

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR II QUARTER AND 6 MONTHS OF 2018
(UNAUDITED)

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AS Pro Kapital Grupp in brief

AS Pro Kapital Grupp (hereinafter as „ the Company “and/or „ Pro Kapital “) was established in 1994 and has grown 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 Baltic states – Tallinn, Riga and Vilnius. The Company owns and manages also a hotel in Bad Kreuznach, Germany.

Since its establishment, Pro Kapital has successfully completed more than twenty development projects with over 190 000 square meters of total saleable area. Pro Kapital has a long-term business approach that covers the entire life cycle of the development process. The Company is focused on delivering the highest quality thorough the business, to the development of prime residential and retail real estate in all three Baltic capitals. The Company can thereby ensure socially, economically and environmentally sustainable business growth.



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Management report

Key highlights

- Total revenue was 15 065 thousand euros, which is an increase of 150% compared to the reference period (2017 6M: 6 024 thousand euros from continuing operations and 7 566 thousand euros including discontinued operations). Total revenue of the second quarter was 8 267 thousand euros comparing to 2 950 thousand euros from continuing operations in 2017 (3 952 thousand euros including discontinued operations). Revenues of the Company depend on completing residential developments, as sales revenues are recorded at the moment of handing over the premises. Improved results of 2018 were influenced by the completion of the 4th and 5th apartment buildings in the Kristina Houses development, renovation works of Marsi 6 in Tallinn and River Breeze Residence in Riga, as presales were turned into notarised sales transactions.
- Gross profit was 5 033 thousand euros, which is an increase of 185% compared to the reference period (2017 6M: 1 768 thousand euros for continuing operations and 2 347 thousand euros including discontinued operations). Gross profit of the second quarter was 3 229 thousand euros comparing to 954 thousand euros from continuing operations in 2017 (1 412 thousand euros including discontinued operations). Gross profit margin of continuing operations increased by 14%.
- Operating result increased by 5 333 thousand euros (590%) compared to the reference period, totalling to operating profit of 4 429 thousand euros (2017 6M: loss of 904 thousand euros for continuing operations and loss of 524 thousand euros including discontinued operations). Operating profit of the second quarter was 3 742 thousand euros comparing to 379 thousand euros loss from continuing operations in 2017 (27 thousand euros loss including discontinued operations). Operating result includes profit from revaluation of Kalaranna project. The project was revalued in connection to reclassification from investment property into inventories. The increase in the value comparing to last year end valuation is related to change of input information in terms of volumes of construction of the project. Total impact from revaluation is 1 910 thousand euros (Note 7).
- Net result increased positively by 5 394 thousand euros (210%) compared to the reference period and totalling to positive result of 2 822 thousand euros (2017 6M: loss of 2 572 thousand euros for continuing operations and loss of 2 310 thousand euros including discontinued operations). Net profit of the second quarter was 2 940 thousand euros comparing to 1 170 thousand euros loss from continuing operations in 2017 (881 thousand euros loss including discontinued operations).

- Cash generated from operating activities was 3 172 thousand euros (2017 6M: cash used in operating activities was 2 135 thousand euros). In the second quarter cash generated from operating activities was 269 thousand euros comparing to 423 thousand euros during same period in 2017.
- Net assets per share on 30 June 2018 totalled to 1.51 euros (30 June 2017: 1.43 euros).

Key performance indicators

	Continuing operations				Continuing and discontinued operations			
	2018 6M	2017 6M	2018 Q2	2017 Q2	2018 6M	2017 6M	2018 Q2	2017 Q2
Revenue, th EUR	15 065	6 024	8 267	2 950	15 065	7 566	8 267	3 952
Gross profit, th EUR	5 033	1 768	3 229	954	5 033	2 347	3 229	1 412
Gross profit, %	33%	29%	39%	32%	33%	31%	39%	36%
Operating result, th EUR	4 429	-904	3 742	-379	4 429	-524	3 742	-27
Operating result, %	29%	-15%	45%	-13%	29%	-7%	45%	-1%
Net result, th EUR	2 822	-2 572	2 940	-1 170	2 822	-2 310	2 940	-881
Net result, %	19%	-43%	36%	-40%	19%	-31%	36%	-22%
Earnings per share, EUR	0.05	-0.05	0.05	-0.02	0.05	-0.03	0.05	-0.02

	30.06.2018	30.06.2017	31.12.2017
Total Assets, th EUR	197 777	151 944	175 158
Total Liabilities, th EUR	112 273	74 529	92 476
Total Equity, th EUR	85 504	77 415	82 682
Debt / Equity *	1.31	0.96	1.12
Return on Assets, % **	1.5%	-1.6%	-0.3%
Return on Equity, % ***	3.4%	-2.9%	-0.6%
Net asset value per share, EUR ****	1.51	1.43	1.46

*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

- On 15 January 2018 the Parent distributed dividends to its shareholders in total amount of 850 319 euros, 0.015 euros per each share. The decision to pay dividends was taken on extraordinary shareholders' meeting held on 20 December 2017.
- On 22 January 2018 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2020.
- On 30 January 2018 Pro Kapital group company OÜ Marsi Elu notified Nordecon AS to start with the fourth building of second construction phase of Kristina Houses. A 5-storey residential building with 31 apartments will be completed, which is the seventh building of Kristina Houses development. The planned completion of the works is April 2019 and the price of construction works is slightly over 2.8 million euros without VAT.
- On 9 March 2018 the Company informed its shareholders about an intention to reorganise its subsidiary Pro Halduse OÜ and reduce maintenance service business in Estonia. The goal of the maintenance services has been and also will be in the future, to provide good quality maintenance service to the buyers of the apartments, also to get feedback of any maintenance issues and to be able to use such information for improvements in future developments. Providing maintenance services to other properties under maintenance has not been the part of the core strategy of the group nor has it provided any significant profit for the group. Therefore it has been decided that the Company will concentrate on providing maintenance services only to the properties developed by Pro Kapital in recent years and to be developed in the future, all maintenance services to other properties will be terminated within the next few months. The influence of the reorganisation of the maintenance service business in Estonia for the group is as follows: based on 2017 financial results the group revenue will decrease by 1 352 thousand euros and gross profit by 155 thousand euros. The reorganization does not have material effect on profitability of the group.
- On 23 April 2018 the term of office of the Chairman of the Management Board of AS Pro Kapital Grupp, Paolo Vittorio Michelozzi was prolonged until 31 December 2021.
- On 7 May 2018 the Company announced the change in the Board of Pro Halduse OÜ. Allan Remmelkoor was recalled from the Board as he is focusing on opening T1 Mall of Tallinn shopping centre. New member of the Board Kati Rõuk has been working in the Company since 1999.
- On 29 June 2018 the Company announced establishment of a new subsidiary in Estonia. OÜ Dunte Arendus is owned 100% by AS Tondi Kvartal, a subsidiary of AS Pro Kapital Eesti. The purpose of establishment of the subsidiary is to transfer Dunte premises located near Kristiine City in Tallinn to the subsidiary and commence the development of the project.

