

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR I QUARTER AND
3 MONTHS OF 2014 (UNAUDITED)

PROKAPITAL



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Management report

AS Pro Kapital Grupp in brief

Established in 1994 AS Pro Kapital Grupp AS (hereinafter as „the Company“ and/or „Pro Kapital“) is a leading Estonian real estate company with a focus on development, management and sale of modern large-scale retail and residential real estate in the capitals of Estonia, Latvia and Lithuania. The Company also owns and manages three hotels in Tallinn, Riga and Bad Kreuznach, Germany.

Since its establishment in 1994, Pro Kapital has completed 20 development projects with ca 180 000 square meters of total saleable area.

Pro Kapital's operating strategy is to develop prime residential and retail real estate in all three Baltic capitals. The Company adds value through the entire life cycle of the development process, taking a long-term approach. Pro Kapital follows a conservative policy in financing the projects – a high proportion of equity and low leverage compared to the industry average enables the Company to develop the most profitable sales and decrease the effect of real estate market fluctuations.

Key figures and main events, January 1 – March 31, 2014 and after the reporting period

- Total revenue for the first three months was 3,2 mln EUR, a increase of 5% compared to the reference period.
- Net operating loss during three months of the year decreased by 0,5 mln EUR (45%), totalling to loss of 0,6 mln EUR.
- Net result for the three months of 2014 has improved very slightly, by 1 th. EUR (0%) compared to the reference period (2014 3 months: -910 th. EUR; 2013 3 months: -911 mln. EUR).
- Cash flow from operations for the three months of 2014 was positive of 356 th. EUR (2013 3 months: -669 th. EUR).
- Net assets per share totalled 1,18 EUR (2013 3 months: 1,24 EUR).
- On 01.01.2014 the sale of Latvian group subsidiary LLC Pasaules Tirdzniecibas centres „Riga“ (WTC Riga) was finalized according to the agreement concluded on 12.12.2013. WTC Riga operated as management company for maintenance and administration of state owned WTC office building in Riga and the sale was motivated by the Group’s strategy to focus on development of its own real estate projects.
- On January 30, 2014, subsidiaries of the group AS Pro Kapital Eesti and AS Täismaja (former business name AS Kristiine Kaubanduskeskus) concluded a merger contract, in according to which AS Pro Kapital Eesti shall merge with itself AS Täismaja. The purpose of the merge is to simplify the group structure.
- On January 30, 2014 the subsidiary company of the Group AS Tondi Kvartal concluded the contract for establishing a new company OÜ Marsi Elu with the aim to develop first phase of the second stage of Tondi residential complex in Tallinn and to create a legal platform for possible participation of co-investor in the project. On March 13, 2014 the minority shareholding equal to 35% of OÜ Marsi Elu was sold to a financial investor Combrimat Limited. The investor has to fulfill its obligations prior to transfer of the ownership of the shares including to provide OÜ Marsi Elu with an unsecured shareholder loan in amount of 1 000 000 EUR, with repayment date of 5 years and interest of 5% per year. After the reporting period the investor has fulfilled its obligations and the minority shareholding equal to 35% has been transferred.
- On February 5, 2014 the construction works of a new residential building were started in Vilnius, Saltiniu Namai residential complex by UAB Merko Statyba.
- On February 26, 2014 the Group company OÜ Marsi Elu and Nordecon AS concluded a contract for construction of residential apartment building to be located in Tondi Residential Quarter, Tallinn, with the price of the construction works of the first construction phase approximately three million euros. The financing agreement for the same project in amount up to 5 million euros was signed with Nordea Bank Finland Plc Eesti on 27.03.2014.
- As of March 13, 2014 the Group shares are traded on the Quotation Board of Frankfurt Stock Exchange, part of the Open Market segment at Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange). This enables investors around Europe to trade with AS Pro Kapital Grupp shares using the Xetra trading system which is one of the world’s fastest and most efficient trading systems.
- On March 14, 2014 the extraordinary meeting of shareholders approved the main terms and conditions of issuance of the new shares of AS Pro Kapital Eesti’s subsidiary AS Tallinna Moekombinaat in amount of 18 300 000 shares to be subscribed by a company Summer Solstice Limited. According to the non-binding agreement signed with the co-investor it must grant to the Subsidiary as a precondition for the subscription of the shares, an unsecured shareholder loan in the amount of EUR 0,492 per every share that it subscribes for. The amount of money to be received for the issuance of all new shares will be EUR 27 999 000. Provided that all new shares will be issued, the new investor shall obtain a participation of approximately 47.63% of the entire share capital of the subsidiary whereas AS Pro Kapital Eesti shall maintain the participation approximately 50.27%. As a precondition for the subscription of the new shares, an unsecured shareholder loan in the amount of EUR 0,492 per every subscribed share shall be given to the subsidiary. The investor has not taken a binding commitment to make such investment. The purpose for attracting co- investor is the development of Peterburi road 2 property in Tallinn into one of the leading shopping centres in Tallinn.
- On March 14, 2014 the Company decided to offer unsecured non- convertible bonds with nominal value of 10 000 EUR each, duration period of 5 years and with 5 % annual interest. During the subscription period 30 bonds with nominal value of 10 000 Euro were subscribed in total sum of 300 000 Euro.

