

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR II QUARTER
AND 6 MONTHS OF 2016 (UNAUDITED)

PROKAPITAL



AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR II QUARTER AND 6 MONTHS OF 2016 (UNAUDITED)

Table of content

AS Pro Kapital Grupp in brief	2
Management report	3
Key figures and main events 1 January – 30 June 2016 and after the reporting period	3
CEO review	5
Group Structure	6
Overview of development projects	7
Segments and key performance indicators	8
Financing sources and policies	10
Shares and shareholders	10
Legal overview and developments	11
People	11
Risks	12
Management Board´s confirmation of the management report	13
Consolidated financial report	14
Consolidated interim statements of financial position	14
Consolidated interim statements of comprehensive income	16
Consolidated interim statements of cash flows	17
Consolidated interim statements of changes in equity	18
Notes to consolidated interim financial statements	19
Note 1. General information	19
Note 2. Basis of preparation	19
Note 3. Segment reporting	20
Note 4. Changes in minority shareholding	21
Note 5. Property, plant and equipment	21
Note 6. Investment property	22
Note 7. Loans	23
Note 8. Revenue	25
Note 9. Cost of goods and services sold	25
Note 10. Gross profit	25
Note 11. Administrative expenses	25
Note 12. Financial income and expenses	26
Note 13. Earnings per share	26
Note 14. Shareholders meetings	26
Note 15. Transactions with related parties	27
Management Board´s confirmation of the financial statements	29

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 2016 and after the reporting period

- Total revenue for six months of 2016 was 8 203 thousand euros, a decrease of 17% compared to the reference period (2015 6 months: 9 894 thousand euros). Total revenue of the second quarter was 5 426 thousand euros comparing to 6 759 thousand euros in 2015.
- Net operating result during six months decreased by 828 thousand euros (188%) compared to the reference period, totalling to losses of 1 268 thousand euros (2015 6 months: -440 thousand euros). Net operating result for the second quarter was loss of 319 thousand euros (2015 Q2: profit 282 thousand euros).
- Net result for six months of 2016 has decreased by 1 569 thousand euros (99%) compared to the reference period, totalling to losses of 3 149 thousand euros (2015 6 months: -1 580 thousand euros). Net result for the second quarter was loss of 1 668 thousand euros (2015 Q2: -422 thousand euros).
- Cash flow from operations for the first six months of 2016 was minus 437 thousand euros (2015 6 months: 3 447 thousand euros). Cash flow from operations for the second quarter was minus 200 thousand euros (2015 Q2: 4 304 thousand euros).
- Net assets per share on 30 June 2016 totalled 1,50 euros (30 June 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 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.
- On 02 June 2016 Tallinn City Council established partly the detail plan of the Tallinna Kalasadam area, according to which the daughter company of AS Pro Kapital Grupp, AS Pro Kapital Eesti, shall have the right to erect 6-18 buildings with gross volume of 38 300 square meters together with the recreational areas and coastal promenade.
- On 13 June 2016 the group company AS Kliversala concluded a construction agreement for River Breeze Residence in Riga, Kliversala district. Construction was started in July with total period of 18 months and presumed commissioning in winter 2017-2018. The volume of the construction agreement is 12,6 million euros excluding VAT. Total area of the building is 12 850 square meters, it has 7 floors with 48 apartments, areas ranging from 56 to 316 square meters and 2 underground parking sites.
- On 17 June 2016 the shareholders meeting of AS Pro Kapital Grupp decided to increase the share capital of AS Pro Kapital Grupp by issuing the new shares in amount of 67 784 shares with price 2,37 euros per share. During the offering period 20 - 22 June 2016 in total 33 892 shares were offered for subscription with the right to subscribe issued to Paolo Vittorio Michelozzi, the Member of the Management Board of the Company. All offered shares were subscribed with total value of 80 324,04 euros. The new amount of share capital is 10 847 566,00 euros.
- On 10 August 2016, after the reporting period, the Company prolonged the redemption date of 840 184 PKG3 convertible bonds by 2 years. The new redemption date is 10 August 2018.
- Sales 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 36 apartments out of 44 in K4-1 building have been signed and 23 reservation agreements have been signed for the II stage. In Tallinn, Tondi quarter the Company has completed three apartment buildings where 66 apartments out of 93 have

