

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR III QUARTER AND 9 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”) is the leading real estate development company in the Baltics, with a commitment and passion for developing high quality, uniquely designed residential and commercial buildings. The Company was established in 1994, which makes Pro Kapital the first professional real estate development company in the Baltics with more than 20 years of experience. The key focus is on developing large-scale premium areas in the capitals of Baltic states – Tallinn, Riga and Vilnius, aimed at delivering maximum value for the stakeholders. Pro Kapital is the only real estate company with eight large ongoing and upcoming projects in its portfolio.

Pro Kapital has to date, successfully completed more than 200 thousand square meters of living and commercial premises and 300 thousand square meters are yet to be developed. Forward looking business management is implemented through all operations across the value-chain, with inhouse competence. The Company can thereby ensure socially, economically and environmentally sustainable business growth.



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Management report

Key highlights

- Total revenue was 21.0 million euros, which is an increase of 170% compared to the reference period (2017 9M: 7.8 million euros from continuing operations and 9.8 million euros including discontinued operations). Total revenue of the third quarter was 6.0 million euros comparing to 1.8 million euros from continuing operations in 2017 (2.3 million 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 6.9 million euros, which is an increase of 172% compared to the reference period (2017 9M: 2.5 million euros for continuing operations and 3.3 million euros including discontinued operations). Gross profit of the third quarter was 1.9 million euros comparing to 0.7 million euros from continuing operations in 2017 (1.0 million euros including discontinued operations).
- Operating result increased by 5.5 million euros (739%) compared to the reference period, totalling to operating profit of 4.8 million euros (2017 9M: loss of 0.7 million euros for continuing operations and loss of 0.2 million euros including discontinued operations). Operating profit of the third quarter was 0.4 million euros comparing to 0.1 million euros from continuing operations in 2017 (0.3 million euros including discontinued operations). Operating result of nine months 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 1.9 million euros (Note 7).
- Net result increased positively by 4.2 million euros (218%) compared to the reference period and totalling to positive result of 2.3 million euros (2017 9M: loss of 1.9 million euros for continuing operations and loss of 1.4 million euros including discontinued operations). Net loss of the third quarter was 0.5 million euros comparing to 0.7 million euros profit from continuing operations in 2017 (0.9 million euros profit including discontinued operations).
- Cash generated from operating activities was 3.4 million euros (2017 9M: cash used in operating activities was -3.1 million euros). In the third quarter cash generated from

operating activities was 0.3 million euros comparing to 1.0 million euros during the same period in 2017.

- Net assets per share on 30 September 2018 totalled to 1.50 euros (30 September 2017: 1.44 euros).

Key performance indicators

	Continuing operations				Continuing and discontinued operations			
	2018 9M	2017 9M	2018 Q3	2017 Q3	2018 9M	2017 9M	2018 Q3	2017 Q3
Revenue, th EUR	21 043	7 796	5 978	1 773	21 043	9 817	5 978	2 251
Gross profit, th EUR	6 892	2 531	1 859	730	6 892	3 309	1 859	962
Gross profit, %	33%	32%	31%	41%	33%	34%	31%	43%
Operating result, th EUR	4 779	-748	350	107	4 779	-222	350	302
Operating result, %	23%	-10%	6%	6%	23%	-2%	6%	13%
Net result, th EUR	2 279	-1 931	-543	685	2 279	-1 441	-543	870
Net result, %	11%	-25%	-9%	39%	11%	-15%	-9%	39%
Earnings per share, EUR	0.04	-0.04	-0.01	0.01	0.04	-0.03	-0.01	0.02

	30.09.2018	30.09.2017	31.12.2017
Total Assets, th EUR	208 798	158 854	175 158
Total Liabilities, th EUR	123 837	80 570	92 476
Total Equity, th EUR	84 961	78 284	82 682
Debt / Equity *	1.46	1.03	1.12
Return on Assets, % **	1.2%	-1.0%	-0.3%
Return on Equity, % ***	2.7%	-1.8%	-0.6%
Net asset value per share, EUR ****	1.50	1.44	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, 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, 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, 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.
- On 10 September 2018 Pro Kapital group company OÜ Marsi Elu concluded a construction contract with Nordecon AS to start with the third construction phase of Kristina Houses. In the final phase, 3 residential buildings with 92 apartments will be completed in Sammu street. The planned completion of the works is the end of 2019 and the price of construction works is about 8 million euros without VAT.
- On 17 September 2018 the company prolonged the redemption date of 516 029 PKG4 convertible bonds by 2 years. New redemption date is 16 September 2020.
- On 02 October 2018, after reporting period, the Company announced that Estonia’s first new-generation shopping and entertainment centre T1 Mall of Tallinn will hold its grand opening on 8 November.
- On 15 November 2018, after the reporting period, the Listing and Surveillance Committee of Nasdaq Tallinn approved the application to terminate trading in AS Pro Kapital Grupp on Secondary List and to list Pro Kapital Grupp shares simultaneously on Main List as of 19 November 2018.