- On March 24 a subsidiary company of the group AS Pro Kapital Eesti concluded the contract for establishment of OÜ Vene 19. The purpose of establishment of the subsidiary is to transfer the commercial premises located at Vene street in Tallinn to the subsidiary. On April 25 AS Pro Kapital Eesti concluded the contract for sale of full shareholding of its subsidiary OÜ Vene 19 to OÜ Silver Grupp.
- On April 24 2014 the shareholders meeting of the subsidiary of the group AS Tallinna Moekombinaat adopted the resolution to increase the share capital of the subsidiary by issuing 18 300 000 new shares. Subsidiary's shareholders decision corresponds to the terms of approval granted by AS Pro Kapital Grupp shareholders on 14th of March 2014.
- The Company has applied for liquidation of its Latvian subsidiary SIA Prokurs as the Company has sold its stock and is currently carrying no active economic activity. The liquidation process of another Latvian subsidiary, SIA PK Latvia, has been started based on the same grounds.
- Presales for Vilnius Saltiniu Namai project and Tallinn's Tondi residential quarter have been successfully continued, at the moment of issuing the report presale agreements for 15 apartments out of 19 in Vilnius and 10 apartments out of 31 in Tallinn have been already signed.

Key financial figures

	2014 3 M	2013 3 M
Revenue, th, EUR	3 161	3 016
Gross profit, th, EUR	763	314
Gross profit, %	24,1%	10,4%
Operating result, th, EUR	-551	-1 008
Operating result, %	-17,4%	-33,4%
Net result, th, EUR	-910	-911
Net result, %	-28,8%	-30,2%
	31.03.2014	31.12.2013
Total Assets, th, EUR	96 815	98 294
Total Liabilities, th, EUR	33 032	33 599
Total Equity, th, EUR	63 783	64 695
Debt/ Equity *	0,52	0,52
	-0,93%	-0,91%
Return on Assets, % **		
Return on Equity, % ***	-1,42%	-1,39%
Earnings per share, EUR	-0,02	-0,02
Net asset value per share, EUR ****	1,18	1,20

*debt / equity = total debt / total equity

**return on assets = net profit/loss / total average assets

***return on equity = net profit/loss / total average equity

**** net asset value per share = net equity / number of shares

CEO review

During the first quarter of 2014 Pro Kapital continued the preparations of the real estate development projects planned for the upcoming years. Construction works of new buildings in 2 of its new residential development projects – Saltiniu Namai in Vilnius and Tondi Quarter in Tallinn were started.

Currently, while issuing the present report, there has been signed total of 15 presale agreements out of 19 flats for the Vilnius Saltiniu Namai new stage project and 10 agreements out of 31 flats for Tallinn's Tondi residential quarter project. During the reporting period cooperation agreement with a minority co-investor for the Tondi project was signed.