- On 17 July 2018, after reporting period, the Company announced establishment of a new subsidiary in Estonia. OÜ Kalaranna Kvartal is owned 100% by AS Pro Kapital Eesti. The purpose of establishment of the subsidiary is to transfer assets related to the Kalaranna Kvartal project located near the city centre of Tallinn to the subsidiary and to commence the development of the project.
- On 10 August 2018, after reporting period, the Company prolonged the redemption date of 838 984 PKG3 convertible bonds by 2 years. New redemption date is 10 August 2020. The Company is redeeming 1 200 PKG3 convertible bonds with the total issue price of 3 360 euros.
- On 21 August 2018, after reporting period, the Company announced the redemption of 64 non-convertible “AS Pro Kapital Grupp bond 08.2018” with the total value of 640 000 euros. The maturity date of 5% non-convertible bonds was 15 August 2018.

Chairman's summary

During the first half of the year 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. The Company is continuously carrying out negotiations to find suitable retail operators for the T1, either international or local. The T1 Mall of Tallinn is expected to be opened this autumn.

The Company continued the development of residential areas of Kristiine City in Tallinn, Kliversala in Riga and Šaltinių Namai in Vilnius.

In Tallinn, Kristiine City, the Company has completed five of ten Kristina Houses where 149 apartments out of 155 have been handed over to the clients. Following phase of Kristina Houses is currently ongoing with two buildings under development. Each building has 31 apartments. With active presale being carried out simultaneously to construction works, altogether 36 apartments have been presold. Presales have started also for the last set of three buildings of Kristina Houses in Sammu Street, construction of which is expected to commence this autumn. The Company completed renovation of Marsi 6 into a loft apartment building this spring. Being a very popular project in co-operation with Estonian designers, only 1 flat of 45 is still available for sale.

Kalaranna residential development projecting works in Tallinn are ongoing for obtaining the building permit. As the interest for the project is very high, we have started with initial reservations in July. We are proud to announce that 7 reservations have been already made.

The Company finished the construction works of prestigious River Breeze Residence in Kliversala, Riga, this spring. 6 out of 47 luxury apartments have already been handed over to the clients and two will be handed over in the nearest future. Sales for 39 apartments of River Breeze Residence is currently ongoing. The Company is proceeding with other key projects in Riga. The following phase of Kliversala and Tallinas Residential Complex projecting works are ongoing, as well as the office complex in Zvaigznes Quarter.

In Vilnius the first stage of Šaltinių Namai development has been almost sold. Last year the construction works for the second stage residential buildings started and 74 preliminary agreements have been already signed. Four buildings of the second

stage should be completed in the middle of 2019. The Company is interested in obtaining new attractive developments in the region, to start new projects after the completion of Šaltinių Namai.

Excellent results

At the end of the reporting period the Company recorded net revenue of 15.1 million euros, an increase of 150% as compared to 6.0 million euros in the same period in 2017. Revenues have increased in real estate segment due to completion of 3 apartment buildings in Tallinn and 1 in Riga as the revenues are recorded at the moment notary deed of sale is concluded. The net profit was 2.8 million euros profit for the first six months in 2018, which was 210% better as compared to 2.6 million euros loss during the same period in 2017. The Company is working on increasing its efficiency and results show significant improvement. For 2018 we foresee a positive year end result, which is influenced by completion of residential real estate developments in Tallinn and in Riga and opening of T1 Mall of Tallinn.

Overall loans from financial institutions were 48.9 million euros as at 30 June 2018. The loans from minority shareholders were 0.3 million euros. The Company had 10.2 million euros worth convertible bonds debt and 29.1 million euros worth non-convertible bonds debt at the end of reporting date.

As at 30 June 2018 there were 87 employees working in the Company, 44 of them were employed in the hotel and property maintenance business.



Paolo Michelozzi
CEO
AS Pro Kapital Grupp
22 August 2018

Group structure

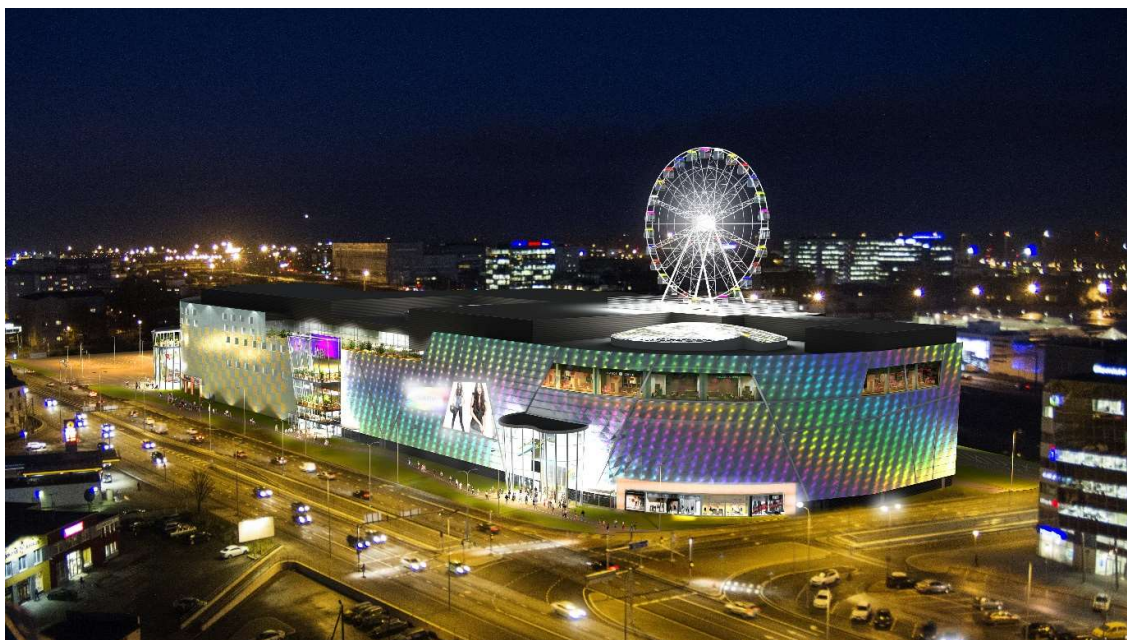
As at 22 August 2018



Overview of the development projects

T1 Mall of Tallinn – a new standard of retail and entertainment

T1 Mall of Tallinn is located at the centre of the near-future heart of the capital of Estonia. Unlike any shopping or entertainment centre in the Baltics, T1 will bring communities together and change the behaviour and interpersonal interaction entirely. The Company believes people need more comfort and consolidation from services and experiences, more openness and responsiveness. T1 is thereby one of the key development projects that reflects the mindset of the Company. T1, with total building volume of 130 thousand square metres and gross leasable area 55 thousand square meters, will be opened to the visitors in autumn 2018.



Ülemiste 5, Tallinn

Ülemiste 5 land plot is closely connected to the T1 Mall of Tallinn property, located on Peterburi road 2. Ülemiste 5 will be developed for commercial premises with gross leasable area 14 thousand square meters. This development project will play a significant role in establishing the new public transportation centre of Tallinn. The Company is currently in the process of establishing new detail plan with regards to the connection with Rail Baltica terminal. The plan will be coordinated and implemented in close co-operation with the City of Tallinn.

Kristiine City in Tallinn

Kristiine City is one of the largest residential areas in the Baltic countries, located in the Kristiine borough, a residential area very close to the heart of the City Centre of Tallinn. The unique project plans exquisitely integrated historical red brick buildings with the modern architecture that will arise over the hill, at the very heart of the new quarter. The Kristiine City development will bring lively and elegant atmosphere to the historical barrack area. The residential area is developed mainly to offer green living environment to families and people who prefer living outside the very centre or the city.