Chairman's summary

I am proud to say, the flagship of our developments, T1 Mall of Tallinn, opened its doors in early November. Thus, I am first and foremost grateful to our team, who has done an outstanding work. Reflecting back on the nine months of 2018, this has been an extensive work with the largest single-object development project. I would, however, like to stress that a shopping mall is not a completed project, instead needs to be in continuous movement to foresee the expectations of the people. T1 Mall of Tallinn will continue to grow and open milestones step-by-step, which is very positive due to public attention it will receive prior to Holiday season this ongoing fourth reporting quarter. We have strategically left vacancy for attractive retail operators and intend to proceed negotiations during following periods.

In parallel with the development of the T1 Mall of Tallinn, we continued work with ongoing residential development projects in Tallinn, Vilnius and Riga. Pro Kapital is not merely developing buildings but entire communities, that bring new breathing into unique areas. According to our conservative strategy, all development projects are carried out in phases. This allows us to set up the pace according to the market needs.

One of the largest residential quarter developments in the Baltics is Kristiine City in Tallinn. We completed the renovation of Marsi 6 into a loft apartment building in spring 2018. Uniquely designed apartments have been incredibly popular amongst our customers and all lofts are sold. We have completed 5 of ten Kristina Houses and are proceeding with the following phases. The activity of sales of both Marsi 6 and Kristina Houses, is a clear demonstration of a great interest towards the new residential area.

Another outstanding development we are soon to start in Tallinn is Kalaranna Quarter, located at the heart of Tallinn at the waterfront. By this being a prime development property in Tallinn it expands on more than 6 hectares. We have learned a great interest towards the project, from the local but also from the Finnish market. Thus, we started the presale for the project in summer 2018. We expect to start the construction works in 2019.

In Riga, we are currently developing a unique residential quarter Kliversala, which is one of the very few residential spaces directly at the waterfront, with stunning views over the river Daugava to the old town of Riga. Like all our projects, Kliversala quarter will be completed in stages. In spring 2018 we finished construction works of the first phase – a prestigious River Breeze Residence. We are currently in the process of sales for luxurious apartments in the residence. Pro Kapital will continue with the development of following phases of Kliversala. In parallel we are proceeding with other major

developments in Riga. Projecting works are ongoing for Tallinas Residential Complex and office complex in Zvaigznes Quarter.

Our prestigious large-scale development in Vilnius is a new quarter surrounded by nature in the most tranquil part of Vilnius Old Town on UNECSO heritage site. The first phase of the development of the residential quarter Šaltinių Namai has, to date, been almost sold. The construction works for the second stage of the residential buildings are ongoing and we are actively pursuing the sales. We expect to complete four buildings of the second stage during the second quarter of 2019. The Company is planning to obtain new attractive developments in Vilnius, aimed at starting new projects following the completion of Šaltinių Namai.

Excellent results during nine months

The Company has shown improved results for the nine months of 2018 due to the completion of development projects and intensive sales activity. At the end of the reporting period, the net revenue increased by 170% or by 13 million euros compared to the same period of 2017, reaching to 21 million euros. The net profit was 2 million euros compared to 2 million euros loss during the same period of 2017.

Overall loans from financial institutions were 60.3 million euros as at 30 September 2018. The loans from minority shareholders including interests were 0.5 million euros. The Company has 10.2 million euros worth convertible bonds debt and 28.3 million euros worth non-convertible bonds debt at the end of reporting date.

