

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR III QUARTER
AND 9 MONTHS OF 2017 (UNAUDITED)

Table of content

AS Pro Kapital Grupp in brief	2
Management report	3
Key figures and main events 1 January – 30 September 2017 and after the reporting period	3
CEO review	7
Group Structure	9
Overview of development projects	10
Segments and key performance indicators	15
Financing sources and policies	18
Shares and shareholders	19
Legal overview and developments	21
People	21
Risks	21
Management Board's confirmation of the management report	22
Consolidated financial report	23
Consolidated interim statements of financial position	23
Consolidated interim statements of financial position	24
Consolidated interim statements of comprehensive income	25
Consolidated interim statements of cash flows	26
Consolidated interim statements of changes in equity	27
Notes to consolidated interim financial statements	28
Note 1. General information	28
Note 2. Basis of preparation	28
Note 3. Segment reporting	29
Note 4. Changes in minority shareholding	30
Note 5. Inventories	30
Note 6. Property, plant and equipment	31
Note 7. Investment property	33
Note 8. Current and non-current debts	34
Note 9. Revenue	37
Note 10. Cost of goods and services sold	37
Note 11. Gross profit	37
Note 12. Administrative expenses	38
Note 13. Financial income and expenses	38
Note 14. Discontinued operations	39
Note 15. Earnings per share	40
Note 16. Shareholders meetings	41
Note 17. Transactions with related parties	42
Management Board's confirmation of the financial statements	43

AS Pro Kapital Grupp in brief

Established in 1994 AS Pro Kapital Grupp (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 owns and manages also a hotel in Bad Kreuznach, Germany.

Since its establishment Pro Kapital has completed ca 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.



Contact details

Address: Sõjakooli 11, 11316 Tallinn, Estonia

Phone: +372 614 4920

E-mail: prokapital@prokapital.ee

Web: www.prokapital.com

Management report

Key figures and main events 1 January – 30 September 2017 and after the reporting period

- Total revenue of the Company for nine months in 2017 was 9 817 thousand euros, a decrease of 39% compared to the reference period (2016 9 months: 16 177 thousand euros). Total revenue of the third quarter was 2 251 thousand euros comparing to 7 974 thousand euros in 2016. Revenues increased significantly in the third quarter of 2016 due to completion of K4-1 building in Vilnius and preliminary agreements turned into sales deeds. During 2017 no building has been completed yet. Residential development activities continue as planned and sales revenue will be booked upon completion and handing over premises to buyers.
- Gross profit for nine months was 3 309 thousand euros, a decrease of 29% compared to the reference period (2016 9 months: 4 630 thousand euros). Gross profit for the third quarter was 962 thousand euros comparing to 3 221 thousand euros in 2016. Although total revenue of reporting period was lower, profitability of activities was higher – gross margin was 34% during nine months in 2017 (2016 9 months: 29%)
- Operating result during nine months decreased by 785 thousand euros (139%) compared to the reference period, totalling to loss of 222 thousand euros (2016 9 months: profit of 563 thousand euros). Operating result for the third quarter was profit of 302 thousand euros (2016 Q3: profit of 1 831 thousand euros). Operating result was influenced positively by profit from sales of Tallinn hotel property which was recorded as other income, but marketing costs and consulting costs were higher than during comparative period.
- Net result for nine months increased by 929 thousand euros (39%) compared to the reference period, totalling to loss of 1 441 thousand euros (2016 9 months: loss of 2 370 thousand euros). Net result for the third quarter was profit of 870 thousand euros (2016 Q3: profit of 779 thousand euros). The net result was influenced positively by profit from sales of Riga hotel property owning company, which was recorded as financial income. Nevertheless high interest costs resulted in negative bottom line.
- Cash flow from operations for nine months of 2017 was negative 3 148 thousand euros (2016 9 months: positive 2 675 thousand euros). Cash flow from operations for the third quarter was negative 1 013 thousand euros (2016 Q3: positive 3 112 thousand euros). Negative operating cash flow is mainly influenced by development activity – increase in inventories in Tallinn, Riga and Vilnius.
- Net assets per share on 30 September 2017 totalled to 1.44 euros (30 September 2016: 1.52 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 Kvartal 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 25 July 2017 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. Sale of PK Ilmarine hotel was completed on 25 July 2017. 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). Sale of PK Riga

hotel was completed on 22 August 2017. The total amount of hotels sale transaction was 14 114 537 euros.

- On 14 August 2017 the Company prolonged the redemption date of 1 081 076 PKG1 convertible bonds by 2 years. New redemption date is 13 August 2019. 83 731 PKG1 convertible bonds were redeemed with issue price of 234 446.80 euros.

- On 19 September 2017 Pro Kapital group company OÜ Marsi Elu notified Nordecon AS to start with the third building of second construction phase of Kristina Houses. A 5-storey residential building with 31 apartments shall be completed, which is the sixth building of Kristina Houses development. The planned completion of the works is December 2018 and the price of construction works is slightly over 2.6 million euros, to which VAT is added. In addition OÜ Marsi Elu and Nordecon AS have agreed on option for the seventh building in Kristina Houses development.

- On 19 September 2017 the Company announced a Public Offering of shares of AS Pro Kapital Grupp. AS Pro Kapital Grupp offered up to 6 000 000 shares at a price range 1.80 to 2.30 euros, of which 0.20 euros was the nominal value and the rest share issue premium. The shares were offered from 20 September till 4 October 2017.