been handed over to the clients. Presales have been started also for the 4th building with 3 presale 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 6M	2015 6M	2016 Q2	2015 Q2
Revenue, th EUR	8 203	9 894	5 426	6 759
Gross profit, th EUR	1 409	2 367	1 146	1 770
Gross profit, %	17%	24%	21%	26%
Operating result, th EUR	-1 268	-440	-319	282
Operating result, %	-15%	-4%	-6%	4%
Net result, th EUR	-3 149	-1 580	-1 668	-422
Net result, %	-38%	-16%	-31%	-6%
Earnings per share, EUR	-0,06	-0,03	-0,03	-0,01
	30.06.2016	30.06.2015		31.12.2015
Total Assets, th EUR	142 008	128 789		130 356
Total Liabilities, th EUR	60 459	45 151		46 892
Total Equity, th EUR	81 549	83 640		83 464
Debt/ Equity *	0,74	0,54		0,56
Return on Assets, % **	-2,3%	-1,2%		-1,5%
Return on Equity, % ***	-3,8%	-1,9%		-2,4%
Net asset value per share, EUR ****	1,50	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 second 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 started construction works in Kliversala residential quarter and continued the constructing in other two of its residential development projects – Šaltinių Namai in Vilnius and Tondi Quarter in Tallinn.

In Vilnius by the issuing of the present report 36 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, where 23 reservation agreements have been signed.

In Tallinn, Tondi quarter, the Company has completed three apartment buildings where 66 apartments out of 93 have been handed over to the clients. Presales have been started also for the 4th building with 3 presale agreements signed. The construction works were continued 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. During the reporting period Tallinn City Council established partly the detail plan of the Tallinna Kalasadam area, according to which the Company shall have the right to erect 6-18 buildings with gross volume of 38 300 m² together with the recreational areas and coastal promenade. For the final architectural solutions an open competition shall be organised by the Company.

In Riga, the construction works for the first residential building in Kliversala project have been started 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 six months the Company completed two tranches of emission of bonds 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 8,2 million euros, decrease of 17% as compared to 9,9 million euros in the same period in 2015. Revenues have decreased in real estate segment. This segment is influenced by completion of the buildings as revenues are recoded at the moment notary deed of sales is concluded. Decrease in gross profit affected also the net result as well as increased costs related to new emissions of secured bonds. Recorded net losses of 3,1 million euros for six months in 2016 were 99% higher as compared to 1,6 million euros losses in the same period last year.

Overall loans from financial institutions were 7,4 million euros as at 30 June 2016. The loans from minority shareholders were 0,3 million euros. The Company had 11,1 million euros worth convertible bonds and 31,5 million euros worth non-convertible bonds at the end of reporting date.