Marsi 6 in Kristiine City

The reconstruction of historical building with special design loft apartments has been completed at the beginning of 2018. The Company has successfully carried out the sale of the apartments, with only one apartment available for sale.



Kristina Houses in Kristiine City

This is a development of ten new apartment buildings located in Kristiine City with an estimation of 22 thousand square meters of net sellable area in total. The Company has, to date, completed five apartment buildings. The construction and presale of the



following two buildings have started and are currently ongoing. Presales have started also for the last set of three buildings of Kristina Houses in Sammu Street, construction of which is expected to commence this autumn.

Kalaranna in Tallinn

The Kalaranna development is located at the very heart of Tallinn, in the most exclusive and prestigious area, right on the beachfront of central Tallinn. The detail planning of the property includes a beach promenade and a well-connected public space with a building solution, turning the entire region into a truly valuable area at the heart of the city. The total area of the development is close to 30 thousand square meters, most of which is residential real estate. The Company has finalised the detail planning and design works are currently in progress. The design will be carried out by well-known architects Ott Kadarik and Mihkel Tüür, who were the winners of architectural competition held.



Kliversala in Riga

The district of Klīversala is located in the most picturesque and beautiful part of the centre of Riga. A land plot of almost five hectares in total, is located on the peninsula on the Daugava river and Agenskalna bay, facing the towers of Old Riga and the President Castle. The property will be developed as an integral residential quarter.

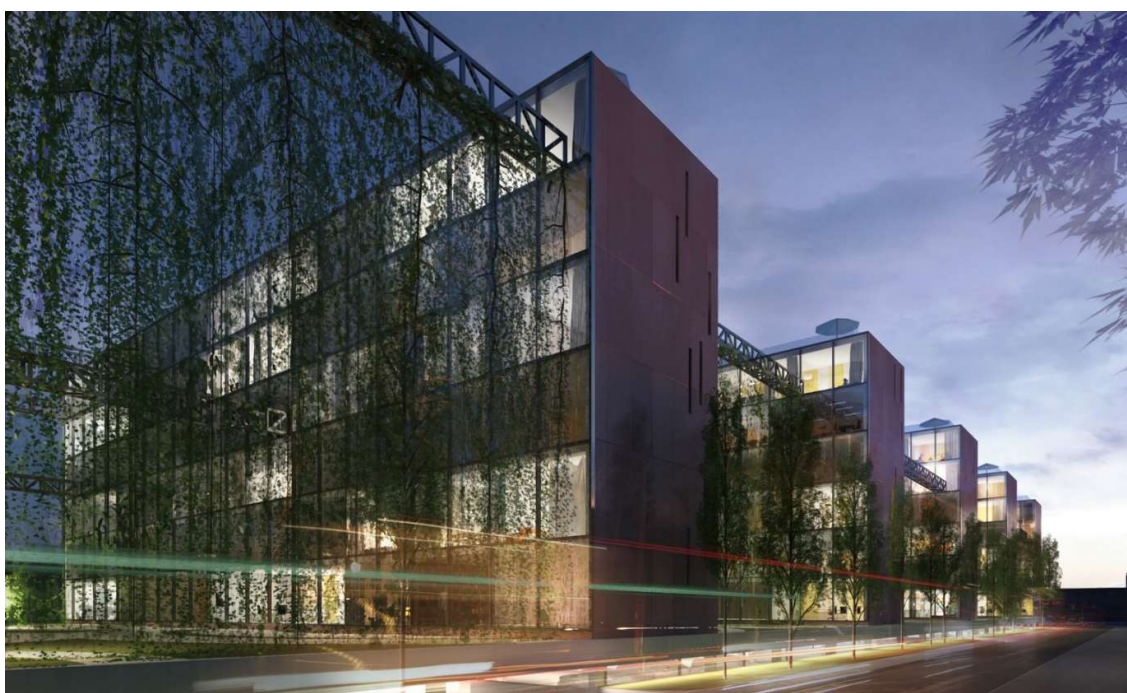
The River Breeze Residence and the neighbouring territory are a significant part of the long-term development strategy of the city of Riga, which will be carried out through the period until 2030. Mainly, because the River Breeze Residence is located within the UNESCO heritage protection area and is thereby considered as a highly valuable territory.

The River Breeze Residence is a newly constructed residential building and a landmark of the city's silhouette, on the left side of the bank of the river. The River Breeze Residence is the first building in the Klīversala quarter, exclusive residential development, located on the shore of river Daugava and Agenskalna bay. Construction works of the building have been completed this spring and the Company has started design works for the following phase.



Zvaigznes Quarter in Riga

Commercial property development for modern office complex will be built on the site of a former factory. The area is located at one of the main transport arteries heading through the city – the Brīvības street - making it an attractive commercial area. The first phase of the project foresees renovation of the existing industrial building into an office building. The construction of new office and commercial buildings will be carried out as a second phase of the project. The site is ready for construction, existing building is conserved. The Company started the design works for the renovation in 2017 and is currently in progress with technical design of the premises.



Tallinas Quarter in Riga

Tallinas street 5/7 is located in the central city of Riga, where a new residential development is planned. The project foresees a series of apartment buildings with commercial premises on the first floor. The building complex will consist of new buildings and restored historical buildings that will create a unique atmosphere in the area. The building permit has been issued and the technical design is currently in progress.

Šaltinių Namai in Vilnius

Šaltinių Namai Attico is a prestigious new quarter surrounded by the nature in the most peaceful part of the Old Town of Vilnius. All four apartment buildings, currently under construction, will be built ensuring the highest standards of energy efficiency.

The first stage of Project Šaltinių Namai has been completed, with altogether six five-floor buildings with attics and eleven private cottages. Residents of Šaltinių Namai quarter are already enjoying the private courtyard, beautiful landscape and fully equipped children 's playground.



Segments and sales information

The Company's operations are divided across four geographical segments: Estonia, Latvia, Lithuania, and Germany. In addition, the Company monitors its activities through the business activities: real estate sale and rent, hotel operations, maintenance of real estate and other services. The Company has exited Tallinn hotel operations in July 2017 and Riga hotel operations in August 2017. Comparative information below here includes discontinued operations.

Revenue structure 1 January – 30 June 2018 including discontinued operations, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
Real estate	8 095	2 012	3 841	0	403	1 430	0	0	12 339	3 442
Rent	4	13	36	33	67	45	0	0	107	91
Hotels	0	847	0	692	0	0	1 875	1 623	1 875	3 162
Maintenance	600	739	10	51	71	68	0	0	681	858
Other	0	0	50	10	13	3	0	0	63	13
Total	8 699	3 611	3 937	786	554	1 546	1 875	1 623	15 065	7 566

Revenue structure 1 April – 30 June 2018 including discontinued operations, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
Real estate	3 028	1 004	3 841	0	215	610	0	0	7 084	1 614
Rent	3	6	18	18	42	23	0	0	63	47
Hotels	0	539	0	469	0	0	977	902	977	1 910
Maintenance	74	321	3	17	36	35	0	0	113	373
Other	0	0	18	7	12	1	0	0	30	8
Total	3 105	1 870	3 880	511	305	669	977	902	8 267	3 952

During reporting period, the Company's operations in **Estonia** consisted of the development and sales of apartments and business premises and maintenance of residential and business premises. On the comparable period, the Company operated PK Ilmarine Hotel in Tallinn, the hotel business was exited in July 2017.