- On 6 October 2017, after the reporting period, the Supervisory Council of AS Pro Kapital Grupp decided on allocation of the subscribed shares. In total 2 416 232 new shares were allocated to the investors at the issue price of 1.80 euros (0.20 euros as nominal value and 1.60 euros as share premium) for each share. The Management Board of AS Pro Kapital Grupp decided to cancel 3 583 768 shares which were not subscribed for.

- On 19 October 2017, after the reporting period, the increase of share capital of AS Pro Kapital Grupp was registered in the Commercial Register. As of 19 October 2017 the amount of shares of AS Pro Kapital Grupp is 56 687 954 forming the share capital of 11 337 590.80 euros. 2 416 232 new shares are admitted to trading on the regulated market (secondary list) operated by Nasdaq Tallinn AS.

- Sale of Šaltinių Namai project in Vilnius and Kristina Houses 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 65 preliminary agreements have been signed. In Tallinn, in Kristiine City, three apartment buildings have been completed, 89 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 16 presale out of 31, sixth building with 3 presale out of 31 and in Marsi 6 project 38 presale agreements out of 45 apartments have been signed. In Kliversala project in Riga, 11 presale agreements out of 47 apartments have been concluded for the first residential building.

Key financial figures (incl discontinued operations)

	2017 9M	2016 9M	2017 Q3	2016 Q3
Revenue, th EUR	9 817	16 177	2 251	7 974
Gross profit, th EUR	3 309	4 630	962	3 221
Gross profit, %	34%	29%	43%	40%
Operating result, th EUR	-222	563	302	1 831
Operating result, %	-2%	3%	13%	23%
Net result, th EUR	-1 441	-2 370	870	779
Net result, %	-15%	-15%	39%	10%
Earnings per share, EUR	-0.03	-0.04	0.02	0.01

	30.09.2017	30.09.2016	31.12.2016
Total Assets, th EUR	158 854	140 202	142 314
Total Liabilities, th EUR	80 570	57 874	62 110
Total Equity, th EUR	78 284	82 328	80 204
Debt / Equity *	1.03	0.70	0.77
Return on Assets, % **	-1.0%	-1.8%	-3.0%
Return on Equity, % ***	-1.8%	-2.9%	-4.8%
Net asset value per share, EUR ****	1.44	1.52	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 third 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 65 preliminary agreements have been signed.

In Tallinn, Kristiine City (Tondi quarter), the Company has completed three apartment buildings where 89 apartments out of 93 have been handed over to the clients. Presale continued for the fourth building with 24 presale agreements signed, started also in the fifth building with 16 presale agreements and in the sixth building with 3 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 of River Breeze Residence in Kliversala project were continued and 11 presale agreements have been signed out of 47 flats in total. Many negotiations are in process with potential new buyers. The projecting works were continued also for Tallinas Residential Complex and were initiated for the first stage of office complex in Zvaigznes Quarter.

During the third quarter 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.

In September 2017 Pro Kapital announced a public offering of shares of AS Pro Kapital Grupp. In total 2 416 232 new shares were subscribed and allocated to the investors at the issue price of 1.80 euros for each share. The new shares have been admitted to trading on the regulated market (secondary list) operated by Nasdaq Tallinn AS.

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 9.8 million euros, a decrease of 39% as compared to 16.2 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. Gross profit has decreased only by 29%. The net result remained negative also due to high financial costs, though recorded net losses of 1.4 million euros for nine months in 2017 were 39% lower as compared to 2.4 million euros losses in the same period last year.

Overall loans from financial institutions were 21.1 million euros as at 30 September 2017. The loans from minority shareholders were 0.3 million euros. The Company had 10.3 million euros worth convertible bonds debt and 28.9 million euros worth non-convertible bonds debt at the end of reporting date.