The preparation works were continued for the Tallinnas Residential Complex in Riga and for Peterburi road Shopping Centre project. For the latter a non binding agreement has been signed, enabling minority co-investor to enter the project. In connection with the international Rail Baltica project in Tallinn the Company has filed in a new detail plan proposal for reshaping the borders of its land plots in Peterburi 2 and Ülemiste 5 properties in order to enable the future realization of the planned railway terminal.

In March 2014 the Company listed its shares on the Quotation Board of Frankfurt Stock Exchange (Frankfurt Wertpapierbörse).

For the activity of the Company and development of new projects the Company will seek to attain attractive mix of financing through combining acceptable level of borrowings from financial institutions, expanding its investor base and attracting additional private equity. The arranging of the short-term financing to strengthen Company's working capital remains a top priority of the management.

At the end of the reporting period the Company recorded net revenue 3,2 mln EUR, increase of 5% compared to the same period in 2013 (2014 Q1: 3,2 mln EUR; 2013 Q1: 3,0 mln EUR). Recorded net loss of 0,9 mln EUR for three months (2013 Q1: 0,9 mln EUR) of 2014 was the same as last year, however, the result of the first quarter of 2013 contained non- recurring income in the amount of 0,4 mln EUR (reversed legal provision), therefore the recurring result for the first quarter of 2014 was actually 0,4 mln EUR increased (+31%) as compared to the same period last year.

Overall loans from financial institutions were 10,7 mln EUR as of March 31, 2014.

The Company as of March 31, 2014 had 11,272 mln EUR worth convertible bonds and 1,64 mln EUR worth non-convertible bonds. As of the time of compiling current report, the Company has issued additional 0,3 mln EUR worth non- secured non- convertible bonds.

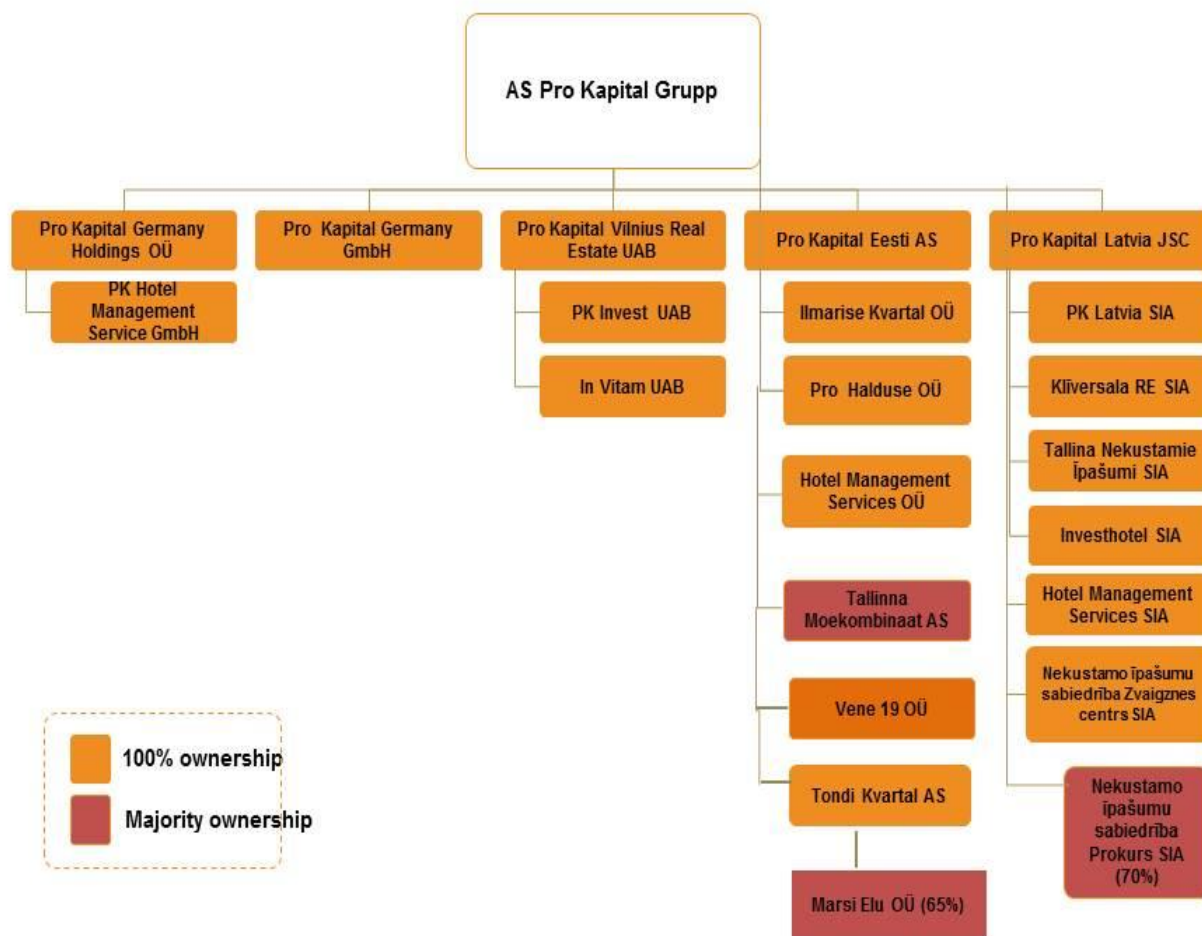
As of March 31, 2014 there were 101 employees working in the Company, 79 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