The share of the Estonian segment as a percentage of total revenues of the Company for the six months amounted to 57.7% comparing to 47.7% during the same period last year. The increase is influenced by real estate sales.

During the reporting period, the total of 78 apartments, 1 business premise, 68 parking lots and 28 storage rooms were sold (2017 6M: 15 apartments, 18 parking lots and 10 storage rooms). In Kristina Houses development project of ten buildings the construction of five apartment buildings have been completed today. 149 apartments out of 155 have been handed over to the owners at the moment of the preparation of the current report. Two following buildings are under construction and available for presales, for total of 62 new apartments 36 presales agreements have been signed. Marsi 6 project construction works were completed in January 2018 of the current year and only one apartment of 45 is unsold. At the end of the reporting period the stock consisting of 16 apartments and 1 business premises, also several parking spaces and storage rooms were available for sale in Tallinn.

During the reporting period, the Company's operations in **Latvia** mainly consisted of development and sale of apartments in premium residential real estate property. On the comparable period, the Company operated PK Riga Hotel in Riga, the hotel business was sold in August 2017.

The share of the Latvian segment as a percentage of total revenues of the Company for the six months amounted to 26.1% comparing to 10.4% in the same period last year. An increase is a result of completion of the River Breeze Residence in Kliversala and start of sales. At the moment of issuing current report, 6 apartments have been handed over to the buyers and two more sales are awaiting to be finalised.

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 for the six months amounted to 3.7% comparing to 20.4% during the same period last year. Most of the first stage of Šaltinių Namai completed project has been sold. Last year construction works of the second stage started and four apartment buildings should be completed in the middle of the next year. At the moment of compilation of this report 74 preliminary agreements have been signed for the second stage in Šaltinių Namai project.

As there are limited number of inventories for sale in Lithuania, the Company purchased during reporting period 12 flats at a competitive price for further resale. Five of the flats have been already sold by this date.

During the reporting period 1 business premises and 1 apartment were sold in Lithuania (2017 6M: 4 apartments, 2 business premises and 8 parking lots). There were 15

apartments, 4 cottages, 3 business premises, several storage rooms and 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.

The share of the German segment as a percentage of total revenues of the Company for the six months amounted to 12.4% comparing to 21.5% last year. The decrease in German segment is resulting from growing real estate sale segment in Estonia and Latvia. The occupancy of PK Parkhotel Kurhaus 68.3% shows 16% increase comparing to 58.8% for the same period in 2017. Gross operating profit has increased 110% and amounted to 320 thousand euros comparing to 152 thousand in 2017. Net result improved by 98% comparing to the same period last year.

Other operative data 1 January – 30 June 2018

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
M2 sold*	4 133	1 212	1 048	0	157	508	0	0	5 338	1 720
Average price, m2/EUR*	1 837	1 558	3 369	0	2 575	2 587	0	0	2 159	1 862
M2 under maintenance	30 948	61 869	12 660	15 038	17 642	17 292	0	0	61 250	94 199
Occupancy rate %, hotels**	N/A	73.8%	N/A	69.3%	N/A	N/A	68.3%	58.8%	68.3%	66.8%

*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 hotel sale transaction dates

Other operative data 1 April – 30 June 2018

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
M2 sold*	1 524	664	1 048	0	61	286	0	0	2 633	950
Average price, m2/EUR*	1 795	1 445	3 369	0	3 548	1 980	0	0	2 462	1 606
M2 under maintenance	30 948	61 869	12 660	15 038	17 642	17 292	0	0	61 250	94 199
Occupancy rate %, hotels**	N/A	85.1%	N/A	86.6%	N/A	N/A	70.5%	63.3%	70.5%	77.2%

*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 hotel sale transaction dates

Financing sources and policies

Pro Kapital pursues conservative financing policy, targeting on high ratio of equity in its projects, as compared to the industry standards. The objective of the Company is to use external financing in a manner that enables to avoid interest and loan covenant related risk during the low economic periods and to have sufficient additional external financing capacity when 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 the Company's credit standing.

During the reporting period, the Company borrowed 18 754 thousand euros from Lintgen Adjacent Investments, 2 245 thousand euros from Swedbank Latvia and 1 515 thousand euros from Luminor Bank. The Company has repaid 4 755 thousand euros of the bank loans during first six months of 2018. As at 30 June 2018, the total amount borrowed from the banks was 48.9 million euros. 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, depending on sales volumes, for others.

As at 30 June 2018 the Company had 10.2 million euros convertible bonds (current portion: 6.1 million euros; long term portion: 4.1 million euros), 1.2 million euros non-convertible bonds (current portion: 0.9 million euros; long term portion: 0.3 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 June 2018 Pro Kapital had issued 56 687 954 shares in total with the nominal value 0.20 euros. The registered share capital of the Company was 11 337 590.80 euros.

As at 30 June 2018 there were 133 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent different non-resident investors.

Shareholders holding over 5% of the shares as at 30 June 2018 were as follows:

Shareholders	Number of shares	Participation in %
Nordea Bank AB (Publ)/ Non-treaty Clients	24 709 145	43.59%
Clearstream Banking Luxembourg S.A. Clients	16 934 265	29.87%
Svalbork Invest OÜ	6 008 490	10.60%

Participation of Member of the Management Board and the Council Members as at 30 June 2018:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi	CEO	281 647	0.50%
Allan Remmelkoor	COO	0	0.00%
Emanuele Bozzone	Chairman of the Council	0	0.00%
Petri Olkinuora	Council Member	30 000	0.05%
Pertti Huuskonen	Council Member	26 000	0.05%

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

Emanuele Bozzone, with his affiliates, is holding 5 secured, callable, fixed rate bond of the Company with the nominal value of 500 000 euros.

Earnings per share during the first six months of 2018 were 0.05 euros (2017 6M: -0.05 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 June 2018, NASDAQ Baltic Secondary List



Source: nasdaqbaltic.com

On 23 November 2012 the Company was listed on the secondary list of Tallinn's stock exchange. During the period 1 January – 30 June 2018 the shares were trading at the price range 1.57 - 1.99 euros, with the closing price of 1.60 euros per share on 30 June 2018. During the period 280 thousand of the Company's shares were traded with their turnover amounting to 488 thousand euros.

On 13 March 2014 the Company's shares started trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 30 June 2018 the shares were trading at the price range of 1.54 - 1.97 euros, with the closing price 1.55 euros per share on 30 June 2018. During the period 274 thousand of the Company's shares were traded with the total turnover of 160 thousand euros.

Legal overview and developments

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

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 at the end of the reporting period.

People

As at 30 June 2018 the Company employed 87 people compared to 124 people on 30 June 2017. 44 of them were engaged in hotel and property maintenance services (88 on 30 June 2017). The number of employees has decreased due to the sale of Tallinn and Riga hotels in the third quarter of 2017. The number of employees does not include council members.

Risks

The most significant risks for the Company are related with the market, liquidity and financing. The long- term business approach enables the Company to mitigate the risks of possible market fluctuation. The Company is further pursuing long-term strategic

approach, allowing 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 risks.

Liquidity risks are managed on an 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 risks.