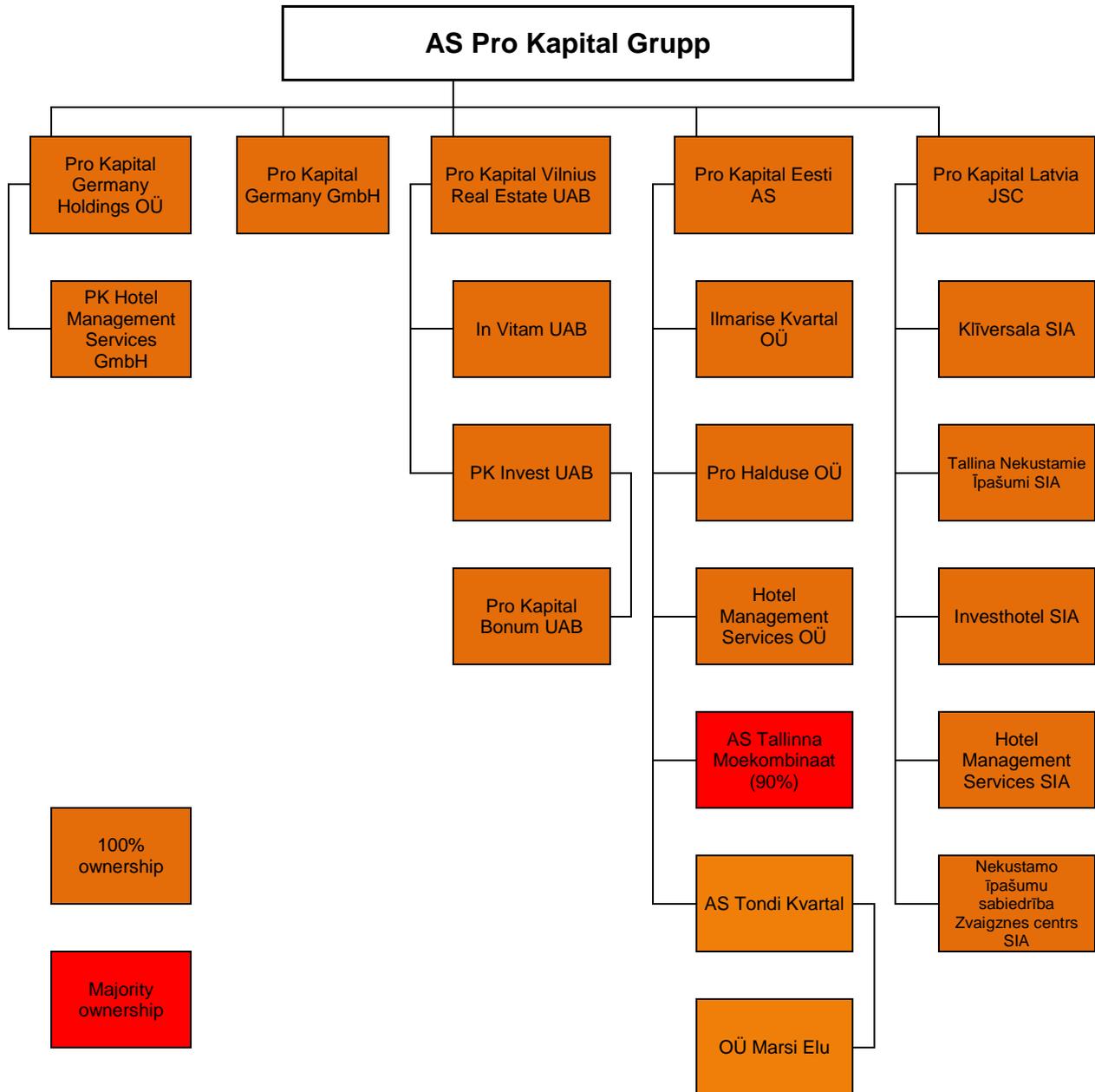
As at 30 June 2016 there were 110 employees working in the Company, 75 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

23 August 2016

Group Structure

As at 30 June 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 continuing.
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 continued for small historical building on Tondi 53 land plot, to be converted to an office building.
Marsi 3, 3a, 3b	Three buildings completed, sales in process. Presales of the fourth building continuing.
Kalaranna District	Detailed plan approved.
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, construction works and presales started for the 1 st building.
Zvaigznes Quarter Šaltīniņš Namai	Building licence for reconstruction of the existing building issued. 1 st stage completed, available for sale. Construction of the two additional buildings completed, sales 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 – 30 June 2016, in thousand euros

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2016 6M	2015 6M	2016 6M	2015 6M	2016 6M	2015 6M	2016 6M	2015 6M	2016 6M	2015 6M
Real estate	3 126	2 948	0	0	1 238	3 098	0	0	4 364	6 046
Rent	10	14	37	40	43	51	0	0	90	105
Hotels	725	672	657	698	0	0	1 547	1 530	2 929	2 900
Maintenance	731	719	17	17	51	49	0	0	799	785
Other	7	44	11	10	3	4	0	0	21	58
TOTAL	4 599	4 397	722	765	1 335	3 202	1 547	1 530	8 203	9 894

Revenue structure 1 April – 30 June 2016, in thousand euros

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2016 Q2	2015 Q2	2016 Q2	2015 Q2	2016 Q2	2015 Q2	2016 Q2	2015 Q2	2016 Q2	2015 Q2
Real estate	2 600	2 088	0	0	716	2 535	0	0	3 316	4 623
Rent	5	7	18	20	19	25	0	0	42	52
Hotels	487	422	414	448	0	0	821	822	1 722	1 692
Maintenance	299	319	8	8	24	25	0	0	331	352
Other	6	31	8	7	1	2	0	0	15	40
TOTAL	3 397	2 867	448	483	760	2 587	821	822	5 426	6 759

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 six months in 2016 amounted 56,1% comparing to 44,4% during the same period last year.

In 2016 total of 24 apartments, 20 parking lots and 16 storage rooms (2015 6M: 23 apartments, 22 parking lots and 18 storage rooms) were sold. During 2015 construction works of Marsi 3 and 3b buildings and in June 2016 Marsi 3a building in Tondi Quarter were completed. The notary deeds for 66 apartments have been signed out of 93 at the moment of the preparation of current report. At the end of reporting period stock consisting of 31 apartments and office premises, also several parking spaces and storage rooms was available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate 69,2% shows 2% increase comparing to 67,9% for the same period in 2015. The hotel has increased its gross operating profit by 9% 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 six months in 2016 increased to 8,8% comparing to 7,7% 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 has started. At the moment of issuing current report 7 presale agreement have been signed.