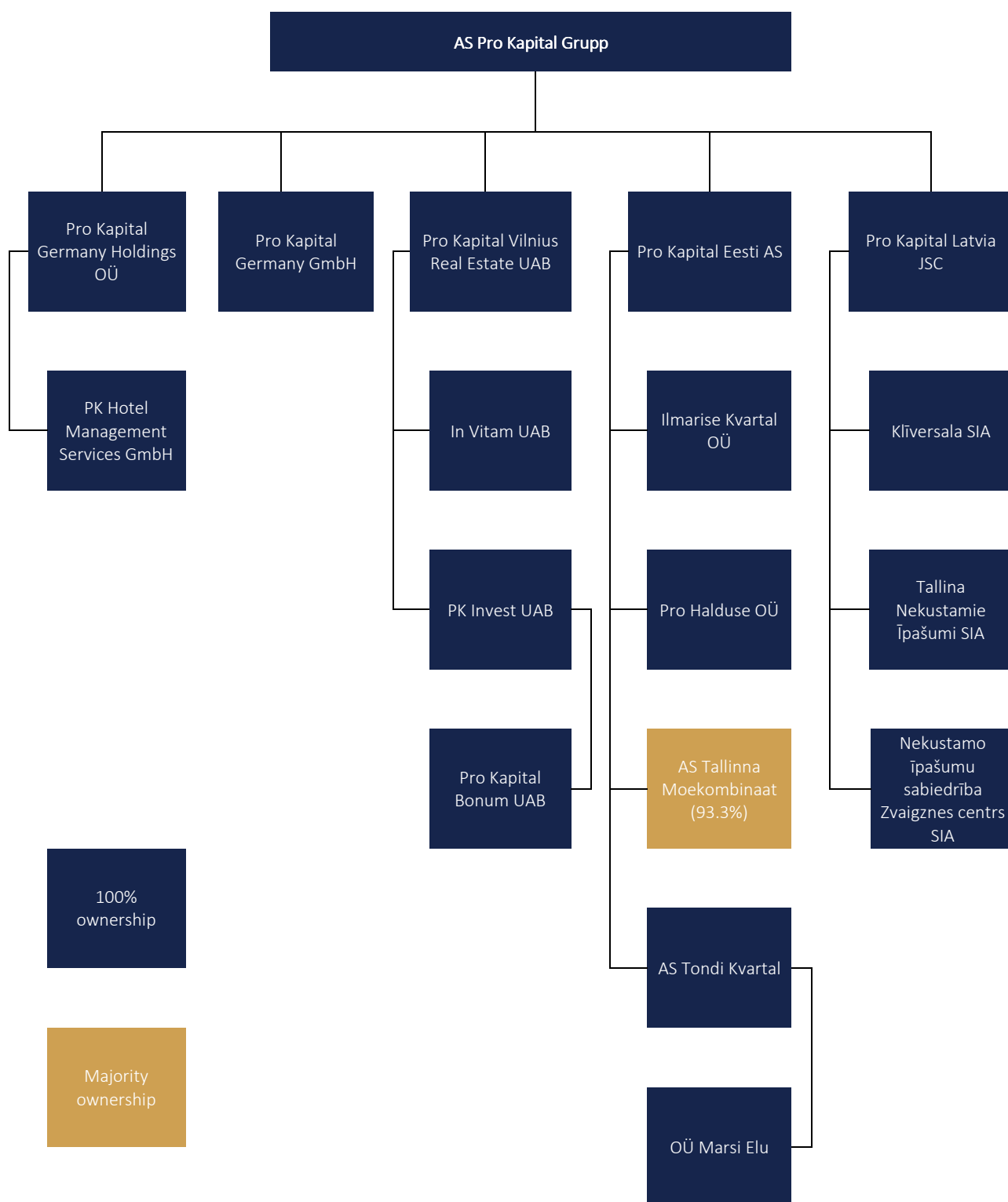
As at 30 September 2017 there were 85 employees working in the Company, 48 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

22 November 2017

Group Structure

As at 30 September 2017



Overview of development projects

Project name	Type	Location	Ownership	Planned Volume	Classification
T1 Mall of Tallinn	Retail	Tallinn	93,3%	GLA 55 000 m ²	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 13 931 m ²	Investment property
Kristiine City (Tondi Quarter)	Residential	Tallinn	100%	NSA 76 588 m ² 50 248 m ² resid. 26 340 m ² comm.	Inventories, investment property
Kristina Houses (Marsi and Sõjakooli)	Residential	Tallinn	100%	NSA 15 386 m ² 15 386 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

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

Construction works and presale of Marsi 6 building continuing.



Kristina Houses

Three apartment buildings completed, almost all apartments sold. Construction works and presale of the fourth and fifth building continuing, presale of the sixth building has started.



Kalaranna District

Detail plan approved. Architectural competition completed and projecting works started.



Tallinas Quarter

Building licence issued, technical project in process.

Kliversala District

New detail plan approved, construction works and presale continuing for the first building. Projecting of second phase started.



Zvaigznes Quarter

Projecting works to get new building licence in process.



Šaltinių Namai

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 September 2017, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	9M	9M	9M	9M	9M	9M	9M	9M	9M	9M
Real estate	2 476	3 670	0	0	1 437	6 675	0	0	3 913	10 345
Rent	17	15	50	49	66	67	0	0	133	131
Hotels	1 019	1 266	996	1 114	0	0	2 513	2 164	4 528	4 544
Maintenance	1 057	1 004	65	27	101	100	0	0	1 223	1 131
Other	0	7	15	14	5	5	0	0	20	26
Total	4 569	5 962	1 126	1 204	1 609	6 847	2 513	2 164	9 817	16 177

Revenue structure 1 July – 30 September 2017, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3
Real estate	464	544	0	0	7	5 437	0	0	471	5 981
Rent	4	5	17	12	21	24	0	0	42	41
Hotels	172	541	304	457	0	0	890	617	1 366	1 615
Maintenance	318	273	14	10	33	49	0	0	365	332
Other	0	0	5	3	2	2	0	0	7	5
Total	958	1 363	340	482	63	5 512	890	617	2 251	7 974

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 nine months in 2017 amounted 46.5% comparing to 36.9% during the same period last year.

During nine months in 2017 total of 17 apartments, 36 parking lots and 15 storage rooms (2016 9M: 28 apartments, 29 parking lots and 21 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 89 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, 16 presale agreements for the fifth building and 3 presale agreements for the sixth building. In Marsi 6 project 38 presale agreements have been signed out of 45. At the end of reporting period the stock consisting of 6 apartments and 2 office premises, also several parking spaces and storage rooms were available for sale in Tallinn.

In July 2017 the Company sold hotel real estate property and the hotel operating company in Tallinn. For more details, please see Stock Exchange notice:

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

Before the sale transaction PK Ilmarine Hotel occupancy rate 76.3% increased by 6% and gross operating profit increased by 30% comparing to the same period last year.

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

The share of the Latvian segment as a percentage of total revenues of the Company during nine months in 2017 was 11.5% comparing to 7.4% 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 11 presale agreement have been signed and further agreements are under negotiation.