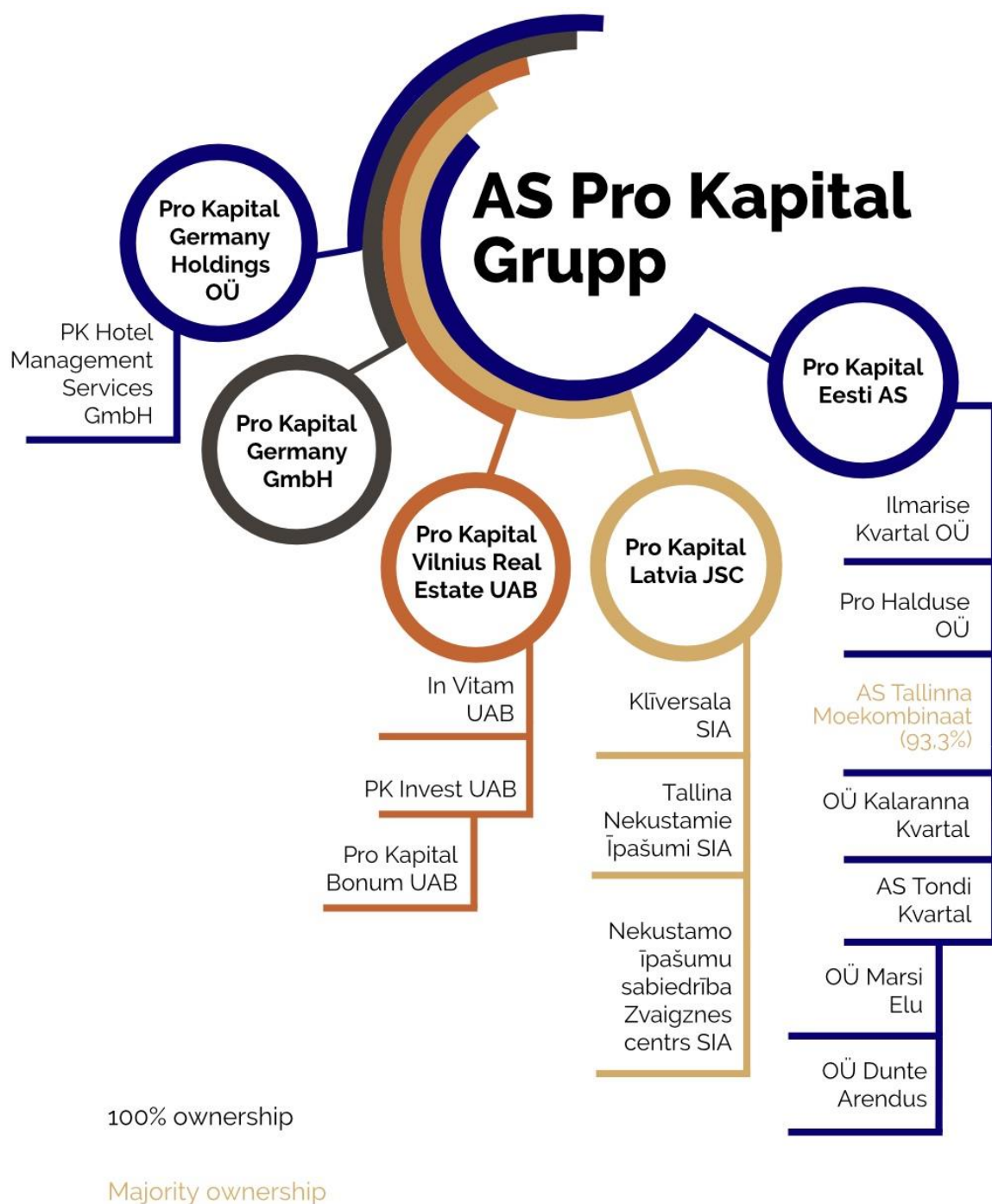
I am proud to acknowledge our team is remarkably stable. This allows me to say with full confidence that our inhouse competence can insure that the development projects are designed down to the last detail to deliver quality through the operations. As at 30 September 2018 there were 89 employees working in the Company, 44 of them were employed in the hotel and property maintenance business.



Paolo Michelozzi
CEO
AS Pro Kapital Grupp
21 November 2018

Group structure

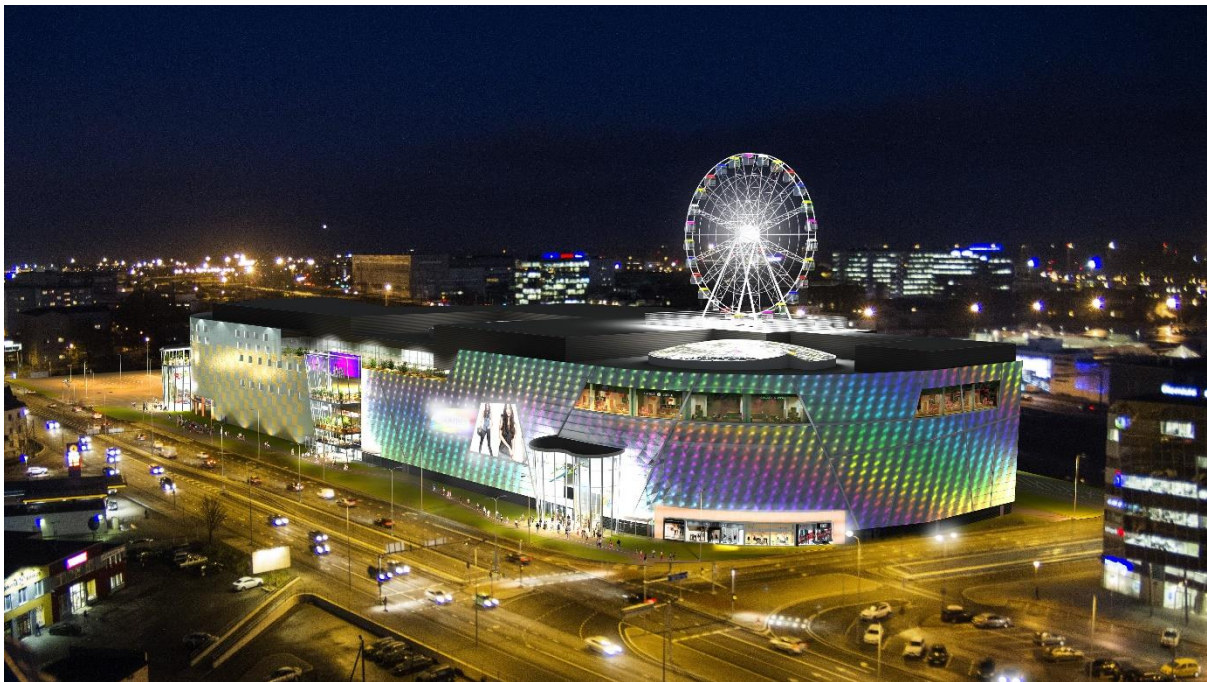
As at 30 September 2018



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, is opened to visitors from November 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 all of them sold to date.