PK Riga Hotel occupancy rate has decreased in 2016 by 5% and was 68,4% comparing to 71,7% in the same period in 2015. 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 six months in 2016 amounted to 16,3% comparing to 32,4% during the same period last year. Higher revenues in 2015 were influenced by completion of a new building and conclusion of notary deeds. Another increase in sales is expected for the 3rd quarter of the current year when K4-1 building will be completed. At the moment of compilation of this report presale agreements for 36 apartments out of 44 have been signed in K4-1 building and 23 reservation agreements have been signed for the 2nd stage in Šaltinių Namai project.

In Lithuania 2 apartments, 4 business premises, 6 parking lots and 1 storage room were sold during six months (2015 6M: 4 apartments, 1 business premise, 4 parking lots and 2 cottages). There were 6 apartments, 4 cottages, 7 business premises, 13 storage rooms and 73 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 six months in 2016 amounted to 18,9% comparing to 15,5% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel 59,2% shows 6% increase comparing to 55,7% for the same period in 2015. Gross operating margin has decreased comparing to the same period last year.

Other operative data 1 January – 30 June 2016

	EST 2016 6M	EST 2015 6M	LV 2016 6M	LV 2015 6M	LT 2016 6M	LT 2015 6M	GER 2016 6M	GER 2015 6M	TOTAL 2016 6M	TOTAL 2015 6M
M ² sold*	1 921	1 718	0	0	556	1 542	0	0	2 476	3 260
Average price, m ² /EUR**	1 671	1 610	0	0	2 070	2 010	0	0	1 760	1 773
M ² under maintenance	61 869	57 770	15 038	15 038	13 867	12 689	0	0	90 774	85 497
Occupancy rate %, hotels	69,2%	67,9%	68,4%	71,7%	0,0%	0,0%	59,2%	55,7%	65,1%	64,3%

Other operative data 1 April – 30 June 2016

	EST 2016 Q2	EST 2015 Q2	LV 2016 Q2	LV 2015 Q2	LT 2016 Q2	LT 2015 Q2	GER 2016 Q2	GER 2015 Q2	TOTAL 2016 Q2	TOTAL 2015 Q2
M ² sold	1 560	1 154	0	0	334	1 345	0	0	1 893	761
Average price, m ² /EUR*	1 732	1 689	0	0	2 056	1 908	0	0	1 789	1 773
M ² under maintenance	61 869	57 770	15 038	15 038	13 867	12 689	0	0	90 774	84 406
Occupancy rate %, hotels	87,1%	80,3%	81,1%	86,3%	0,0%	0,0%	62,0%	61,6%	75,8%	53,7%

*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 first six months of 2016 the Company has borrowed 1 228 thousand euros from Nordea Bank and 326 thousand euros from Swedbank Lithuania. The Company repaid 1 950 thousand euros of bank loans during the second quarter of 2016. Total amount borrowed from banks was 7,4 million euros as at 30 June 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 30 June 2016 the Company had 11,1 million euros convertible bonds (current portion: 6,8 million euros; long term portion: 4,3 million euros), 2,2 million euros non-convertible bonds (current portion: 1 million euros; long term portion: 1,2 million euros) and 29,3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020.

Shares and shareholders

As at 30 June 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. On 17 June 2016 the shareholders decided to increase the share capital by 67 784 shares with the price 2,37 euros per share. During the first subscription period in June 33 892 shares with the total price of 80 324,04 euros were subscribed by the Member of the Management Board Paolo Vittorio Michelozzi. After registering subscribed shares the new number of issued shares is 54 237 830 and the share capital of Pro Kapital is 10 847 566 euros.

As at 30 June 2016 there were 76 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 2016:

	Shareholders	Number of shares	Participation in %
1	Nordea Bank Finland Plc Clients	27 418 865	50,58%
2	Eurofiduciaria S.R.L.	6 992 493	12,90%
3	Svalbork Invest OÜ	5 994 539	11,06%

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

*After registration of last subscription of shares Paolo Vittorio Michelozzi will have the total of 218 755 shares

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 first six months in 2016 were -0,06 euros (2015 6M: -0,03 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 June 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 – 30 June 2016 the shares were trading at the price range of 2,00 - 2,65 euros, with the closing price of 2,19 euros per share on 30 June 2016. During the period 111 thousand of the Company’s shares were traded, with their turnover amounting to 252 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 – 30 June 2016 the shares were trading at the price range of 2,00- 2,35 euros, with the closing price of Classic Xetra 2,13 euros per share and Xetra Frankfurt Specialist price 2,02 euros per share on 30 June 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 30 June 2016 the Company employed 110 people compared to 105 people on 30 June 2015, 75 of them were engaged in hotel and property maintenance services (78 on 30 June 2015).