In August 2017 the Company sold hotel real estate and hotel operating companies in Riga. For more details, please see Stock Exchange notices:

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

<https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=788257&messageId=991617>

Before the sale transaction PK Riga Hotel occupancy rate 75.5% increased by 3% and gross operating profit increased by 4% comparing to comparative period.

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 nine months in 2017 amounted to 16.4% comparing to 42.3% during the same period last year. The first stage of Šaltinių Namai 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 65 preliminary agreements have been signed for the second stage in Šaltinių Namai project.

In Lithuania 4 apartments, 2 business premises, 8 parking lots and 1 storage room were sold during nine months in 2017 (2016 9M: 34 apartments, 4 business premises, 25 parking lots and 1 storage room). There were 4 apartments, 4 cottages, 5 business premises, 11 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 nine months in 2017 amounted to 25.6% comparing to 13.4% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus 62.0% shows 12.3% increase comparing to 55.2% for the same period in 2016. Gross operating profit has increased by 370% comparing to the same period last year. The hotel has recovered from renovation process's negative effect and results are improving steadily since the end of the works.

Other operative data 1 January – 30 September 2017

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	9M	9M	9M	9M	9M	9M	9M	9M	9M	9M
M2 sold*	1 406	2 070	0	0	508	2 871	0	0	1 914	4 941
Average price, m2/EUR*	1 591	1 722	0	0	2 587	2 531	0	0	1 855	2 166
M2 under maintenance	61 869	61 869	15 038	15 038	17 490	16 026	0	0	94 397	92 933
Occupancy rate %, hotels**	76.3%	72.1%	75.5%	73.2%	0.0%	0.0%	62.0%	55.2%	69.8%	65.0%

*Square meters do not include parking spaces nor storage rooms, prices are considered without value added tax

** EST, LV and Total hotel occupancy is presented until the sale transaction date in comparable period

Other operative data 1 July – 30 September 2017

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3
M2 sold*	194	149	0	0	0	2 316	0	0	194	2 465
Average price, m2/EUR*	1 792	1 505	0	0	0	2 641	0	0	1 792	1 789
M2 under maintenance	61 869	61 869	15 038	15 038	17 490	16 026	0	0	94 397	92 933
Occupancy rate %, hotels**	95.3%	94.4%	97.1%	90.2%	0.0%	0.0%	68.3%	47.4%	79.3%	64.7%

*Square meters do not include parking spaces nor storage rooms, prices are considered without value added tax

** EST, LV and Total hotel occupancy is presented until the sale transaction date in comparable period

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 nine months of 2017 the Company has borrowed 14 155 thousand euros from Lintgen Adjacent Investments, 4 392 thousand euros from Swedbank Latvia and 729 thousand euros from Nordea Bank. The Company has repaid 6 139 thousand euros of bank loans during 2017. Total amount borrowed from banks was 21.1 million euros as at 30 September 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 September 2017 the Company had 10.3 million euros convertible bonds (current portion: 4.9 million euros; long term portion: 5.4 million euros), 1.2 million euros non-convertible bonds (current portion: 0.6 million euros; long term portion: 0.6 million euros) and 29.3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020 of which 1.4 million euros worth bonds are held by Pro Kapital.

Shares and shareholders

As at 30 September 2017 Pro Kapital has issued total 54 271 722 shares with the nominal value 0.20 euros. The registered share capital of the Company was 10 854 344.40 euros. On 19 September 2017 the Company announced a Public Offering of shares of AS Pro Kapital Grupp to be subscribed from 20 September till 4 October 2017. On 6 October 2017 the Supervisory Council of AS Pro Kapital Grupp decided on allocation of the subscribed shares. In total 2 416 232 new shares were allocated to the investors at the issue price of 1.80 euros (0.20 euros as nominal value and 1.60 euros as share premium) for each share. On 19 October 2017 the increase of share capital was registered in the Commercial Register and the amount of shares of AS Pro Kapital Grupp is 56 687 954 forming the share capital of 11 337 590.80 euros. 2 416 232 new shares were admitted to trading on the regulated market (secondary list) operated by Nasdaq Tallinn AS.

As at 30 September 2017 there were 84 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 September 2017:

Shareholders	Number of shares	Participation in %
Nordea Bank Finland Plc Clients	25 502 746	46.99%
Eurofiduciaria S.R.L.	6 640 570	12.24%
Svalbork Invest OÜ	6 008 490	11.07%
Clearstream Banking Luxembourg S.A. Clients	5 456 276	10.07%

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

During the last share issue that ended after reporting period Paolo Vittorio Michelozzi subscribed 29 000 shares, Petri Olkinuora subscribed 30 000 shares and Pertti Huuskonen subscribed 13 447 shares. The shares were registered on 19 October 2017.

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 nine months in 2017 were -0.03 euros (2016 9M: -0.04 euros).

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



Source: 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 September 2017 the shares were trading at the price range 1.83 - 2.75 euros, with the closing price of 2.20 euros per share on 30 September 2017. During the period 185 thousand of the Company's shares were traded with their turnover amounting to 391 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 September 2017 the shares were trading at the price range of 1.55- 2.66 euros, with the closing price 2.20 euros per share on 30 September 2017. During the period 92 thousand of the Company's shares were traded with their turnover amounting to 198 thousand euros.

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 September 2017 the Company employed 85 people compared to 114 people on 30 September 2016, 48 of them were engaged in hotel and property maintenance services (79 on 30 September 2016). The number of employees has decreased due to disposal of Tallinn and Riga hotels.

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 circle, thus naturally capitalising on market opportunities and hedging market risk.