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 August 2018
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	22 August 2018
Edoardo Preatoni	Member of the Management Board	22 August 2018

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	30.06.2018	30.06.2017	31.12.2017
ASSETS				
Current assets				
Cash and cash equivalents		6 711	3 181	10 317
Current receivables		3 153	4 737	4 888
Inventories	5	57 078	29 524	38 024
Total current assets		66 942	37 442	53 229
Non-current assets				
Non-current receivables		35	40	37
Property, plant and equipment	6	7 101	18 130	7 435
Investment property	7	123 390	96 038	114 140
Intangible assets		309	294	317
Total non-current assets		130 835	114 502	121 929
TOTAL ASSETS	3	197 777	151 944	175 158
LIABILITIES AND EQUITY				
Current liabilities				
Current debt	8	9 319	7 319	6 738
Customer advances		5 070	5 290	7 224
Current payables		12 597	5 316	10 091
Tax liabilities		116	318	132
Short-term provisions		7	145	170
Total current liabilities		27 109	18 388	24 355
Non-current liabilities				
Long-term debt	8	79 273	50 580	62 527
Other non-current payables		3 738	2 182	3 437
Deferred income tax liabilities		2 003	3 330	2 058
Long-term provisions		150	49	99
Total non-current liabilities		85 164	56 141	68 121
TOTAL LIABILITIES	3	112 273	74 529	92 476
Equity attributable to owners of the Company				
Share capital in nominal value		11 338	10 854	11 338
Share premium		5 661	1 816	5 661
Statutory reserve		1 082	1 082	1 082
Revaluation reserve		3 262	9 462	3 256
Retained earnings		59 944	55 017	60 369
Loss for the period		2 870	-2 265	-419
Total equity attributable to owners of the Company		84 157	75 966	81 287
Non-controlling interest	4	1 347	1 449	1 395
TOTAL EQUITY		85 504	77 415	82 682
TOTAL LIABILITIES AND EQUITY		197 777	151 944	175 158

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

Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2018 6M	Adjusted* 2017 6M	2018 Q2	Adjusted* 2017 Q2	2017 12M
CONTINUING OPERATIONS						
Operating income						
Revenue	9	15 065	6 024	8 267	2 950	12 077
Cost of goods sold	10	-10 032	-4 256	-5 038	-1 996	-7 516
Gross profit	11	5 033	1 768	3 229	954	4 561
Marketing expenses		-459	-454	-280	-266	-822
Administrative expenses	12	-2 323	-2 466	-1 238	-1 273	-5 256
Other income		2 210	273	2 034	228	4 114
Other expenses		-32	-25	-3	-22	-800
Operating profit/ loss		4 429	-904	3 742	-379	1 797
Financial income	13	2	2	1	1	6
Financial expense	13	-1 661	-1 657	-802	-810	-3 352
Profit/ loss before income tax		2 770	-2 559	2 941	-1 188	-1 549
Income tax		52	-13	-1	18	596
Profit/ loss from continuing operations		2 822	-2 572	2 940	-1 170	-953
Profit from discontinued operations*		0	262	0	289	435
Profit/ loss for the period		2 822	-2 310	2 940	-881	-518
Attributable to:						
Equity holders of the parent		2 870	-2 265	2 966	-854	-419
Non-controlling interest		-48	-45	-26	-27	-99
Other comprehensive income, net of income tax						
Income that will not be reclassified subsequently to profit						
Net change in properties revaluation reserve		0	0	0	0	-4
Total comprehensive income for the year						
Attributable to:						
Equity holders of the parent		2 870	-2 265	2 966	-854	-423
Non-controlling interest		-48	-45	-26	-27	-99
Earnings per share from continuing operations (EUR)	14	0.05	-0.05	0.05	-0.02	-0.02
Earnings per share for the period (EUR)	14	0.05	-0.04	0.05	-0.02	-0.01

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

*2017 comparable information of the reporting period has been adjusted by separating discontinued operations from financial results and indicating them on a separate line.

Consolidated interim statements of cash flows

in thousands of euros

	Note	2018 6M	2017 6M	2018 Q2	2017 Q2	2017 12M
Cash flows from operating activities						
Loss for the year		2 822	-2 310	2 940	-881	-518
Adjustments for:						
Depreciation, amortisation of non-current assets		104	351	52	176	455
Gain from disposal of property, plant, equipment		-4	0	14	0	-3 045
Change in fair value of property, plant, equipment		0	0	0	0	-26
Change in fair value of investment property	7	-1 910	0	-1 910	0	-530
Loss from disposal of shares of subsidiaries		0	0	0	0	346
Finance income and costs	13	1 659	1 744	801	857	3 460
Other non-monetary changes (net amounts)		16 456	12 898	16 109	314	12 410
Changes in working capital:						
Trade receivables and prepayments		1 736	-260	1 306	-167	-408
Inventories	5	-19 054	-15 380	-17 590	-2 438	-23 880
Liabilities and prepayments		1 528	997	-1 322	2 749	6 556
Provisions		-110	-175	-129	-187	-101
Net cash used in/ generated by operating activities		3 172	-2 135	269	423	-5 281
Cash flows from investing activities						
Payments for property, plant and equipment	6	-90	-141	-33	-43	-281
Payments for intangible assets		0	-24	0	0	-52
Proceeds from disposal of property, plant, equipment		336	0	0	0	6 651
Payments for investment property	7	-22 186	-9 057	-12 896	-4 972	-24 772
Net cash from disposal of shares of subsidiaries		0	0	0	0	6 249
Interests received	13	2	3	1	2	6
Net cash used in by investing activities		-21 938	-9 219	-12 928	-5 013	-12 199
Cash flows from financing activities						
Proceeds from increase of share capital		0	0	0	0	4 328
Dividend payment		-850	0	0	0	0
Net changes related to non-controlling interests		0	0	0	0	-480
Proceeds from bonds		0	0	0	0	1 446
Redemption of convertible bonds	8	0	-539	0	-17	-773
Proceeds from borrowings		22 514	11 034	15 071	4 584	28 260
Repayment of borrowings		-4 755	-324	-2 704	-156	-7 048
Interests paid		-1 749	-1 702	-1 222	-1 135	-3 318
Net cash generated by financing activities		15 160	9 153	11 145	4 440	22 415
Net change in cash and cash equivalents		-3 606	-2 201	-1 514	-150	4 935
Cash and cash equivalents at the beginning of the period		10 317	5 382	8 225	3 331	5 382
Cash and cash equivalents at the end of the period		6 711	3 181	6 711	3 181	10 317

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	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2016	10 841	1 669	1 082	9 462	58 743	81 797	1 635	83 432
Increase of share capital	13	147	0	0	0	160	0	160
Changes in non-controlling interests	0	0	0	0	361	361	276	637
Comprehensive loss for the period	0	0	0	0	-3 913	-3 913	-112	-4 025
31 December 2016	10 854	1 816	1 082	9 462	55 191	78 405	1 799	80 204
Changes in non-controlling interests	0	0	0	0	-174	-174	-305	-479
Comprehensive loss for the period	0	0	0	0	-2 265	-2 265	-45	-2 310
30 June 2017	10 854	1 816	1 082	9 462	52 752	75 966	1 449	77 415
Increase of share capital	484	3 845	0	0	0	4 329	0	4 329
Distribution of dividends	0	0	0	0	-850	-850	0	-850
Changes in revaluation reserve	0	0	0	-6 202	6 202	0	0	0
Comprehensive profit for the period	0	0	0	-4	1 846	1 842	-54	1 788
31 December 2017	11 338	5 661	1 082	3 256	59 950	81 287	1 395	82 682
Changes in revaluation reserve	0	0	0	6	-6	0	0	0
Comprehensive profit for the period	0	0	0	0	2 870	2 870	-48	2 822
30 June 2018	11 338	5 661	1 082	3 262	62 814	84 157	1 347	85 504

Notes to consolidated interim financial statements

Note 1. General information

AS Pro Kapital Grupp (hereinafter also referred to as “the Parent Company”) is a holding company incorporated and operating in the Republic of Estonia. The main shareholders of the Parent Company are following:

Shareholder	Country of incorporation	Ownership 30.06.2018	Ownership 30.06.2017	Ownership 31.12.2017
Nordea Bank AB (Publ)/ Non-treaty Clients	Sweden	43.59%	0.00%	0.02%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	29.87%	9.01%	8.21%
Svalbork Invest OÜ	Estonia	10.60%	11.05%	10.60%
Nordea Bank Finland Plc Clients	Finland	2.46%	46.59%	55.80%
Eurofiduciaria S.R.L.	Italy	0.0%	12.45%	11.71%

For the purpose of comparable financial figures of these interim financial statements as at 30 June 2018, AS Pro Kapital Grupp 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 the investors.