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 final five buildings are ongoing. The last apartment buildings at Sammu street will be ready by the end of 2019.



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 net sellable 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 September 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
	9M	9M	9M	9M	9M	9M	9M	9M	9M	9M
Real estate	9 881	2 476	5 578	0	1 745	1 437	0	0	17 204	3 913
Rent	10	17	52	50	96	66	0	0	158	133
Hotels	0	1 019	0	996	0	0	2 853	2 513	2 853	4 528
Maintenance	635	1 057	10	65	105	101	0	0	750	1 223
Other	0	0	64	15	14	5	0	0	78	20
Total	10 526	4 569	5 704	1 126	1 960	1 609	2 853	2 513	21 043	9 817

Revenue structure 1 July – 30 September 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
	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3
Real estate	1 786	464	1 737	0	1 342	7	0	0	4 865	471
Rent	6	4	16	17	29	21	0	0	51	42
Hotels	0	172	0	304	0	0	978	890	978	1 366
Maintenance	35	318	0	14	34	33	0	0	69	365
Other	0	0	14	5	1	2	0	0	15	7
Total	1 827	958	1 767	340	1 406	63	978	890	5 978	2 251

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 nine months amounted to 50.0% comparing to 46.5% during the same period last year. The increase is influenced by real estate sales.

During the reporting period, the total of 89 apartments, 1 business premise, 83 parking lots and 39 storage rooms were sold (2017 9M: 17 apartments, 36 parking lots and 15 storage rooms). In Kristina Houses development project of ten buildings the construction of five apartment buildings have been completed today. At the moment of preparation of the current report all but 1 apartment out of 155 have been handed over to the owners. The construction works of the following five buildings of Kristina Houses are ongoing and 57 preliminary agreements for 154 apartments have been already signed. Marsi 6 project construction works were completed in January 2018 of the current year and all 45 apartments have been sold. At the end of the reporting period the stock consisting of 5 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 nine months amounted to 27.1% comparing to 11.5% in the same period last year. An increase is a result of completion of luxurious River Breeze Residence in Kliversala and start of sales. At the moment of issuing current report, 7 apartments have been handed over to the buyers, 2 sales are awaiting to be finalised, 4 apartments are reserved and 35 are still available for sale.

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 nine months amounted to 9.3% comparing to 16.4% 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 77 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 and 7 parking lots at a competitive price for further resale. 8 of the flats and 4 parking lots have been already sold by this date.

During the reporting period 1 business premises and 8 apartments were sold in Lithuania (2017 9M: 4 apartments, 2 business premises, 8 parking lots, 1 storage room).

There were 8 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 nine months amounted to 13.6% comparing to 25.6% 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% shows 10% increase comparing to 62% for the same period in 2017. Gross operating profit has increased 67% and amounted to 559 thousand euros comparing to 334 thousand in 2017. Net result improved by 128% comparing to the same period last year.

Other operative data 1 January – 30 September 2018

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	9M	9M	9M	9M	9M	9M	9M	9M	9M	9M
M2 sold*	5 050	1 406	1 508	0	638	508	0	0	7 196	1 914
Average price, m2/EUR*	1 827	1 591	3 470	0	2 629	2 587	0	0	2 242	1 855
M2 under maintenance	18 864	61 869	0	15 038	17 642	17 490	0	0	36 506	94 397
Occupancy rate %, hotels**	N/A	76.3%	N/A	75.5%	N/A	N/A	68.0%	62.0%	68.0%	69.8%

*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 July – 30 September 2018

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3
M2 sold*	918	194	460	0	481.44	0	0	0	1 859	194
Average price, m2/EUR*	1 783	1 792	3 699	0	2 647	0	0	0	2 481	1 792
M2 under maintenance	18 864	61 869	0	15 038	17 642	17 490	0	0	36 506	94 397
Occupancy rate %, hotels**	N/A	95.3%	N/A	97.1%	N/A	N/A	67.3%	68.3%	67.3%	79.3%

*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 27.1 million euros from Lintgen Adjacent Investments, 2.3 million euros from AS Swedbank, 1.5 million euros from Luminor Bank AS, 1.8 million euros from AB Luminor Bankas and 0.7 million euros from LHV Bank. The Company has repaid 5.5 million euros of the bank loans during the nine months of 2018. As at 30 September 2018, the total amount borrowed from the banks was 60.3 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 September 2018 the Company had 10.2 million euros convertible bonds (current portion: 5.4 million euros; long term portion: 4.8 million euros), 0.6 million euros non-convertible bonds (current 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 are held by Pro Kapital.