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

Risk of financing might prolong the Company's schedule of property development and 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	22 November 2017
------------------	---	------------------

Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	22 November 2017
------------------	---	------------------

Edoardo Preatoni	Member of the Management Board	22 November 2017
------------------	--------------------------------	------------------

Consolidated financial report

Consolidated interim statements of financial position

in thousands of euros	Notes	30.09.2017	31.12.2016
ASSETS			
Current Assets			
Cash and cash equivalents		8 793	5 382
Current receivables		4 054	4 475
Inventories	5	33 803	14 144
Total Current Assets		46 650	24 001
Non-Current Assets			
Non-current receivables		39	42
Property, plant and equipment	6	7 260	18 336
Investment property	7	104 608	99 660
Intangible assets		297	275
Total Non-Current Assets		112 204	118 313
TOTAL ASSETS	3	158 854	142 314

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

Consolidated interim statements of financial position

in thousands of euros	Notes	30.09.2017	31.12.2016
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	8	5 524	8 261
Customer advances		6 352	2 226
Current payables		7 602	8 502
Taxes payable		254	547
Short-term provisions		155	5
Total Current Liabilities		19 887	19 541
Non-Current Liabilities			
Long-term debt	8	55 172	38 040
Other long-term liabilities		2 786	804
Deferred income tax liability		2 635	3 360
Long-term provisions		90	365
Total Non-Current Liabilities		60 683	42 569
TOTAL LIABILITIES	3	80 570	62 110
Equity attributable to equity holders of the parent			
Share capital in nominal value		10 854	10 854
Paid in capital		1 816	1 816
Statutory reserve		1 082	1 082
Revaluation reserve		3 259	9 462
Retained earnings		61 220	59 104
Profit (loss) for the period		-1 374	-3 913
Total equity attributable to equity holders of the parent		76 857	78 405
Non-controlling interest	4	1 427	1 799
TOTAL EQUITY		78 284	80 204
TOTAL LIABILITIES AND EQUITY		158 854	142 314

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

Consolidated interim statements of comprehensive income

in thousands of euros

	Notes	2017 9M	2016 9M	2017 Q3	2016 Q3
CONTINUING OPERATIONS					
Operating income					
Revenue	9,14	7 796	13 772	1 773	6 967
Cost of goods sold	10,14	-5 265	-10 029	-1 043	-4 188
Gross profit	11,14	2 531	3 743	730	2 779
Marketing expenses		-636	-295	-182	-122
Administrative expenses	12,14	-3 757	-3 651	-1 307	-1 223
Other income		1 569	153	1 296	30
Other expenses		-455	-67	-430	-12
Operating profit/ loss		-748	-117	107	1 452
Financial income	13,14	1 399	-40	1 440	-18
Financial expense	13,14	-2 581	-2 656	-882	-822
Profit/ loss before income tax		-1 930	-2 813	665	612
Income tax		-1	-185	20	-193
Net profit/ loss from continuing operations		-1 931	-2 998	685	419
Profit from discontinued operations	14	490	628	185	360
Net profit / loss for the period		-1 441	-2 370	870	779
Attributable to:					
Equity holders of the parent	3	-1 374	-2 315	891	802
Non-controlling interest	3	-67	-55	-21	-23
Earnings per share from continuing operations (EUR)	15	-0.04	-0.06	0.01	0.01
Earnings per share for the period (EUR)	15	-0.03	-0.04	0.02	0.01

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

Consolidated interim statements of cash flows

in thousands of euros

	Note	2017 9M	2016 9M	2017 Q3	2016 Q3
Cash flows from operating activities					
Loss for the year		-1 441	-2 370	870	779
Adjustments for:					
Depreciation and amortisation of non-current assets	3	475	529	124	172
Gain from disposal of property, plant and equipment		-1 247	0	-1 247	0
Gain from disposal of shares of subsidiaries		-1 452	0	-1 452	0
Finance income and costs	13	2 645	2 715	901	848
Other non-monetary changes (net amounts)		13 041	-51	142	-101
Changes in working capital:					
Trade receivables and prepayments		425	137	685	-212
Inventories	5	-19 659	2 622	-4 279	1 428
Liabilities and prepayments		4 189	-917	3 192	154
Provisions		-124	10	51	44
Net cash used in/ generated by operating activities		-3 148	2 675	-1 013	3 112
Cash flows from investing activities					
Payments for property, plant and equipment	6	-154	-686	-13	-586
Payments for intangible assets		-30	-1	-6	0
Proceeds from disposal of property, plant and equipment		6 651	0	6 651	0
Payments for investment property	7	-17 348	-5 659	-8 291	-1 236
Net cash from disposal of shares of subsidiaries		6 235	0	6 235	0
Interests received		4	4	1	-12
Net cash used in/ generated by investing activities		-4 642	-6 342	4 577	979
Cash flows from financing activities					
Net changes related to non-controlling interests		-480	826	0	0
Proceeds from bonds		1 446	12 637	282	-2 813
Redemption of convertible bonds	8	-773	-12	-234	0
Proceeds from borrowings		19 276	2 025	8 242	471
Repayment of borrowings		-6 139	-2 754	-5 815	-804
Interests paid		-2 129	-2 233	-427	-373
Net cash used in/ generated by financing activities		11 201	10 489	2 048	-3 519
Net change in cash and cash equivalents		3 411	6 822	5 612	572
Cash and cash equivalents at the beginning of the period		5 382	6 392	3 181	12 642
Cash and cash equivalents at the end of the period		8 793	13 214	8 793	13 214