May 22, 2014

Group structure

As of 31.03.2014



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Overview of development projects

<u>Project name</u>	<u>Type</u>	<u>Location</u>	<u>Ownership</u>	<u>Planned Volume</u>	<u>Classification</u>
Peterburi road shopping centre	Retail	Tallinn	96%	GLA 55 000 m ²	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 22 880 m ²	Investment property
Tondi Quarter	Residential	Tallinn	100%	NSA 83 462 m ²	Inventories

71 280 m² resid.
12 182 m² comm.

Kalaranna District	Residential	Tallinn	100%	NSA 33 013 m ² 27 600 m ² resid. 5 413 m ² comm.	Inventories
Tallinas Quarter	Residential	Riga	100%	NSA 18 845 m ² 17 650 m ² resid. 1 195 m ² comm.	Inventories
Kliversala District	Residential	Riga	100%	NSA 49 920 m ² 31 600 m ² resid. 7 920 m ² comm. 10 400 m ² hotel	Inventories
Zvaigznes Quarter	Residential	Riga	100%	NSA 17 949 m ² 11 277 m ² resid. 6 672 m ² comm.	Inventories
Šaltinių Namai	Residential	Vilnius	100%	NSA 22 086 m ² 20 343 m ² resid. 2 713 m ² comm.	Inventories

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

Status of the projects:

Peterburi road shopping centre Ülemiste 5	Building licence obtained Detail plan adopted. Project not started. New detail plan under consideration in collaboration with the city in connection with Rail Baltica terminal.
Tondi Quarter	Building license for the 2nd stage obtained, presale and construction works of the 1 st building of the 2 nd stage started
Kalaranna District	Detailed plan approval in process
Tallinas Quarter	Projecting works in process in order to apply for the building licence. Sketch design approved by the city.
Kliversala District	New Master plan approved by the city. New Detail plan submitted.
Zvaigznes Quarter	Building licence for reconstruction of the existing building issued
Šaltinių Namai	1st stage completed and available for sale with an exception of two more buildings that have received the building licence. Presale and construction of one of the buildings has started. 2 nd stage is being projected in order to apply for the building permit.

Segments and key performance indicators

The Company's operations are spread across four geographical segments: Estonia, Latvia, Lithuania, and Germany. In addition, the Company monitors its activities amongst business lines of real estate (sales), rental activities, hotel operations, maintenance of real estate and other services.