Shares and shareholders

As at 30 September 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 September 2018 there were 138 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 September 2018 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	24 697 445	43,57%
Clearstream Banking Luxembourg S.A. Clients	10 778 182	19.01%
Nordea Bank AB (Publ)/ Non-treaty Clients	8 366 731	14.76%
Svalbork Invest OÜ	4 051 238	7.15%

Participation of Member of the Management Board and the Council Members as at 30 September 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 nine months of 2018 were 0.04 euros (2017 9M: -0.04 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 September 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. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn's stock exchange. During the period 1 January – 30 September 2018 the shares were trading at the price range 1.54 - 1.99 euros, with the closing price of 1.64 euros per share on 30 September 2018. During the period 321 thousand of the Company's shares were traded with their turnover amounting to 554 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 2018 the shares were trading at the price range of 1.45 - 1.97 euros, with the closing price 1.54 euros per share on 30 September 2018. During the period 214 thousand of the Company's shares were traded with the total turnover of 357 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 September 2018 the Company employed 89 people compared to 85 people on 30 September 2017, 44 of them were engaged in hotel and property maintenance services (48 on 30 September 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 circle, 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	21 November 2018
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Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	21 November 2018
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Edoardo Preatoni	Member of the Management Board	21 November 2018
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Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	30.09.2018	30.09.2017	31.12.2017
ASSETS				
Current assets				
Cash and cash equivalents		7 079	8 793	10 317
Current receivables		4 055	4 054	4 888
Inventories	5	56 661	33 803	38 024
Total current assets		67 795	46 650	53 229
Non-current assets				
Non-current receivables		35	39	37
Property, plant and equipment	6	7 127	7 260	7 435
Investment property	7	133 530	104 608	114 140
Intangible assets		311	297	317
Total non-current assets		141 003	112 204	121 929
TOTAL ASSETS	3	208 798	158 854	175 158
LIABILITIES AND EQUITY				
Current liabilities				
Current debt	8	8 184	5 524	6 738
Customer advances		5 171	6 352	7 224
Current payables		11 662	7 602	10 091
Tax liabilities		181	254	132
Short-term provisions		642	155	170
Total current liabilities		25 840	19 887	24 355
Non-current liabilities				
Long-term debt	8	91 177	55 172	62 527
Other non-current payables		4 688	2 786	3 437
Deferred income tax liabilities		2 003	2 635	2 058
Long-term provisions		129	90	99
Total non-current liabilities		97 997	60 683	68 121
TOTAL LIABILITIES	3	123 837	80 570	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	3 259	3 256
Retained earnings		59 944	61 220	60 369
Profit/ loss for the period		2 320	1 374	-419
Total equity attributable to owners of the Company		83 607	76 857	81 287
Non-controlling interest	4	1 354	1 427	1 395
TOTAL EQUITY		84 961	78 284	82 682
TOTAL LIABILITIES AND EQUITY		208 798	158 854	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 9M	Adjusted* 2017 9M	2018 Q3	Adjusted* 2017 Q3	2017 12M
CONTINUING OPERATIONS						
Operating income						
Revenue	9	21 043	7 796	5 978	1 773	12 077
Cost of goods sold	10	-14 151	-5 265	-4 119	-1 043	-7 516
Gross profit	11	6 892	2 531	1 859	730	4 561
Marketing expenses		-706	-636	-247	-182	-822
Administrative expenses	12	-4 037	-3 757	-1 714	-1 307	-5 256
Other income		2 679	1 569	469	1 296	4 114
Other expenses		-49	-455	-17	-430	-800
Operating profit/ loss		4 779	-748	350	107	1 797
Financial income	13	3	1 399	1	1 440	6
Financial expense	13	-2 548	-2 581	-887	-882	-3 352
Profit/ loss before income tax		2 234	-1 930	-536	665	-1 549
Income tax		45	-1	-7	20	596
Profit/ loss from continuing operations		2 279	-1 931	-543	685	-953
Profit from discontinued operations*		0	490	0	185	435
Profit/ loss for the period		2 279	-1 441	-543	870	-518
Attributable to:						
Equity holders of the parent		2 320	-1 374	-550	891	-419
Non-controlling interest	4	-41	-67	7	-21	-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		2 320	-1 374	-550	-891	-423
Non-controlling interest		-41	-67	7	-21	-99
Earnings per share from continuing operations (EUR)	14	0.04	-0.04	-0.01	0.01	-0.02
Earnings per share for the period (EUR)	14	0.04	-0.03	-0.01	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 9M	2017 9M	2018 Q3	2017 Q3	2017 12M
Cash flows from operating activities						
Profit/loss for the period		2 279	-1 441	-543	870	-518
Adjustments for:						
Depreciation, amortisation of non-current assets		158	475	54	124	455
Gain from disposal of property, plant, equipment		-4	-1 247	0	-1 247	-3 045
Gain from disposal of investment property		-418	0	-418	0	0
Change in fair value of property, plant, equipment		0	0	0	0	-26
Change in fair value of investment property	7	-1 910	0	0	0	-530
Loss from disposal of shares of subsidiaries		0	-1 452	0	-1 452	346
Finance income and costs	13	2 545	2 645	885	901	3 460
Other non-monetary changes (net amounts)		16 827	13 041	2 790	142	12 410
Changes in working capital:						
Trade receivables and prepayments		842	425	-894	685	-408
Inventories	5	-18 637	-19 659	-2 001	-4 279	-23 880
Liabilities and prepayments		1 246	4 189	-227	3 192	6 556
Provisions		502	-124	612	51	-101
Net cash used in/ generated by operating activities		3 430	-3 148	258	1 013	-5 281
Cash flows from investing activities						
Payments for property, plant and equipment	6	-166	-154	-76	-13	-281
Payments for intangible assets		-7	-30	-7	-6	-52
Proceeds from disposal of property, plant, equipment		336	6 651	0	6 651	6 651
Payments for investment property		-31 084	-17 348	-8 898	-8 291	-24 772
Net cash from disposal of shares of subsidiaries		0	6 235	0	6 235	6 249
Interests received	13	3	4	1	1	6
Net cash used in by investing activities		-30 918	-4 642	-8 980	4 577	-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	-480	0	0	-480
Proceeds from bonds		0	1 446	0	282	1 446
Redemption of convertible bonds		-643	-773	-643	-234	-773
Proceeds from borrowings		33 474	19 276	10 960	8 242	28 260
Repayment of borrowings		-5 509	-6 139	-754	-5 815	-7 048
Interests paid		-2 222	-2 129	-473	-427	-3 318
Net cash generated by financing activities		24 250	11 201	9 090	2 048	22 415
Net change in cash and cash equivalents		-3 238	3 411	368	5 612	4 935
Cash and cash equivalents at the beginning of the period		10 317	5 382	6 711	3 181	5 382
Cash and cash equivalents at the end of the period		7 079	8 793	7 079	8 793	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
Changes in revaluation reserve	0	0	0	-6 203	6 203	0	0	0
Comprehensive loss for the period	0	0	0	0	-1 374	-1 374	-67	-1 441
30 September 2017	10 854	1 816	1 082	3 259	59 846	76 857	1 427	78 284
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	1	-1	0	0	0
Comprehensive profit for the period	0	0	0	-4	955	951	-32	919
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	2 320	2 320	-41	2 279
30 September 2018	11 338	5 661	1 082	3 262	62 264	83 607	1 354	84 961