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

Consolidated interim statements of changes in equity

in thousands of euros	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 2015	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	-1934	-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	-2 315	-2 315	-55	-2 370
30 September 2016	10 848	1 742	1 082	9 462	0	56 968	80 102	2 226	82 328
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	-1 598	-1 598	-57	-1 655
31 December 2016	10 854	1 816	1 082	9 462	0	55 191	78 405	1 799	80 204
Changes in non-controlling interests	0	0	0	0	0	-174	-174	-305	-479
Changes in revaluation reserve	0	0	0	-6 203	0	6 203	0	0	0
Comprehensive profit/ loss for the period	0	0	0	0	0	-1 374	-1 374	-67	-1 441
30 September 2017	10 854	1 816	1 082	3 259	0	59 846	76 857	1 427	78 284

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	Ownership 30.09.2017	Ownership 31.12.2016
Nordea Bank Finland Plc Clients	Finland	46.99%	52.57%
Eurofiduciaria S.R.L.	Italy	12.24%	12.89%
Svalbork Invest OÜ	Estonia	11.07%	11.05%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	10.07%	2.04%

For the purpose of comparative financial figures of these interim financial statements as at 30 September 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 nine 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

in thousands of euros (including discontinued operations)	the Ultimate Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2017 9M							
Revenue	14	4 571	1 131	1 609	2 840	-348	9 817
Other operating income and expenses (net)	0	1 014	56	-16	153	-64	1 143
Segment operating profit (loss)	-1 437	1 395	-271	240	-149		-222
Financial income and expense (net)	-3 485	1 552	1 058	-196	-123		-1 194
Profit (loss) before income tax	-4 922	2 947	787	44	-272		-1 416
Income tax	0	0	-29	4	0		-25
Non-controlling interest	0	-67	0	0	0		-67
Net profit (loss) for the financial year attributable to equity holders of the parent	-4 922	3 014	758	48	-272		-1 374
30.09.2017							
Assets	55 033	167 287	36 799	17 994	7 114	-125 373	158 854
Liabilities	110 717	25 621	24 306	9 456	5 072	-94 602	80 570
Acquisition of non-current assets	6	40	2	8	128		184
Disposal of non-current assets	0	-6 267	-7 562	0	0		-13 829
Depreciation and amortisation	0	-105	-139	-22	-209		-475
2016 9M							
Revenue	0	5 966	1 233	6 847	2 536	-405	16 177
Other operating income and expenses (net)	7	3	40	2	122	-45	129
Segment operating profit (loss)	-1 250	85	-354	2 422	-340		563
Financial income and expense (net)	-3 818	1 775	-225	-370	-77		-2 715
Profit (loss) before income tax	-5 068	1 860	-579	2 052	-417		-2 152
Income tax	0	0	-32	-186	0		-218
Non-controlling interest	0	-55	0	0	0		-55
Net profit (loss) for the financial year attributable to equity holders of the parent	-5 068	1 915	-611	1 866	-417		-2 315
31.12.2016							
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

Minority (%) as at 31 December 2016	8.05%
Purchase of minority shares	-1.40%
Minority (%) as at 30 September 2017	6.65%

in thousands of euros

Non-controlling interest as at 31 December 2016	1 799
Increase of non-controlling interest	-305
Loss for the reporting period	-67
Non-controlling interest as at 30 September 2017	1 427

Note 5. Inventories

in thousands of euros	30.09.2017	31.12.2016
Property held for resale	3 038	4 956
Works in progress	30 710	9 078
Goods bought for resale	46	75
Prepayments for inventories	9	35
Total	33 803	14 144

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.

On comparative date land and buildings included three hotel properties (in Tallinn, Riga and Bad Kreuznach) and administrative premises in Tallinn and Vilnius. Tallinn hotel property was sold on 25 July 2017 and Riga hotel property owning company was sold on 22 August 2017.

in thousands of euros	30.09.2017	31.12.2016
Acquisition value	10 351	24 086
Accumulated depreciation	-3 091	-5 750
Residual value	7 260	18 336

	Land and buildings	Machinery and equipment	Other tangible assets	Prepay- ments	Total
in thousands of euros					
Acquisition value 01.01.2016	19 316	1 688	1 205	0	22 209
Additions:					
Acquired	0	11	77	1 118	1 206
Reclassified from investment property	750	0	0	0	750
Disposals:					
Sold	0	0	-9	0	-9
Written off	0	-13	-57	0	-70
Acquisition value 31.12.2016	20 066	1 686	1 216	1 118	24 086
Additions:					
Acquired	1 242	5	20	-1 113	154
Disposals:					
Sold	-6 100	0	-9	0	-6 109
Sold through disposal of subsidiary	-6 076	-804	-835	-5	-7 720
Written off	0	-8	-52	0	-60
Acquisition value 30.09.2017	9 132	879	340	0	10 351

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 the investment property was reclassified as property, plant and equipment.