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	23 August 2016
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	23 August 2016
Edoardo Preatoni	Member of the Management Board	23 August 2016

Consolidated financial report

Consolidated interim statements of financial position

<i>in thousands of euros</i>	Notes	30.06.2016	31.12.2015
ASSETS			
Current Assets			
Cash and cash equivalents		12 642	6 392
Current receivables		1 261	1 608
Inventories		11 243	12 438
Assets held for sale		2 813	0
Total Current Assets		27 959	20 438
Non-Current Assets			
Non-current receivables		45	48
Property, plant and equipment	5	16 849	17 103
Investment property	6	96 880	92 457
Intangible assets		275	277
Total Non-Current Assets		114 049	109 885
TOTAL ASSETS		142 008	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	30.06.2016	31.12.2015
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	7	11 600	8 004
Customer advances		1 673	1 692
Current payables		3 965	5 103
Taxes payable		263	264
Short-term provisions		32	87
Total Current Liabilities		17 533	15 150
Non-Current Liabilities			
Long-term debt	7	38 449	27 054
Other long-term liabilities		640	837
Deferred income tax liability		3 469	3 503
Long-term provisions		368	347
Total Non-Current Liabilities		42 926	31 741
TOTAL LIABILITIES		60 459	46 891
Equity attributable to equity holders of the parent			
Share capital in nominal value*		10 848	10 841
Paid in capital*		1 742	1 669
Statutory reserve		1 082	1 082
Revaluation reserve		9 462	9 462
Retained earnings		59 283	60 677
Profit (loss) for the period		-3 116	-1 934
Total equity attributable to equity holders of the parent		79 301	81 797
Non-controlling interest		2 248	1 635
TOTAL EQUITY		81 549	83 432
TOTAL LIABILITIES AND EQUITY		142 008	130 323

* 30 June 2016 balance includes unregistered increase of share capital

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 6M	2015 6M	2016 Q2	2015 Q2
Operating income					
Revenue	8	8 203	9 894	5 426	6 759
Cost of goods sold	9	-6 794	-7 527	-4 280	-4 989
Gross profit	10	1 409	2 367	1 146	1 770
Marketing expenses		-202	-293	-85	-194
Administrative expenses	11	-2 569	-2 388	-1 388	-1 207
Other income		152	94	47	49
Other expenses		-58	-220	-39	-136
Operating profit/ loss		-1 268	-440	-319	282
Financial income	12	16	9	14	7
Financial expense	12	-1 883	-1 135	-1 355	-709
Loss before income tax		-3 135	-1 566	-1 660	-420
Income tax		-14	-14	-8	-2
Net loss for the period		-3 149	-1 580	-1 668	-422
Equity holders of the parent		-3 116	-1 703	-1 651	-537
Non-controlling interest		-33	123	-17	115
Earnings per share (EUR)	13	-0,06	-0,03	-0,03	-0,01
Diluted earnings per share (EUR)	13	-0,06	-0,03	-0,03	-0,01

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 6M	2015 6M	2016 Q2	2015 Q2
Cash flows from operating activities					
Loss for the year		-3 149	-1 580	-1 668	-422
Adjustments for:					
Depreciation and amortisation of non-current assets	5	357	331	183	158
Change in fair value of investment property	6	0	180	0	180
Finance income and costs	12	1 867	1 126	1 341	702
Other non-monetary changes (net amounts)		50	82	21	257
Changes in working capital:					
Trade receivables and prepayments		349	1 380	-428	976
Inventories		1 194	2 442	1 761	2 390
Liabilities and prepayments		-1 071	-520	-1 452	60
Provisions		-34	6	42	3
Net cash from operating activities		-437	3 447	-200	4 304
Cash flows from investing activities					
Payments for property, plant and equipment	5	-100	-40	-87	-34
Payments for intangible assets		-1	0	0	0
Payments for investment property	6	-4 423	-180	-2 653	-112
Payments for other investments		-2 813	0	-2 813	0
Interests received		16	3	14	1
Net cash from investing activities		-7 321	-217	-5 539	-145
Cash flows from financing activities					
Proceeds from changes in non-controlling interests		1 187	0	0	0
Payment for purchase of minority shareholding		-361	0	0	0
Proceeds from issue of bonds		15 450	7 000	14 549	7 000
Redemption of convertible bonds		-12	-62	0	-62
Proceeds from borrowings		1 554	2 197	765	406
Repayment of borrowings		-1 950	-3 705	-1 429	-2 884
Interests paid		-1 860	-680	-1 291	-95
Net cash from financing activities		14 008	4 750	12 594	4 365
Net change in cash and cash equivalents		6 250	7 980	6 855	8 524
Cash and cash equivalents at the beginning of the period		6 392	1 881	5 787	1 337
Cash and cash equivalents at the end of the period		12 642	9 861	12 642	9 861