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 30.09.2018	Ownership 30.06.2017	Ownership 31.12.2017
Raiffeisen Bank International AG	Austria	43.57%	0.00%	0.00%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	19.01%	9.01%	8.21%
Nordea Bank Finland Plc Clients	Finland	14.76%	46.59%	55.80%
Svalbork Invest OÜ	Estonia	7.15%	11.05%	10.60%

For the purpose of comparable financial figures of these interim financial statements as at 30 September 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 nine 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 9M							
Revenue	0	10 526	5 708	1 960	3 250	-401	21 043
Other operating income and expenses (net)	-1	2 529	93	0	9		2 630
Segment operating profit (loss)	-1 869	4 393	2 162	-68	161		4 779
Financial income and expense (net)	-536	1 574	-254	-198	-106	-3 025	-2 545
Profit (loss) before income tax	-2 405	5 967	1 908	-266	55	-3 025	2 234
Income tax	0	0	-3	47	1		45
Non-controlling interest	0	-41	0	0	0		-41
Net profit (loss) for the financial year attributable to equity holders of the parent	-2 405	6 008	1 905	-219	56		2 320
30.09.2018							
Assets	58 995	218 161	34 682	23 833	6 954	-133 827	208 798
Liabilities	114 789	68 494	22 939	15 914	3 988	-102 287	123 837
Acquisition of non-current assets	0	35	38	2	98		173
Disposal of non-current assets	0	-2	0	-366	0		-368
Depreciation and amortisation	-4	-29	-4	-9	-112		-158
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

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 September 2017	6.65%
Minority (%) as at 31 December 2017	6.65%
Minority (%) as at 30 September 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	-67
Non-controlling interest as at 30 September 2017	1 427
Loss for the reporting period	-32
Non-controlling interest as at 31 December 2017	1 395
Loss for the reporting period	-41
Non-controlling interest as at 30 September 2018	1 354

Note 5. Inventories

in thousands of euros	30.09.2018	30.09.2017	31.12.2017
Property held for resale	16 592	3 038	4 894
Works in progress	39 962	30 710	33 062
Goods bought for resale	51	46	59
Prepayments for inventories	56	9	9
Total	56 661	33 803	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 17.7 million 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	30.09.2018	30.09.2017	31.12.2017
Acquisition value	10 289	10 351	10 500
Accumulated depreciation	-3 162	-3 091	-3 065
Residual value	7 127	7 260	7 435

On comparable date 30 September 2017, land and buildings included a hotel property in Bad Kreuznach and administrative premises in Tallinn and Vilnius. 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	5	20	-1 113	154
Disposals:					
Sold	-6 100	0	-9	0	-6 109
Sold through disposal of subsidiary	-6 076	-804	-835	-5	-7720
Written off	0	-8	-52	0	-60
Acquisition value 30.09.2017	9 132	879	340	0	10 351
Additions:					
Acquired	109	2	7	9	127
Changes in fair value	26	0	0	0	26
Disposals:					
Written off	0	-1	-3	0	-4
Acquisition value 31.12.2017	9 267	880	344	9	10 500
Additions:					
Acquired	0	34	68	64	166
Disposals:					
Reclassified into inventories	0	0	0	-9	-9
Sold	-358	0	0	0	-358
Written off	0	0	-10	0	-10
Acquisition value 30.09.2018	8 909	914	402	64	10 289