For the comparable period of six months of 2018, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the 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 2017.

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 2017.

Note 3. Segment reporting

in thousands of euros

(including discontinued operations)

	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2018 6M							
Revenue	0	8 699	3 939	555	2 122	-250	15 065
Other operating income and expenses (net)	0	2 072	93	2	35	-24	2 178
Segment operating profit (loss)	-842	3 799	1 550	-137	59		4 429
Financial income and expense (net)	689	1 045	-173	-126	-69	-3 025	-1 659
Profit (loss) before income tax	-153	4 844	1 377	-263	-10	-3 025	2 770
Income tax	0	0	-3	54	1		52
Non-controlling interest	0	-48	0	0	0		-48
Net profit (loss) for the financial year attributable to equity holders of the parent	-153	4 892	1 374	-209	-9		2 870

30.06.2018

Assets	58 735	205 470	35 123	22 666	6 887	-131 104	197 777
Liabilities	112 277	56 927	23 910	14 735	3 990	-99 566	112 273
Acquisition of non-current assets	0	4	36	1	49		90
Disposal of non-current assets	0	-2	0	-366	0		-368
Depreciation and amortisation	-3	-18	-2	-7	-74		-104

2017 6M

Revenue	12	3 612	789	1 546	1 841	-234	7 566
Other operating income and expenses (net)	0	3	228	0	89	-46	274
Segment operating profit (loss)	-932	215	-41	386	-152		-524
Financial income and expense (net)	-2 259	1 019	-264	-160	-81		-1 745
Profit (loss) before income tax	-3 191	1 234	-305	226	-233		-2 269
Income tax	0	0	-26	-15	0		-41
Non-controlling interest	0	-45	0	0	0		-45
Net profit (loss) for the financial year attributable to equity holders of the parent	-3 191	1 279	-331	211	-233		-2 265

30.06.2017

Assets	55 512	158 567	37 595	17 696	7 234	-124 660	151 944
Liabilities	109 465	18 615	26 191	8 995	5 152	-93 889	74 529
Acquisition of non-current assets	0	32	1	8	124		165
Disposal of non-current assets	0	-8	0	-51	0		-59
Depreciation and amortisation	0	-85	-108	-12	-141		-346

in thousands of euros

(including discontinued operations)

	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2017 12M							
Revenue	607	7 591	1 194	1 784	3 974	-1 052	14 098
Other operating income and expenses (net)	0	1 572	186	-16	230	-80	1 892
Segment operating profit (loss)	-1 471	2 903	-400	-90	-9	0	933
Financial income and expense (net)	-4 634	2 078	951	-239	-164	0	-2 008
Profit (loss) before income tax	-6 105	4 981	551	-329	-173	0	-1 075
Income tax	0	0	578	-21	0	0	557
Non-controlling interest	0	-99	0	0	0	0	-99
Net profit (loss) for the financial year attributable to equity holders of the parent	-6 105	5 080	1 129	-350	-173	0	-419

31.12.2017

Assets	58 292	179 472	37 551	19 171	7 029	-126 357	175 158
Liabilities	111 680	35 772	24 687	11 031	4 123	-94 817	92 476
Acquisition of non-current assets	25	46	12	11	239	0	333
Disposal of non-current assets	0	-6 267	-7 562	0	0	0	-13 829
Depreciation and amortisation	-1	-114	-139	-28	-173	0	-455

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 1 January 2017	8.05%
Repurchase of shares	-1.40%
Minority (%) as at 30 June 2017	6.65%
Minority (%) as at 31 December 2017	6.65%
Minority (%) as at 30 June 2018	6.65%

in thousands of euros

Non-controlling interest as at 1 January 2017	1 799
Net change in non-controlling interest	-305
Loss for the reporting period	-45
Non-controlling interest as at 30 June 2017	1 449
Loss for the reporting period	-54
Non-controlling interest as at 31 December 2017	1 395
Loss for the reporting period	-48
Non-controlling interest as at 30 June 2018	1 347

Note 5. Inventories

in thousands of euros	30.06.2018	30.06.2017	31.12.2017
Property held for resale	19 838	3 050	4 894
Works in progress	37 103	26 401	33 062
Goods bought for resale	49	64	59
Prepayments for inventories	88	9	9
Total	57 078	29 524	38 024

Property held for resale include completed real estate stock in Tallinn, Riga and Vilnius and has significantly increased due to completion of the River Breeze Residence in Riga during reporting period, which is an exclusive residential building.

Works in progress include properties being under development in Tallinn and in Vilnius or waiting for development in the nearest future. During the reporting period Kalaranna and Sammu street properties in Tallinn were reclassified from investment property into inventories in the total amount of 17 678 thousand euros, as the Company will start with the development in the nearest future. Changes into the group structure have been made accordingly: for Kalaranna project a subsidiary has been established; Sammu street property for the following three apartment buildings in Kristina Houses project has been transferred into the relevant development company.

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 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.

in thousands of euros	30.06.2018	30.06.2017	31.12.2017
Acquisition value	10 213	24 159	10 500
Accumulated depreciation	-3 112	-6 029	-3 065
Residual value	7 101	18 130	7 435

On comparable date 30 June 2017, land and buildings included three hotel properties (in Tallinn, Riga and Bad Kreuznach) and administrative premises in Tallinn and Vilnius. Tallinn and Riga hotel properties were sold during second half of 2017. In January 2018 the office in Vilnius was sold.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay- ments	Total
Acquisition value 01.01.2017	20 066	1 686	1 216	1 118	24 086
Additions:					
Acquired	1 242	1	11	-1 113	141
Disposals:					
Sold	0	0	-9	0	-9
Written off	0	-8	-51	0	-59
Acquisition value 30.06.2017	21 308	1 679	1 167	5	24 159
Additions:					
Acquired	109	6	16	9	140
Changes in fair value	26	0	0	0	26
Disposals:					
Sold	-6 100	0	0	0	-6 100
Sold through disposal of subsidiary	-6 076	-804	-835	-5	-7 720
Written off	0	-1	-4	0	-5
Acquisition value 31.12.2017	9 267	880	344	9	10 500
Additions:					
Acquired	0	16	44	33	93
Disposals:					
Reclassified into inventories	0	0	-3	-9	-12
Sold	-358	0	0	0	-358
Written off	0	0	-10	0	-10
Acquisition value 30.06.2018	8 909	896	375	33	10 213