Revenue structure, th. EUR, 01.01. – 31.03.2014

	EST 2014 3M	EST 2013 3M	LV 2014 3M	LV 2013 3M	LT 2014 3M	LT 2013 3M	GER 2014 3M	GER 2013 3M	TOTAL 2014 3M	TOTAL 2013 3M
Real Estate	23	745	-	-	1 546	352	-	-	1 569	1 097
Rent	7	25	15	235	31	22	-	-	53	282
Hotels	233	225	266	304	-	-	594	612	1 093	1 141
Maintenance	396	414	3	22	27	23	-	-	426	459
Other	20	37	-	-	-	-	-	-	20	37
TOTAL	679	1 446	284	561	1 604	397	594	612	3 161	3 016

The Company's operations in **Estonia** mainly consist of the development and sales of apartments in premium residential real estate properties, development and lease of premises in office properties and management of cash flow generating office and hotel property.

The share of the Estonian segment as a percentage of total revenues of the Company during the reporting period amounted 21,5% compared to 47,9% of the comparable period last year, mainly due to lower sales of real estate in 2014.

In 2014, total of 4 parking lots (Q1 2013: 8 apartments and 7 parking lots) were sold. 10 out of 31 apartments in Tondi residential quarter new stage project were presold as for the moment of the preparation of current report. However, these apartments will be recorded as sales at the moment they are passed on to the owners. At the end of reporting period stock consisting of 11 apartments and office premises and several parking lots was yet available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate has increased to 49,0% (2013 Q1: 47,2%). The hotel has significantly increased its operating margin as compared to the same period last year.

The Company's operations in **Latvia** mainly consist of the development and sales of apartments in premium residential real estate properties and management of cash flow generating hotel property.

The share of the Latvian segment as a percentage of total revenues of the Company during the reporting period amounted 9,0% compared to 18,6% of the comparable period last year.

In Latvia there are no residential real estate properties left properties for sale. The subsidiary dealing with lease of office properties was sold on January 1, 2014, and currently the Company does not engage in office property segment in Latvia.

Riga's PK Hotel's occupancy rate has slightly decreased in the first three months of 2014 and was 59,8% (2013 Q1: 64,0%). The hotel managed to keep its operating margin on approximately the same level as last year.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company during the reporting period amounted to 50,7% compared to 13,2% of the comparable period last year. The reason for such increase was strong residential property sales. Presales for new stage of Vilnius' Saltiniu Namai residential quarter project stage are going very successfully, with 15 out of 19 properties presold as of the moment of compiling this interim report.

In Lithuania 2 apartments, 1 business premise, 3 parking lots and 2 cottages were sold during the reporting period (Q1 2013: 2 apartments and 2 parking lots) . There were still 14 apartments, 6 cottages, 14 business premises, 13 storage rooms and 93 parking lots in stock in Vilnius at the end of the reporting period.

The Company's operations in **Germany** consist of the development and management of PK Parkhotel Kurhaus located in Bad Kreuznach, Germany.

The share of the German segment as a percentage of total revenues of the Company during the reporting period amounted to 18,8% compared to 20,3% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel has increased to 40,1% in 2014 (2013 Q1: 37,5%).

Other operative data, 01.01. - 31.03.2014

	EST 2014 3M	EST 2013 3M	LV 2014 3M	LV 2013 3M	LT 2014 3M	LT 2013 3M	GER 2014 3M	GER 2013 3M	TOTAL 2014 3M	TOTAL 2013 3M
M ² sold	25	686	-	-	690	162	-	-	715	848
Average price/m ² , EUR	922	1 086	-	-	2 240	2 173	-	-	2 194	1 294
M ² under maintenance management	52 102	52 102	-	15 013	11 903	10 172	-	-	64 005	77 287
Occupancy rate, hotels, %	49,0%	47,2%	59,8%	64,0%	--	-	40,1%	37,5%	48,6%	48,2%

Financing sources and policies

Pro Kapital pursues conservative financing policy, targeting for high ratio of equity in its projects, as compared to the industry standards. Company's goal is to use external financing in a manner to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. The Company seeks to maintain such long term debt levels that are in reasonable proportion to growth in operations and which preserve Company's credit standing.