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	359	77	31	0	467
Disposals:					
Sold	-696	0	-8	0	-704
Sold through disposal of subsidiary	-800	-791	-771	0	-2 362
Written off	0	-8	-52	0	-60
Accumulated depreciation 30.09.2017	1 966	838	287	0	3 091
Additions:					
Depreciation charge for the period	-32	6	4	0	-22
Disposals:					
Written off	0	-1	-3	0	-4
Accumulated depreciation 31.12.2017	1 934	843	288	0	3 065
Additions:					
Depreciation charge for the period	111	14	22	0	147
Disposals:					
Sold	-40	0	0	0	-40
Written off	0	0	-10	0	-10
Accumulated depreciation 30.09.2018	2 005	857	300	0	3 162

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	17 348	17 348
Capitalised interests	490	490
Reclassified into inventories	-12 890	-12 890
Balance at 30.09.2017	104 608	104 608
Additions:		
Investments	8 545	8 545
Capitalised interests	457	457
Changes in fair value:		
Profit from change in fair value	530	530
Balance at 31.12.2017	114 140	114 140
Additions:		
Investments	31 669	31 669
Capitalised interests	4 070	4 070
Changes in fair value:		
Profit from change in fair value	1 910	1 910
Disposals:		
Sold	-581	-581
Reclassified into inventories	-17 678	-17 678
Balance at 30.09.2018	133 530	133 530

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 30.1 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	30.09.2018	30.09.2017	31.12.2017
Bank loans and overdrafts	2 179	28	168
Convertible bonds	5 405	4 856	5 930
Non-convertible bonds	600	640	640
Total	8 184	5 524	6 738

Non-current debt

in thousands of euros	30.09.2018	30.09.2017	31.12.2017
Bank loans and overdrafts	58 146	21 104	29 498
Convertible bonds	4 829	5 405	4 331
Non-convertible bonds	27 738	28 236	28 261
Payables to non-controlling interest	464	427	437
Total	91 177	55 172	62 527

Creditors

in thousands of euros	30.09.2018	30.09.2017	31.12.2017
Luminor Bank AS (EE)	453	481	474
Luminor Bank AS (EE)	0	729	1 663
LHV Pank AS (EE)	635	0	0
LHV Pank AS (EE)	88	0	0
AS Swedbank (LV)	5 001	4 392	4 999
AS Luminor Bankas (LT)	1 793	0	0
Lintgen Adjacent Investments (Agent) incl long-term interests	52 355	15 530	22 530
Fiducaria Emiliana S.r.l including long-term interests	300	276	283
Anndare Limited including long-term interests	164	151	154
Convertible bonds, various investors	10 234	10 261	10 261
Non-convertible bonds, various investors	600	1 240	1 240
Secured bonds, various investors	27 738	27 636	27 661
Total	99 361	60 696	69 265

All agreements and liabilities are fixed in euros. The total interest and other financial cost for the reporting period was 2 548 thousand euros (2017 9M: 2 649 thousand euros total of which 2 581 thousand euros for continuing operations).

Convertible bonds

The Company has issued convertible bonds with issue price 2.80 euros and remaining total value of 10 234 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.

On 17 September 2018 the company prolonged the redemption date of 516 029 PKG4 convertible bonds by 2 years. New redemption date is 16 September 2020.

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 60 bonds with total value of 600 000 euros.

On 21 August 2018, 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.

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 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 September 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 September 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	30.09.2018	30.09.2017	31.12.2017
Luminor Bank AS (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	3 688	2 325	5 612
Luminor Bank AS (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 450	2 313	2 355
LHV Pank AS (Estonia)	Marsi 6, Tallinn	100	0	2 653
LHV Pank AS (Estonia)	Sõjakooli 11, Tallinn	732	709	732
Lintgen Adjacent Investments	Peterburi 2, Tallinn	93 652	50 960	59 450
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	26 838	26 353	27 701
AB Luminor Banka (Lithuania)	Aguonu 8 & 10, Vilnius	9 169	0	0

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	AS Tondi Kvartal	160	160	160
NTA	OÜ Marsi Elu	20	20	20
NTA	AS Tallinna Moekombinaat	11 795	11 795	11 795
NTA	Kalaranna Kvartal OÜ	3	0	0
NTA	Dunte Arendus OÜ	3	0	0
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	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	318	374

Note 9. Revenue

in thousands of euros	2018 9M	Continuing 2017 9M	2018 Q3	Continuing 2017 Q3	Continuing 2017 12M
Revenue from sale of real estate	17 204	3 913	4 865	471	6 621
Rental revenue	158	133	52	42	175
Hotel operating revenue	2 853	2 508	978	888	3 533
Revenue from maintenance services	750	1 223	68	365	1 720
Other services	78	19	15	7	28
Total	21 043	7 796	5 978	1 773	12 077

Revenue of the comparable period does not include discontinued hotel operations, which form 2 021 thousand euros for the nine months and the full year of 2017 (479 thousand euros in the third quarter).