	Land and buildings	Machinery and equipment	Other tangible assets	Prepay- ments	Total
in thousands of euros					
Accumulated depreciation 01.01.2016	2 583	1 429	1 095	0	5 107
Additions:					
Depreciation charge for the period	490	144	55	0	689
Change in fair value	-64	30	0	0	0
Disposals:					
Sold	0	0	-9	0	-9
Written off	0	-13	-54	0	-67
Accumulated depreciation 31.12.2016	3 103	1 560	1 087	0	5 750
Additions:					
Depreciation charge for the period	359	77	31	0	467
Disposals:					
Sold	-696	0	-8	0	-704
Sold through disposal of subsidiary	-800	-791	-771		-2 362
Written off	0	-8	-52	0	-60
Accumulated depreciation 30.09.2017	1 966	838	287	0	3 091

Note 7. Investment property

in thousands of euros	Investment property held for increase in value	Total
Balance at 01.01.2016	92 457	92 457
Additions:		
Investments	8 552	8 552
Changes in fair value:		
Loss from change in fair value	-599	-599
Reclassified to property plant and equipment	-750	-750
Balance at 31.12.2016	99 660	99 660
Additions:		
Investments	17 348	17 348
Capitalised interests	490	490
Reclassified into inventories	-12 890	-12 890
Balance at 30.09.2017	104 608	104 608

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 17 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

in thousands of euros	30.09.2017	31.12.2016
Bank loans and overdrafts	28	3 141
Convertible bonds	4 856	5 104
Non-convertible bonds	640	0
Current portion of finance lease	0	16
Total	5 524	8 261

Non-current debts

in thousands of euros	30.09.2017	31.12.2016
Bank loans and overdrafts	21 104	4 365
Convertible bonds	5 405	5 930
Non-convertible bonds	28 236	27 337
Payables to non-controlling interest	427	400
Non-current portion of finance lease	0	8
Total	55 172	38 040

Creditors

in thousands of euros	30.09.2017	31.12.2016
Swedbank AS (EE)	0	1 303
Swedbank AS (EE)	0	1 942
Nordea Bank AB Estonian branch (EE)	481	501
Nordea Bank AB Estonian branch (EE)	729	0
AS Swedbank (LV)	0	2 874
AS Swedbank (LV)	4 392	0
Lintgen Adjacent Investments (Agent) incl long-term interests	15 530	886
Lease agencies	0	24
Fiducaria Emiliana S.r.l including long-term interests payable	276	259
Nikasi Overseas SA including long-term interests payable	151	141
Convertible bonds, various investors	10 261	11 034
Non-convertible bonds, various investors	1 240	1 240
Secured bonds, various investors	27 636	26 097
Total	60 696	46 301

All agreements and liabilities are fixed in euros. The total interest cost for the reporting period was 2 481 thousand euros (2016 9M: 2 118 thousand euros).

Convertible bonds

The Company has issued convertible bonds with issue price 2.80 euros and remaining total value of 10 261 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.

On 14 August 2017 the Company prolonged the redemption date of 1 081 076 PKG1 convertible bonds by 2 years. New redemption date is 13 August 2019. 83 731 PKG1 convertible bonds were redeemed with issue price of 234 446.80 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 September 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 14 bonds were held by the Company itself and the liability on the balance sheet has been reduced by 1.4 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 September 2017 was 27.6 million euros.

Secured, callable, fixed rate bonds of the Company are secured with the shares of all subsidiaries of the Group as at 30 September 2017. Since 8 July 2015 the bonds have been listed on Nasdaq Stockholm.

Pledged assets

in thousands of euros

Beneficiary	Collateral description	30.09.2017	31.12.2016
Swedbank AS (Estonia)*	Põhja Avenue 21, 21a, 21 b-1, Tallinn	0	5 475
Swedbank AS (Estonia)*	Põhja Avenue 21, 23, Tallinn	0	283
Nordea Bank AB Est Br (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	2 325	230
Nordea Bank AB Est Br (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 313	2 310
Nordea Bank AB Est Br (Estonia)	Tondi 53-2 (Sõjakooli 11), Tallinn	709	720
Lintgen Adjacent Investments	Peterburi 2, Tallinn	50 960	33 500
AS Swedbanka (Latvia)*	Pulkveza Brieza St 11, Riga	0	5 364
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	26 353	22 877
<u>Share pledges related to secured callable fixed rate bonds:</u>			
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	0	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	0	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)	318	24

*During third quarter in 2017 the Company exited Tallinn and Riga hotel operations by selling both hotel operating companies, property in Tallinn and property owning company in Riga. As a result loans that were related to the hotel properties were repaid. Due to sales also hotel operating companies' shares were released from pledge. The Company transferred proceeds from hotel operating companies' shares to the deposit account of Nordic Trustee.

The shares of Riga hotel property owning company Investhotel SIA were not pledged.

To Swedbank AS (Latvia) to assure the potential liability of Klīversala SIA, an entity belonging to Pro Kapital Latvia subsidiary group, as Swedbank (Latvia) had 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 Klīversala SIA and VAS „Privatizācijas aģentūra”. During reporting period the Company has fulfilled investment obligations towards VAS „Privatizācijas aģentūra” and the guarantee has been withdrawn.

Note 9. Revenue

in thousands of euros	2017 9M	2016 9M	2017 Q3	2016 Q3
Revenue from sale of real estate	3 913	10 345	471	5 981
Rental revenue	133	131	42	41
Hotel operating revenue*	4 529	4 544	1 367	1 615
Revenue from maintenance services	1223	1131	365	332
Other services	19	26	6	5
Total	9 817	16 177	2 251	7 974

*Here including discontinued operations. Revenue from discontinued operations is disclosed in note 14.

Note 10. Cost of goods and services sold

in thousands of euros	2017 9M	2016 9M	2017 Q3	2016 Q3
Cost of real estate sold	2 220	7 072	64	3 300
Cost of providing rental services	147	74	37	22
Cost of hotel operations*	3 069	3 337	883	1 137
Cost of maintenance	1056	1035	302	280
Cost of other services	16	29	3	14
Total	6 508	11 547	1 289	4 753

* Here including discontinued operations. Cost of goods and services sold from discontinued operations is disclosed in note 14.