During the first quarter of 2014 the Company has borrowed 700 th. EUR from its potential minority shareholder in Estonian subsidiary Marsi Elu OÜ and 27 th. EUR from Swedbank Lithuania. The Company repayed 1 446 th. EUR of bank loans.

Total amount borrowed from banks was 10,7 mln EUR as of 31 March, 2014.

As of 31 March, 2014 the Company had 11,3 mln EUR convertible bonds (current portion: 6,6 mln EUR; long term portion: 4,7 mln EUR) and 1,6 mln EUR non- convertible bonds (all long- term maturity). After reporting period, the Company issued additional 0,3 mln EUR non- convertible non- secured bond with maturity of 5 years and annual interest of 5%.

Bank loans are predominantly of middle- term duration, maturing within one to three years. Repayment schedule is mixed, both fixed for some loans and floating in dependence on sales volumes for others.

Shares and shareholders

As of 31.03.2014 Pro Kapital has issued total 54 106 575 shares with the nominal value 0,2 euros. The registered share capital of the company is 10 821 315 EUR.

As of 31.03.2014 there were 62 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

Shareholders holding over 5% of the shares as of 31.03.2014:

		Number of shares	Participation in %
Shareholders			
1	Clearstream Banking Luxembourg S.A. Clients	12 080 089	22,33%
2	Eurofiduciaria S.R.L.	7 231 554	13,37%
3	Svalbork Invest OÜ	6 840 368	12,64%
4	Sueno Latino AG	4 528 531	8,37%
5	A.F.I. American Financial Investments Ltd.	4 276 204	7,90%
6	Anndare Ltd.	3 388 304	6,26%
7	UNICREDIT BANK AUSTRIA AG	2 987 801	5,52%

Participation of Member of the Management Board and the Council Members as of 31.03.2014:

Name	Position	Number of shares	Participat ion in %	Number of convertible bonds
Paolo Vittorio Michelozzi	CEO	87 500	0,16%	0
Allan Remmelkoor	COO	0	0	0
Emanuele Bozzone	Chairman of the Council	0	0	22 224
Petri Olkinuora	Council Member	0	0	0
Pertti Huuskonen	Council Member	0	0	0
Ernesto Achilles Preatoni	Council Member	18 358 506*	33,93%	0

* In the above table the following Shares are considered as being controlled by Mr Preatoni because the Management Board believes that Mr Preatoni is able to control the use of voting rights by such persons: (a) OÜ Svalbork Invest, Estonian company controlled by Ms Evelyn Tihemets which holds 6 840 368 Shares representing 12,64% of the total shares of the Company, (b) Sueno Latino A.G., a Liechtenstein company controlled by Ms Evelyn Tihemets, which controls 4 528 531 Shares representing 8,37% of the total shares of the Company; (c) 2 507 508 Shares representing 4,63% of the total shares of the Company, which are held through a nominee account opened by Clearstream Banking Luxembourg and are held for the benefit of Ms Evelyn Tihemets; (d) 2 716 445 Shares representing 5,02% of the total shares of the Company held through a nominee account opened by Clearstream Banking Luxembourg for the benefit of Mr David Trausti Oddsson; (e) 612 872 Shares representing 1,13% of the total shares of the Company held by Katmandu Stiftung, a Liechtenstein company controlled by Mr Ernesto Preatoni; and (f) 1 152 782 Shares representing 2,13% of the total shares of the Company held by A.F.I. American Financial Investments Ltd, a Liechtenstein company for the benefit of Mr Ernesto Preatoni.

Earnings per share

Earnings per share in the first quarter of 2014 were -0,02 EUR, the same as at the first quarter of 2013.

On November 23, 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange. During the period of January 1- March 31, 2014 the shares were trading at the price range of 2,07- 2,64 EUR, with the closing price of 2,62 EUR/share on 31 March 2014. During the period 308 th. of the Company's shares were traded, with their turnover amounting to 0,75 mln EUR.