Note 10. Cost of sales

in thousands of euros	2018 9M	Continuing 2017 9M	2018 Q3	Continuing 2017 Q3	Continuing 2017 12M
Cost of real estate sold	11 246	2 220	3 353	64	3 303
Cost of providing rental services	103	147	38	50	182
Cost of hotel operations	2 110	1 825	673	623	2 516
Cost of maintenance	641	1 056	44	302	1 467
Cost of other services	51	17	11	4	48
Total	14 151	5 265	4 119	1 043	7 516

Cost of sales of the comparable period does not include discontinued hotel operations, which form 1 202 thousand euros for the nine months and the full year of 2017 (239 thousand euros in the third quarter).

Note 11. Gross profit

in thousands of euros	2018 9M	Continuing 2017 9M	2018 Q3	Continuing 2017 Q3	Continuing 2017 12M
Real estate	5 958	1 693	1 512	407	3 318
Rental revenue	55	-14	14	-8	-7
Hotel operating	743	683	305	265	1 017
Maintenance services	109	167	24	63	253
Other services	27	2	4	3	-20
Total	6 892	2 531	1 859	730	4 561

Gross profit of the comparable period does not include discontinued hotel operations, which form 819 thousand euros for the nine months and the full year of 2017 (240 thousand euros in the third quarter).

Note 12. Administration expenses

in thousands of euros	2018 9M	Continuing 2017 9M	2018 Q3	Continuing 2017 Q3	Continuing 2017 12M
Staff costs	1 997	1 891	644	674	2 593
Land and real estate taxes	343	361	97	128	488
Depreciation charge	48	67	18	22	95
Amortisation charge	0	1	-1	0	2
Other	1 649	1 437	382	483	2 078
Total	4 037	3 757	1 714	1 307	5 256

Administration expenses of the comparable period do not include discontinued hotel operations, which form 205 thousand euros for the nine months and the full year of 2017 (121 thousand euros in the third quarter).

Note 13. Finance income and cost

Finance income

in thousands of euros	2018 9M	Continuing 2017 9M	2018 Q3	Continuing 2017 Q3	Continuing 2017 12M
Interest income	3	4	1	2	6
Gain from disposal of subsidiary	0	1 395	0	1 438	0
Total	3	1 399	1	1 440	6

Finance cost

in thousands of euros	2018 9M	Continuing 2017 9M	2018 Q3	Continuing 2017 Q3	Continuing 2017 12M
Interest expenses	2 412	2 413	824	843	3 148
Other financial expenses	136	168	63	39	204
Total	2 548	2 581	887	882	3 352

Finance cost of the comparable period does not include discontinued hotel operations, which form 114 thousand euros for the nine months and the full year of 2017 (24 thousand euros in the third quarter).

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	01.01.2018-30.09.2018	$(56\,687\,954 \times 273 / 273)$	=56 687 954
For the period	01.07.2018-30.09.2018	$(56\,687\,954 \times 92 / 92)$	=56 687 954
For the period	01.01.2017-30.09.2017	$(54\,271\,722 \times 273 / 273)$	=54 271 722
For the period	01.07.2017-30.09.2017	$(54\,271\,722 \times 92 / 92)$	=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:

01.01.2018-30.09.2018	2 320 thousand euros/ 56 687 954 = 0.04 euros
01.07.2018-30.09.2018	-550 thousand euros/ 56 687 954 = -0.01 euros
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
01.01.2017-31.12.2017	-854 thousand euros/ 54 754 968 = -0.02 euros

Indicative earnings per share for the period including discontinued operations:

01.01.2018-30.06.2018	2 320 thousand euros/ 56 687 954 = 0.04 euros
01.07.2018-30.06.2018	-550 thousand euros/ 56 687 954 = -0.01 euros
01.01.2017-30.09.2017	-1 374 thousand euros/ 54 271 722 = -0.02 euros
01.07.2017-30.09.2017	891 thousand euros/ 54 271 722 = 0.02 euros
01.01.2017-31.12.2017	-419 thousand euros/ 54 754 968 = -0.01 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 9M	2017 9M	2017 12M
Significant owners and owner related companies			
Revenues	52	55	69
Administrative expenses	10	9	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	1 638	0	0
Minority shareholders			
Interest expenses	28	28	37
Other shareholders/ bondholders			
Interest expenses	537	606	797
Redemption of convertible bonds	6	733	733
Interest payments	718	825	825
Members of the Management Board and Council			
Salaries and bonuses paid to management	545	668	802
Administrative expenses	7	3	7

Receivables from related parties

in thousands of euros	30.09.2018	30.09.2017	31.12.2017
Short-term receivables			
From significant owners and owner related companies	0	5	2
Total	0	5	2

Payables to related parties

in thousands of euros	30.09.2018	30.09.2017	31.12.2017
Short-term payables			
To significant owner related company	340	0	0
Long-term payables			
To minority shareholders	464	427	437
Total	804	427	437

Shareholding in the Company %	30.09.2018	30.09.2017	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 nine months and the third 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	21 November 2018
Allan Remmelkoor	Member of the Management Board	21 November 2018
Edoardo Preatoni	Member of the Management Board	21 November 2018