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay- ments	Total
Accumulated depreciation 01.01.2017	3 103	1 560	1 087	0	5 750
Additions:					
Depreciation charge for the period	265	58	23	0	346
Disposals:					
Sold	0	0	-8	0	-8
Written off	0	-8	-51	0	-59
Accumulated depreciation 30.06.2017	3 368	1 610	1 051	0	6 029
Additions:					
Depreciation charge for the period	62	25	12	0	99
Disposals:					
Sold	-696	0	0	0	-696
Sold through disposal of subsidiary	-800	-791	-771		-2 362
Written off	0	-1	-4	0	-5
Accumulated depreciation 31.12.2017	1 934	843	288	0	3 065
Additions:					
Depreciation charge for the period	74	9	14	0	97
Disposals:					
Sold	-40	0	0	0	-40
Written off	0	0	-10	0	-10
Accumulated depreciation 30.06.2018	1 968	852	292	0	3 112

Note 7. Investment property

in thousands of euros	Investment property held for increase in value	Total
Balance at 01.01.2017	99 660	99 660
Additions:		
Investments	9 057	9 057
Capitalised interests	211	211
Reclassified into inventories	-12 890	-12 890
Balance at 30.06.2017	96 038	96 038
Additions:		
Investments	16 836	16 836
Capitalised interests	736	736
Changes in fair value:		
Profit from change in fair value	530	530
Balance at 31.12.2017	114 140	114 140
Additions:		
Investments	22 581	22 581
Capitalised interests	2 437	2 437
Changes in fair value:		
Profit from change in fair value	1 910	1 910
Reclassified into inventories	-17 678	-17 678
Balance at 30.06.2018	123 390	123 390

The fair values of the Group's investment property at 31 December 2017 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 in amount of ca 21.8 million euros.

During the reporting period Kalaranna and Sammu street properties in Tallinn were reclassified from investment property into inventories in the total amount of 17.7 million euros, as the Company will start the development of the properties in the nearest future. Changes into the group structure have been made accordingly: for Kalaranna project a subsidiary has been established; Sammu street property for the following three apartment buildings in Kristina Houses project has been transferred into the relevant development company.

Note 8. Current and non-current debt

Current debt

in thousands of euros	30.06.2018	30.06.2017	31.12.2017
Bank loans and overdrafts	2 203	2 991	168
Convertible bonds	6 176	4 320	5 930
Non-convertible bonds	940	0	640
Current portion of finance lease	0	8	0
Total	9 319	7 319	6 738

Non-current debt

in thousands of euros	30.06.2018	30.06.2017	31.12.2017
Bank loans and overdrafts	46 720	15 435	29 498
Convertible bonds	4 086	6 176	4 331
Non-convertible bonds	28 012	28 546	28 261
Payables to non-controlling interest	455	418	437
Non-current portion of finance lease	0	5	0
Total	79 273	50 580	62 527

Creditors

in thousands of euros	30.06.2018	30.06.2017	31.12.2017
Swedbank AS (EE)	0	1 252	0
Swedbank AS (EE)	0	1 860	0
Luminor Bank AS (EE)	460	488	474
Luminor Bank AS (EE)	0	189	1 663
AS Swedbank (LV)	0	2 697	0
AS Swedbank (LV)	5 680	3 603	4 999
Lintgen Adjacent Investments (Agent) incl long-term interests	42 783	8 338	22 530
Lease agencies	0	13	0
Fiducaria Emiliana S.r.l including long-term interests	294	270	283
Anndare Limited including long-term interests	161	147	154
Convertible bonds, various investors	10 261	10 496	10 261
Non-convertible bonds, various investors	1 240	1 240	1 240
Secured bonds, various investors	27 713	27 306	27 661
Total	88 592	57 899	69 265

All agreements and liabilities are fixed in euros. The total interest and other financial cost for the reporting period was 1 661 thousand euros (2017 6M: 1 747 thousand euros total of which 1 657 thousand euros for continuing operations).

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 22 January 2018 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2020.

On 10 August 2018, after the reporting period, the Company prolonged the redemption date of 838 984 PKG3 convertible bonds by 2 years. New redemption date is 10 August 2020. The Company redeemed 1 200 PKG3 convertible bonds with the total issue price of 3 360 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. After the reporting period, the Company has redeemed 64 bonds with the total value of 640 000 euros. The maturity date of the bonds was 15 August 2018.

Non-convertible secured bonds

On 2 April 2015 the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the Company. The Management Board of the Company was authorized to issue the bonds in several tranches maximum up to 50 million euros. As at 30 June 2018 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 June 2018 was 27.7 million euros.

Secured, callable, fixed rate bonds of the Company are secured with the shares of all subsidiaries of the Group as at 30 June 2018. Since 8 July 2015 the bonds have been listed on Nasdaq Stockholm.

Pledged assets in balance sheet value

in thousands of euros

Beneficiary	Collateral description	30.06.2018	30.06.2017	31.12.2017
Luminor Bank AS (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	3 228	1 099	5 612
Luminor Bank AS (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 418	2 312	2 355
Luminor Bank AS (Estonia)	Marsi 6, Tallinn	100	N/A	2 653
Luminor Bank AS (Estonia)	Sõjakooli 11, Tallinn	732	713	732
Lintgen Adjacent Investments	Peterburi 2, Tallinn	83 710	42 442	59 450
Swedbank AS (Estonia)	Põhja 21, 21a, 21 b-1, Tallinn	N/A	5 412	N/A
Swedbank AS (Estonia)	Põhja 21, 23 Tallinn	N/A	283	N/A
Nordea Bank AB Est Br (Estonia)	Marsi 3, 3a, 3b, Tallinn	N/A	1 160	N/A
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	27 864	25 022	27 701
AS Swedbanka (Latvia)	Pulkveza Brieza 11, Riga	N/A	5 294	N/A

Share pledges to Nordic Trustee & Agency AB (NTA) related to secured callable fixed rate bonds:

NTA	Pro Kapital Germany Holdings OÜ	11	10	10
NTA	Pro Kapital Germany GmbH	25	25	25
NTA	PK Hotel Management Services GmbH	116	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3	3
NTA	Pro Halduse OÜ	26	26	26
NTA	OÜ Hotel Management Services	N/A	25	N/A
NTA	AS Tondi Kvartal	160	160	160
NTA	OÜ Marsi Elu	20	20	20
NTA	AS Tallinna Moekombinaat	11 795	11 795	11 795
NTA	Pro Kapital Latvia JSC	9 960	9 960	9 960
NTA	Kliversala SIA	14 531	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	4 000	4 000	4 000
NTA	Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	2 500	2 500	2 500
NTA	Hotel Management Services SIA	N/A	569	N/A
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335	1 335
NTA	In Vitam UAB	3	3	3
NTA	PK Invest UAB	823	823	823
NTA	Pro Kapital Bonum UAB	800	800	800
NTA	bank accounts with Nordea Bank AB (SE)	37	24	374

Note 9. Revenue

in thousands of euros	2018 6M	Continuing 2017 6M	2018 Q2	Continuing 2017 Q2	Continuing 2017 12M
Revenue from sale of real estate	12 339	3 442	7 084	1 614	6 621
Rental revenue	106	91	62	47	175
Hotel operating revenue	1 875	1 620	977	908	3 533
Revenue from maintenance services	682	858	114	373	1 720
Other services	63	13	30	8	28
Total	15 065	6 024	8 267	2 950	12 077

Revenue of the comparable period does not include discontinued hotel operations, which form 1 542 thousand euros in the first half year of 2017 (1 002 thousand euros in the second quarter) and 2 021 thousand euros for the full year 2017.