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
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
30 June 2016	10 848	1 742	1 082	9 462	0	56 167	79 301	2 248	81 549

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 30.06.2016	Share of ownership 31.12.2015
Nordea Bank Finland Plc Clients	Finland	50,58%	36,47%
Eurofiduciaria S.R.L.	Italy	12,90%	12,71%
Svalbork Invest OÜ	Estonia	11,06%	12,62%

For the purpose of comparative financial figures of these interim financial statements as at 30 June 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 six 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 6M							
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
Profit (loss) before income tax	-3 514	1 325	-410	-331	-205		-3 135
Income tax	0	0	-22	8	0		-14
Non-controlling interest	0	-33	0	0	0		-33
Net profit (loss) for the financial year attributable to equity holders of the parent	-3 514	1 358	-432	-323	-205		-3 116
30.06.2016							
Assets	66 657	146 357	28 470	21 584	5 762	-126 822	142 008
Liabilities	114 795	6 801	16 151	15 817	2 947	-96 052	60 459
Acquisition of non-current assets	0	33	2	1	65		101
Depreciation and amortisation	0	-75	-109	-23	-147		-354
2015 6M							
Revenue	0	4 399	776	3 201	1 748	-230	9 894
Other operating income and expenses (net)	-14	-52	-52	-67	89	-30	-126
Segment operating profit (loss)	-808	105	-234	510	-13		-440
Financial income and expense (net)	-1 908	1 244	-122	-289	-51		-1 126
Profit (loss) before income tax	-2 716	1 349	-356	221	-64		-1 566
Income tax	0	0	-26	12	0		-14
Non-controlling interest	0	123	0	0	0		123
Net profit (loss) for the financial year attributable to equity holders of the parent	-2 716	1 226	-382	233	-64		-1 703
31.12.2015							
Assets	57 019	145 419	28 275	21 609	5 936	-127 935	130 323
Liabilities	101 723	8 375	15 524	15 518	2 916	-97 165	46 891
Acquisition of non-current assets	0	13	3	9	30		55
Depreciation and amortisation	0	-154	-219	-26	-294		-693

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 31 December 2015	7,22%
Subscription of new shares	2,44%
Minority (%) as at 30 June 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	-33
Non-controlling interest as at 30 June 2016	2 248

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.

<i>in thousands of euros</i>	30.06.2016	31.12.2015
Acquisition value	22 300	22 209
Accumulated depreciation	-5 107	-5 107
Balance value	17 193	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	6	31	64	101
Disposals:					
Written off	0	0	-10	0	-10
Acquisition value 30.06.2016	19 316	1 694	1 226	64	22 300

PROKAPITAL

<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	245	77	32		354
Disposals:					
Written off	0	0	-10	0	-10
Accumulated depreciation 30.06.2016	2 828	1 506	1 117	0	5 451

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	4 423	4 423
Balance at 30.06.2016	96 880	96 880

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 during six months of 2016 include mainly construction costs of AS Tallinna Moekombinaat – 4 018 thousand euros during the reporting period.

Note 7. Loans

<i>in thousands of euros</i>	30.06.2016	31.12.2015
Current debt, financial institutions	3 745	931
Non-current debt, financial institutions	3 712	6 924
Current debt, related parties	30	30
Non- current debt, minority shareholder	308	308
Convertible debt, bonds	11 145	11 157
Non- convertible debt, bonds*	31 540	15 640
Total	50 480	34 990

*Non-convertible debt as at 30 June 2016 is in nominal value, the balance sheet includes discounted amount of 31 109 thousand euros. The total amount of loans in the balance sheet as at 30 June 2016 is 50 049 thousand euros.