Note 11. Gross profit

in thousands of euros	2017 9M	2016 9M	2017 Q3	2016 Q3
Real estate	1 693	3 273	407	2 681
Rental revenue	-14	57	5	19
Hotel operating*	1 460	1 207	484	478
Maintenance services	167	96	63	52
Other services	3	-3	3	-9
Total	3 309	4 630	962	3 221

* Here including discontinued operations. Gross profit from discontinued operations is disclosed in note 14.

Note 12. Administrative expenses

in thousands of euros	2017 9M	2016 9M	2017 Q3	2016 Q3
Staff costs	1 970	2 028	687	627
Offices and communication	127	168	11	65
Travel and transportation	133	147	40	51
Consulting, software licences, etc	395	256	110	95
Bank, stock exchange, depository fees	281	293	80	127
Land and real estate taxes	361	234	128	0
Depreciation charge	76	80	22	27
Amortisation charge	1	2	0	0
Other	639	645	263	292
Total*	3 983	3 853	1 341	1 284

* Here including discontinued operations. Administrative expenses from discontinued operations are disclosed in note 14.

Note 13. Financial income and expenses

Financial income

in thousands of euros	2017 9M	2016 9M	2017 Q3	2016 Q3
Interest income	4	4	1	-12
Gain from foreign currency translation	0	1	0	1
Gain from disposal of subsidiary	1 452	0	1 452	0
Total*	1 456	5	1 453	-11

Financial expenses

in thousands of euros	2017 9M	2016 9M	2017 Q3	2016 Q3
Interest expenses	2 481	2 118	863	817
Other financial expenses	168	602	39	20
Total*	2 649	2 720	902	837

* Here including discontinued operations. Financial income and expenses from discontinued operations are disclosed in note 14.

Note 14. Discontinued operations

On 25 July 2017 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. Sale of PK Ilmarine hotel was completed on 25 July 2017. 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). Sale of PK Riga hotel was completed on 22 August 2017. 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.

in thousands of euros	Notes	2017 9M	2016 9M	2017 Q3	2016 Q3
DISCONTINUED OPERATIONS					
Operating income					
Revenue	9	2 021	2 405	478	1 007
Cost of goods sold	10	-1 243	-1 518	-246	-565
Gross profit	11	778	887	232	442
Marketing expenses		-55	-48	-6	-19
Administrative expenses	12	-226	-202	-34	-61
Other income		33	47	4	18
Other expenses		-4	-4	-1	-1
Operating profit		526	680	195	379
Financial income	13	56	45	13	7
Financial expense	13	-68	-64	-20	-15
Profit before income tax		514	661	853	983
Income tax		-24	-33	-3	-11
Profit from discontinued operations		490	628	870	779
Earnings per share from discontinued operations (EUR)		0.01	0.01	0.02	0.01

Note 15. 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:

For the period	01.01.2017-30.09.2017	$(54\,271\,722 * 273/273)$	=54 271 722
For the period	01.07.2017-30.09.2017	$(54\,271\,722 * 92/92)$	=54 271 722
For the period	01.01.2016-30.09.2016	$(54\,203\,938 * 273/273)$	=54 203 938
For the period	01.07.2016-30.09.2016	$(54\,203\,938 * 92/92)$	=54 203 938

Indicative earnings per share from continuing operations:

01.01.2017-30.09.2017	- 1 864 thousand euros/ 54 271 722 = -0.03 euros
01.07.2017-30.09.2017	706 thousand euros/ 54 271 722 = 0.01 euros
01.01.2016-30.09.2016	- 2 943 thousand euros/ 54 203 938 = -0.05 euros
01.07.2016-30.09.2016	442 thousand euros/ 54 203 938 = 0.01 euros

Indicative earnings per share for the period:

01.01.2017-30.09.2017	- 1 374 thousand euros/ 54 271 722 = -0.03 euros
01.07.2017-30.09.2017	891 thousand euros/ 54 271 722 = 0.02 euros
01.01.2016-30.09.2016	- 2 315 thousand euros/ 54 203 938 = -0.04 euros
01.07.2016-30.09.2016	802 thousand euros/ 54 203 938 = 0.01 euros

The convertible bonds issued by the Company 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 profit (loss) per share and diluted net profit (loss) per share equals the net profit (loss) per share indicator.

Note 16. 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 17. 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 in thousands of euros	2017 9M	2016 9M
Significant owners and owner related companies		
Revenues	55	60
Administrative expenses	9	9
Purchase of minority shares	480	0
Payment for minority shares	480	361
Minority shareholders		
Interest expenses	28	29
Other shareholders/ bondholders		
Interest expenses	606	670
Redemption of convertible bonds	733	15
Interest payments	825	878
Salaries and bonuses paid to management	668	677
Receivables from related parties in thousands of euros	30.09.2017	31.12.2016
Short-term receivables		
From significant owners and owner related companies	5	6
Total	5	6
Payables to related parties in thousands of euros	30.09.2017	31.12.2016
Short-term payables		
To significant owners and owner related companies	0	30
Long-term payables		
To minority shareholders	427	380
Total	427	420
Shareholding in the Company %	30.09.2017	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 nine months and the third 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	22 November 2017
Allan Remmelkoor	Member of the Management Board	22 November 2017
Edoardo Preatoni	Member of the Management Board	22 November 2017