On March 13, 2014 the Company's shares started trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of March 13- March 31, 2014 the shares were trading at the price range of 2,472- 2,596 EUR, with the closing price of 2,50 EUR/share on 31 March 2014. During the period 7,5 th. of the Company's shares were traded, with their turnover amounting to 19 th. EUR.

Trading price range and trading amounts of Pro Kapital Grupp shares, January 1- March 31, 2014, the secondary list of Tallinn's stock exchange



Legal overview and developments

As of the end of the reporting period AS Pro Kapital Grupp and its subsidiaries had in total 4 pending court litigation disputes where the group company is either a plaintiff or the defendant. During the reporting period no litigations disputes were resolved and no new disputes were initiated.

You can find more detailed information about the legal disputes in Note 15 of this interim report.

People

As of March 31, 2014 the Company employed 101 people compared to 128 people as of March 31, 2013. 78 of them were engaged in hotel and property maintenance services (75 as of March 31, 2013).

Risks

Market risk, liquidity risk and risk of financing are of the most significant influence on the Company. While real estate market has demonstrated some significant fluctuations during last five years, due to its long-term orientation in business model the Company has successfully survived the turbulence. The Company is further pursuing long term strategic approach, enabling it to acquire properties for development when market is low and sell the developed properties at the peak of business cycle, thus naturally capitalising on market opportunities and hedging market risk.

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

Risk of financing might prolong the Company's schedule of property development and causing the slow-down of realization of its real estate portfolio. The risk is managed through the maintaining of continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and other debentures as well as expanding its investor base and attracting additional private equity.

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

The Management Board confirms that the management report presents a true and fair view of any significant event, development of business activities and financial position as well as includes a description of the main risks and doubts.

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	May 22, 2014
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	May 22, 2014

Consolidated financial report

Consolidated interim statements of financial position

(Th. EUR)	Notes	31.03.2014	31.12.2013
ASSETS			
Current Assets			
Cash and cash equivalents		2 233	2 759
Current receivables		2 792	2 738
Inventories		44 859	45 587
Total Current Assets		49 884	51 084
Non-Current Assets			
Non-current receivables		168	168
Deferred tax assets		538	540
Property, plant and equipment	5	19 946	20 221
Investment property	6	26 001	26 001
Intangible assets		278	280
Total Non-Current Assets		46 931	47 210
TOTAL ASSETS		96 815	98 294

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

Consolidated interim statements of financial position

(Th. EUR)	Notes	31.03.2014	31.12.2013
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	7	11 662	11 730
Customer advances		849	501
Current payables		1 945	2 133
Taxes payable		212	189
Short-term provisions		21	47
Total Current Liabilities		14 689	14 600
Non-Current Liabilities			
Long-term debt	7	16 379	17 040
Other long-term liabilities		61	54
Deferred income tax liability		1 729	1 758
Long-term provisions		174	147
Total Non-Current Liabilities		18 343	18 999
TOTAL LIABILITIES		33 032	33 599
Equity attributable to equity holders of the parent			
Share capital in nominal value		10 821	10 821
Paid in capital		1 474	1 474
Statutory reserve		1 064	1 064
Revaluation reserve		11 330	11 330
Foreign currency differences		-1 277	-1 277
Retained earnings		39 778	42 378
Profit (loss) for the period		-907	-2 600
Total equity attributable to equity holders of the parent		62 283	63 190
Non-controlling interest		1 500	1 505
TOTAL EQUITY		63 783	64 695
TOTAL LIABILITIES AND EQUITY		96 815	98 294

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

Consolidated interim statements of comprehensive income

(Th. EUR)	Notes	2014 3M	2013 3M
Operating income			
Revenue	3, 8	3 161	3 016
Cost of goods sold	9	-2 398	-2 702
Gross profit		763	314
Marketing expenses		-116	-72
Administrative expenses	10	-1 204	-1 219
Other income		76	81
Other expenses		-70	-112
Operating profit (loss)		-551	-1 008
Financial income	11	32	427
Financial expense	11	-386	-343
Profit (loss) before income tax		-905	-924
Income tax	3	-5	13
Net profit (loss) for the period		-910	-911
Equity holders of the parent		-907	-908
Non-controlling interest	3	-3	-3
Earnings per share (EUR)	12	-0,02	-0,02
Diluted earnings per share (EUR)	12	-0,02	-0,02