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. On 10 August 2016, after the reporting period, the Company prolonged the redemption date of 840 184 PKG3 convertible bonds with total value of 2 352 515,20 euros. The new maturity date of PKG3 convertible bonds is 10 August 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 159 bonds have been issued with the nominal value of 15 900 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 Investhotel SIA shares. Since 8 July 2015 the bonds have been listed on Nasdaq Stockholm.

Creditors

<i>in thousands of euros</i>	30.06.2016	31.12.2015
Swedbank AS (EE)	3 378	3 512
Nordea Bank AB Estonian branch (EE)	183	220
AS Swedbank (LV)	3 061	3 245
"Swedbank" AB (LT)	835	878
Fiducaria Emiliana S.r.l	197	197
Nikasi Overseas SA	111	111
Colosseum OÜ	30	30
Convertible bonds, various investors	11 145	11 157
Non- convertible bonds, various investors	2 240	2 240
Secured bonds, various investors	31 540	13 400
Total	50 480	34 990

All agreements are fixed in euros. The total interest cost for the reporting period was 1 301 thousand euros (2015 6 months: 832 thousand euros).

Loan repayment

<i>in thousands of euros</i>	30.06.2016	31.12.2015
Due within 1 year	11 600	8 013
Due between 2 to 5 years	38 572	26 669
Due after 5 years	308	308
Total	50 480	34 990

Pledged assets

in thousands of euros

Beneficiary	Collateral description	30.06.2016	31.12.2015
Swedbank AS (Estonia)	Põhja Avenue 21, 21a, 21 b-1, Tallinn	5 537	5 600
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	286	303
Nordea Bank AB Est Br (Estonia)	Marsi St 3, 3a, 3b, Tallinn	3 270	4 346
Nordea Bank AB Est Br (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	229	208
Nordea Bank AB Est Br (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 300	2 190
Nordea Bank AB Est Br (Estonia)	Tondi 53-2 (Sõjakooli 11), Tallinn	462	0
AS Swedbanka (Latvia)	Pulkveza Brieza St 11, Riga	5 435	5 506
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	15 785	15 601
Swedbank AB (Lithuania)	Aguonu St 10,12,14; Saltiniu 20, 22, 24, 26, Vilnius	19 906	19 920
AS Merko Ehitus Eesti*	Peterburi tee 2, Tallinn	30 318	26 300
<i>Share pledges related to secured callable fixed rate bonds:</i>			
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	13	13
Nordic Trustee & Agency AB	AS Tallinna Moekombinaat	12 829	N/A
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	3 100	3 100
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)	23	25
Total		147 265	130 877

**The pledge in favour of AS Merko Ehitus Eesti has been removed after the reporting date.*

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 6M	2015 6M	2016 Q2	2015 Q2
Revenue from sales of real estate	4 364	6 046	3 316	4 623
Rental revenue	90	105	42	52
Hotel operating revenue	2 929	2 900	1 722	1 692
Revenue from maintenance services	799	785	331	352
Other services	21	58	15	40
Total	8 203	9 894	5 426	6 759

Note 9. Cost of goods and services sold

<i>in thousands of euros</i>	2016 6M	2015 6M	2016 Q2	2015 Q2
Cost of real estate sold	3 772	4 679	2 778	3 558
Cost of providing rental services	52	50	28	25
Cost of hotel operations	2 200	2 036	1 150	1 058
Cost of maintenance	755	751	310	338
Cost of other services	15	13	14	12
Total	6 794	7 529	4 280	4 991

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 6M	2015 6M	2016 Q2	2015 Q2
Real estate	592	1 367	538	1 065
Rental revenue	38	55	14	27
Hotel operating	729	864	572	634
Maintenance services	44	34	21	14
Other services	6	45	1	28
Total	1 409	2 365	1 146	1 768

Note 11. Administrative expenses

<i>in thousands of euros</i>	2016 6M	2015 6M	2016 Q2	2015 Q2
Staff costs	1 401	1 155	768	564
Offices and communication	103	102	45	58
Travel and transportation	96	78	51	47
Consulting, software licences, etc	161	274	115	156
Bank, stock exchange, depository fees	166	144	80	76
Land and real estate taxes	234	228	116	137
Depreciation charge	53	49	27	24
Amortisation charge	2	4	0	2
Other	353	354	186	143
Total	2 569	2 388	1 388	1 207