Note 10. Cost of sales

in thousands of euros	2018 6M	Continuing 2017 6M	2018 Q2	Continuing 2017 Q2	Continuing 2017 12M
Cost of real estate sold	7 893	2 156	4 159	989	3 303
Cost of providing rental services	65	97	31	45	182
Cost of hotel operations	1 437	1 236	701	620	2 516
Cost of maintenance	597	754	142	332	1 467
Cost of other services	40	13	5	10	48
Total	10 032	4 256	5 038	1 996	7 516

Cost of sales of the comparable period does not include discontinued hotel operations, which form 963 thousand euros in the first half year of 2017 (544 thousand euros in the second quarter) and 1 202 thousand euros for the full year 2017.

Note 11. Gross profit

in thousands of euros	2018 6M	Continuing 2017 6M	2018 Q2	Continuing 2017 Q2	Continuing 2017 12M
Real estate	4 446	1 286	2 925	625	3 318
Rental revenue	41	-6	31	2	-7
Hotel operating	438	384	276	288	1 017
Maintenance services	85	104	-28	41	253
Other services	23	0	25	-2	-20
Total	5 033	1 768	3 229	954	4 561

Gross profit of the comparable period does not include discontinued hotel operations, which form 579 thousand euros in the first half year of 2017 (458 thousand euros in the second quarter) and 819 thousand euros for the full year 2017.

Note 12. Administration expenses

in thousands of euros	2018 6M	Continuing 2017 6M	2018 Q2	Continuing 2017 Q2	Continuing 2017 12M
Staff costs	1 353	1 217	693	618	2 593
Land and real estate taxes	246	233	149	115	488
Depreciation charge	30	45	14	23	95
Amortisation charge	1	1	0	0	2
Other	693	970	382	517	2 078
Total	2 323	2 466	1 238	1 273	5 256

Administration expenses of the comparable period do not include discontinued hotel operations, which form 176 thousand euros in the first half year of 2017 (92 thousand euros in the second quarter) and 205 thousand euros for the year 2017.

Note 13. Finance income and cost

Finance income

in thousands of euros	2018 6M	Continuing 2017 6M	2018 Q2	Continuing 2017 Q2	Continuing 2017 12M
Interest income	2	2	1	1	6
Total	2	2	1	1	6

Finance cost

in thousands of euros	2018 6M	Continuing 2017 6M	2018 Q2	Continuing 2017 Q2	Continuing 2017 12M
Interest expenses	1 588	1 528	729	773	3 148
Other financial expenses	73	129	73	37	204
Total	1 661	1 657	802	810	3 352

Finance cost of the comparable period does not include discontinued hotel operations, which form 90 thousand euros in the first half year of 2017 (48 thousand euros in the second quarter) and 114 thousand euros for the year 2017.

Note 14. Earnings per share

Earnings per share are calculated by dividing the net profit (loss) for the period which is attributable to the equity holders of the Parent with the weighted average number of the shares for the period.

Average number of shares:

For the period	01.01.2018-30.06.2018	$(56\,687\,954 \times 181 / 181)$	=56 687 954
For the period	01.04.2018-30.06.2018	$(56\,687\,954 \times 91 / 91)$	=56 687 954
For the period	01.01.2017-30.06.2017	$(54\,271\,722 \times 181 / 181)$	=54 271 722
For the period	01.04.2017-30.06.2017	$(54\,271\,722 \times 91 / 91)$	=54 271 722
For the period	01.01.2017-31.12.2017	$(54\,271\,722 \times 292 / 365 + 56\,687\,954 \times 73 / 365)$	=54 754 968

Indicative earnings per share from continuing operations:

01.01.2018-30.06.2018	$2\,870 \text{ thousand euros} / 56\,687\,954 = 0.05 \text{ euros}$
01.04.2018-30.06.2018	$2\,966 \text{ thousand euros} / 56\,687\,954 = 0.05 \text{ euros}$
01.01.2017-30.06.2017	$-2\,527 \text{ thousand euros} / 54\,271\,722 = -0.05 \text{ euros}$
01.04.2017-30.06.2017	$-1\,143 \text{ thousand euros} / 54\,271\,722 = -0.02 \text{ euros}$
01.01.2017-31.12.2017	$-854 \text{ thousand euros} / 54\,754\,968 = -0.02 \text{ euros}$

Indicative earnings per share for the period including discontinued operations:

01.01.2018-30.06.2018	$2\,870 \text{ thousand euros} / 56\,687\,954 = 0.05 \text{ euros}$
01.04.2018-30.06.2018	$2\,966 \text{ thousand euros} / 56\,687\,954 = 0.05 \text{ euros}$
01.01.2017-30.06.2017	$-2\,265 \text{ thousand euros} / 54\,271\,722 = -0.04 \text{ euros}$
01.04.2017-30.06.2017	$-854 \text{ thousand euros} / 54\,271\,722 = -0.02 \text{ euros}$
01.01.2017-31.12.2017	$-419 \text{ thousand euros} / 54\,754\,968 = -0.01 \text{ euros}$

The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2018 and 2017, 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 15. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place on 26 June 2018. Four shareholders were present at the meeting, who represented 59.63% 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 of 2017 was approved.
2. It was decided to cover the net loss for the financial year 2017 in amount of 419 thousand euros with retained earnings of previous periods.
3. It was decided not to distribute profit to the shareholders at this point of time.
4. It was decided to elect AS Deloitte Audit Eesti as the auditor of the Company for the financial year of 2018.

Minutes of the annual shareholders meeting have been published on AS Pro Kapital Grupp web page www.prokapital.com.

Note 16. Transactions with related parties

Transactions with related parties are considered to be transactions between the entities within the consolidated Group, its shareholders, the members of the Supervisory Council and the Management Board, their families and companies in which they hold majority interest or have significant influence.

Transactions with related parties

in thousands of euros	2018 6M	2017 6M	2017 12M
Significant owners and owner related companies			
Revenues	38	31	69
Administrative expenses	7	6	7
Purchase of minority shares	0	480	480
Payment for minority shares	0	480	480
Purchase of real estate	1 978	0	0
Payment for real estate	1 240	0	0
Minority shareholders			
Interest expenses	18	18	37
Other shareholders/ bondholders			
Interest expenses	356	364	797
Redemption of convertible bonds	0	539	733
Interest payments	718	459	825
Members of the Management Board and Council			
Salaries and bonuses paid to management	365	347	802
Administrative expenses	3	3	7

Receivables from related parties

in thousands of euros	30.06.2018	30.06.2017	31.12.2017
Short-term receivables			
From significant owners and owner related companies	1	4	2
Total	1	4	2

Payables to related parties

in thousands of euros	30.06.2018	30.06.2017	31.12.2017
Short-term payables			
To significant owner related company	739	0	0
Long-term payables			
To minority shareholders	455	418	437
Total	1 194	418	437

Shareholding in the Company %	30.06.2018	30.06.2017	31.12.2017
Members of the Council and individuals related them	0.10%	0.02%	0.10%
Members of the Board and individuals related them	0.50%	0.47%	0.50%

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 2018.

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 August 2018
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Allan Remmelkoor	Member of the Management Board	22 August 2018
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Edoardo Preatoni	Member of the Management Board	22 August 2018
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