Nekustamie Īpašumi SIA	4 000	4 000
Nordic Trustee & Agency AB	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	2 500	2 500
Nordic Trustee & Agency AB	Hotel Management Services SIA	569	569
Nordic Trustee & Agency AB	Pro Kapital Vilnius Real estate UAB	1 335	1 335
Nordic Trustee & Agency AB	In Vitam UAB	3	3
Nordic Trustee & Agency AB	PK Invest UAB	823	823
Nordic Trustee & Agency AB	Pro Kapital Bonum UAB	800	800
Nordic Trustee & Agency AB	bank accounts with Nordea Bank AB (SE)	24	24

\*Bank loan has been repaid in 2016.

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.

## Note 9. Revenue

<i>in thousands of euros</i>	<b>2017 6M</b>	<b>2016 6M</b>	<b>2017 Q2</b>	<b>2016 Q2</b>
Revenue from sale of real estate	3 442	4 364	1 614	3 316
Rental revenue	91	90	47	42
Hotel operating revenue	3 162	2 929	1 910	1 722
Revenue from maintenance services	858	799	373	331
Other services	13	21	8	15
<b>Total</b>	<b>7 566</b>	<b>8 203</b>	<b>3 952</b>	<b>5 426</b>

## Note 10. Cost of goods and services sold

<i>in thousands of euros</i>	<b>2017 6M</b>	<b>2016 6M</b>	<b>2017 Q2</b>	<b>2016 Q2</b>
Cost of real estate sold	2 156	3 772	989	2 778
Cost of providing rental services	97	52	45	28
Cost of hotel operations	2 199	2 200	1 164	1 150
Cost of maintenance	754	755	332	310
Cost of other services	13	15	10	14
<b>Total</b>	<b>5 219</b>	<b>6 794</b>	<b>2 540</b>	<b>4 280</b>

## Note 11. Gross profit

<i>in thousands of euros</i>	<b>2017 6M</b>	<b>2016 6M</b>	<b>2017 Q2</b>	<b>2016 Q2</b>
Real estate	1 286	592	625	538
Rental revenue	-6	38	2	14
Hotel operating	963	729	746	572
Maintenance services	104	44	41	21
Other services	0	6	-2	1
<b>Total</b>	<b>2 347</b>	<b>1 409</b>	<b>1 412</b>	<b>1 146</b>

## Note 12. Administrative expenses

<i>in thousands of euros</i>	<b>2017 6M</b>	<b>2016 6M</b>	<b>2017 Q2</b>	<b>2016 Q2</b>
Staff costs	1 283	1 401	651	768
Offices and communication	116	103	73	45
Travel and transportation	93	96	44	51
Consulting, software licences, etc	285	161	155	115
Bank, stock exchange, depository fees	201	166	99	80
Land and real estate taxes	233	234	115	116
Depreciation charge	54	53	27	27
Amortisation charge	1	2	0	0
Other	376	353	201	186
<b>Total</b>	<b>2 642</b>	<b>2 569</b>	<b>1 365</b>	<b>1 388</b>

## Note 13. Financial income and expenses

### Financial income

<i>in thousands of euros</i>	2017 6M	2016 6M	2017 Q2	2016 Q2
Interest income	3	16	2	14
<b>Total</b>	<b>3</b>	<b>16</b>	<b>2</b>	<b>14</b>

### Financial expenses

<i>in thousands of euros</i>	2017 6M	2016 6M	2017 Q2	2016 Q2
Interest expenses	1 618	1 301	821	815
Other financial expenses	129	582	37	540
<b>Total</b>	<b>1 747</b>	<b>1 883</b>	<b>858</b>	<b>1 355</b>

## Note 14. 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 01.01.2017-30.06.2017	(54 271 722* 181/181)	=54 271 722
In period 01.01.2016-30.06.2016	(54 203 938* 182/182)	=54 203 938

Indicative earnings per share:

01.01.2017-30.06.2017	- 2 265 thousand euros/ 54 271 722 = -0,04 euros
01.01.2016-30.06.2016	- 3 116 thousand euros/ 54 203 938 = -0,06 euros

The convertible bonds issued did not have a dilutive effect on earnings in 2017 and 2016, therefore they have not been included in the calculation of the diluted net loss per share and the diluted loss per share equals the net loss per share indicator.

## Note 15. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp (the Company) took place on 24 May 2017. Eight shareholders were present, who represented 67,97% of all votes. The main decisions adopted at the meeting were as follows:

- 1) The audited annual report of the Company for the financial year 2016 was approved.
- 2) It was decided to cover the net loss for the financial year 2016 in the amount of 3 913 thousand euros with retained earnings of previous periods.
- 3) It was decided to elect AS Deloitte Audit Eesti as the auditor of the Company for the financial year of 2017.
- 4) It was decided to authorise the Management Board to conclude service agreements with Lunacon Oy (a company related to Council Member Pertti Huuskonen) and Forbia Oy (a company related to Council member Petri Olkinuora) on following main terms:

Nature of service: At the request of the Company participate in preparation of investor materials and participation at investor meetings.

Remuneration: Daily fee of 1 000 euros (half day 50%), VAT to be added, for preparation work related to investor materials. Same daily fee for investor meetings participation (when requested by Company).

Success fee: In case the Company decides on increase of share capital, then success fee of 0,25%, VAT to be added, on amounts invested into the share capital of the Company by investor as a result of service

providers' active participation. Success fee is payable in case the service provider has actively participated in attracting specific investor.

Term of contract: without term.

Other conditions: to be decided by AS Pro Kapital Management Board. Appoint Chairman of the Management Board Paolo Vittorio Michelozzi as the representative of the Company for conclusion of the agreement.

## Note 16. 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>	2017 6M	2016 6M
Significant owners and owner related companies		
Revenues	31	42
Administrative expenses	6	5
Purchase of minority shares	480	0
Payment for minority shares	480	361
Minority shareholders		
Interest expenses	18	19
Other shareholders/ bondholders		
Interest expenses	364	389
Redemption of convertible bonds	539	12
Interest payments	459	489
Salaries and bonuses paid to management	347	478

### Receivables from related parties

<i>in thousands of euros</i>	30.06.2017	31.12.2016
Short-term receivables		
Significant owners and owner related companies	4	6
<b>Total</b>	<b>4</b>	<b>6</b>

### Payables to related parties

<i>in thousands of euros</i>	30.06.2017	31.12.2016
Short-term payables		
Significant owners and owner related companies	0	30
Long-term payables to minority shareholders	418	380
<b>Total</b>	<b>420</b>	<b>754</b>

### Shareholding in the Company %

	30.06.2017	31.12.2016
Members of the Council and individuals related them	0,02%	0,02%
Members of the Board and individuals related them	0,47%	0,47%

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 six months and the second quarter of 2017.

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	Chairman of the Management Board	14 August 2017
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Allan Remmelkoor	Member of the Management Board	14 August 2017
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Edoardo Preatoni	Member of the Management Board	14 August 2017
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