Note 12. Financial income and expenses

Financial income

<i>in thousands of euros</i>	2016 6M	2015 6M	2016 Q2	2015 Q2
Interest income	16	6	14	6
Other financial income	0	3	0	1
Total	16	9	14	7

Financial expenses

<i>in thousands of euros</i>	2016 6M	2015 6M	2016 Q2	2015 Q2
Interest expenses	1 301	832	815	438
Foreign currency loss	0	14	0	13
Other financial expenses	582	289	540	258
Total	1 883	1 135	1 355	709

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 01.01.2016-30.06.2016	(54 203 938* 182/182)	=54 203 938
In period 01.01.2015-30.06.2015	(54 106 575* 181/181)	=54 106 575

Indicative earnings per share:

01.01.2016-30.06.2016	- 3 116 thousand euros/ 54 203 938 = -0,06 euros
01.01.2015-30.06.2015	- 1 703 thousand euros/ 54 106 575 = -0,03 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 loss per share and the diluted loss per share equals the net loss per share indicator.

Note 14. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place on 17 June 2016. Eight shareholders representing 69,91% of all votes were present. The main decisions adopted at the meeting were as follows:

- 1) The audited annual report of the Company for the financial year 2015 was approved.
- 2) It was decided to cover the net loss for the financial year 2015 in the amount of 1 934 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 2016.
- 4) It was decided to prolong the term of office of members of the Council Pertti Huuskonen, Petri Olkinuora and Emanuele Bozzone for three years until 5 July 2019.
- 5) It was decided to increase the share capital of the Company and preclude shareholders' pre-emptive right of subscription on the following conditions:

The Company will issue 67 784 shares with nominal value 0,20 euros per share. Share capital will be increased by 13 556,80 euros. The new amount of share capital after increase will be 10 854 344,40

euros. The pre-emptive right of the existing shareholders of the Company to subscribe for the shares is cancelled and Member of the Management Board Paolo Vittorio Michelozzi has the right to subscribe for the shares. The shares will be offered for subscription during following subscription periods and shares will be issued after the end of subscription period:

- a) First subscription period 20 June – 22 June 2016 when 33 892 shares are offered for subscription;
 - b) Second subscription period 25 November – 2 December 2016 when 33 892 shares are offered for subscription, increased by the number of shares not issued after the end of the first subscription period.
- Shares may be paid for by set-off of subscribers claim against the Company. Non-monetary contribution shall be valued pursuant to law and articles of association of the Company. The non-monetary contribution (subscription price) for each share is 2,37 euros (of which 0,20 euros is the nominal value and 2,17 euros is the share premium).

Subscriber shall submit the application to the Company for subscribing the shares. Payment for shares together with the application must be received by the Company latest by the last day of each subscription period.

If all shares are not subscribed for during the relevant subscription period, the management board of the Company will have a right to:

- a) prolong respective subscription period by up to 15 days; and/or
 - b) cancel the shares that were not subscribed for during the relevant subscription period.
- 6) It was decided to amend the article 5.8 of the articles of association of the Company as follows:
 “The Supervisory board (Council) has the right to increase the share capital of the Company by up to 1 200 000 Euros within 3 years as from adopting this version of the articles of association. Shares issued by the Council may be paid for by monetary contributions and/or by non-monetary contribution, if so resolved by the Council. Non-monetary contribution shall be valued pursuant to law and these articles of association”.

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 6M	2015 6M
Significant owners and owner related companies		
Loan repayments received (non-monetary)	0	501
Loans received	0	30
Payment for minority shareholding	361	0
Revenues	42	0
Expenses	5	0
Interest expense	0	131
Minority shareholders		
Interest expense	19	18
Salaries and bonuses paid to management	478	378

Receivables from related parties

<i>in thousands of euros</i>	30.06.2016	31.12.2015
Short-term receivables		
Significant owners and owner related companies	6	0
Total	6	0

Payables to related parties

<i>in thousands of euros</i>	30.06.2016	31.12.2015
Short-term payables		
Significant owners and owner related companies	30	392
Long-term payables to minority shareholders	380	362
Total	410	754

Shareholding in the Company %

	30.06.2016	31.12.2015
Members of the Council and individuals related them	0,02%	0,00%
Members of the Board and individuals related them	0,34%	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 six months and the second 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	Chairman of the Management Board	23 August 2016
------------------	----------------------------------	----------------

Allan Remmelkoor	Member of the Management Board	23 August 2016
------------------	--------------------------------	----------------

Edoardo Preatoni	Member of the Management Board	23 August 2016
------------------	--------------------------------	----------------