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

Consolidated interim statements of cash flows

<i>Th. EUR</i>	Note	2014 3M	2013 3M
Cash flows from operating activities			
Profit (loss) for the year		-910	-911
Adjustments for:			
Depreciation and amortisation of non-current assets	3	195	194
Change in fair value of investment property	6	53	43
Gain/loss from sale of PPE		-2	0
Gain from disposal of subsidiary	4	-17	0
Finance income and costs, net	11	354	331
Net foreign exchange gain / loss		0	6
Other non-monetary changes (net amounts)		- 154	139
Movements in working capital:			
Change in trade receivables and prepayments		-53	-217
Change in inventories		728	727
Change in liabilities and prepayments		161	-1 416
Change in provisions		1	1
Net cash generated by operating activities		356	-669
Cash flows from investing activities			
Payments for property, plant and equipment	5	-29	-8
Proceeds from disposal of property, plant and equipment and investment property		6	2
Payments for investment property	6	-53	-43
Interest received		2	7
Net cash (used in) / generated by investing activities		-74	-42
Cash flows from financing activities			
Proceeds from borrowings	7	727	2 430
Repayment of borrowings	7	-1 446	-767
Interest paid		-89	-489
Net cash used in financing activities		-808	1 174
Net change in cash and cash equivalents		-526	463
Cash and cash equivalents at the beginning of the period		2 759	707
Cash and cash equivalents at the end of the period		2 233	1 170

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

Consolidated interim statements of changes in equity

<i>in thousands of euros</i>	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2012	10 637	0	0	11 330	-1 130	49 624	70 461	1 597	72 058
Acquisitions of holdings from non-controlling interests and other changes in subsidiaries	0	0	0	0	0	0	0	-48	-48
Comprehensive loss for the year	0	0	0	0	-83	-6 185	-6 265	3	-6 262
31 December 2012	10 637	0	0	11 330	-1 213	43 442	64 196	1 552	65 748
Increase of share capital, 15.05.2013	184	1 474	0	0	0	0	1 658	0	1 658
Allocation of funds to statutory reserve	0	0	1 064	0	0	-1 064	0	0	0
Acquisition of holdings from non- controlling and other changes in subsidiaries	0	0	0	0	0	0	0	-69	-69
Comprehensive loss for the year	0	0	0	0	-64	-2 600	-2 664	22	-2 642
31 December 2013	10 821	1 474	1 064	11 330	-1 277	39 778	63 190	1 505	64 695
Acquisitions of holdings from non-controlling interests and other changes in subsidiaries	0	0	0	0	0	0	0	-2	-2
Comprehensive loss for the period	0	0	0	0	0	-907	-907	-3	-910
31 March 2014	10 821	1 474	1 064	11 330	-1 277	38 871	62 283	1 500	63 783

Notes to consolidated interim financial statements

Note 1. General information

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

Shareholder	Country of incorporation	Share of ownership	
		31.03.2014	31.12.2013
Clearstream Banking Luxembourg S.A.	Luxembourg	22,33%	22,37%
Eurofiduciaria S.r.l.	Italy	13,37%	13,50%
Svalbork Invest OÜ	Estonia	12,64%	12,64%
Sueno Latino AG	Liechtenstein	8,37%	8,37%
A.F.I. American Financial Investments Ltd.	Liechtenstein	7,90%	8,09%
Anndare Ltd.	Ireland	6,26%	6,08%

For the purpose of comparative financial figures of these interim financial statements as at 31 March 2014, Pro Kapital is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany GmbH) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting, and to forward information to investors.

For the comparative period of three months of 2014, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Ultimate Parent Company and its subsidiaries (hereinafter also referred together to as “the Group”).

Note 2. Basis of preparation

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 2013.

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 2013.

Note 3. Segment reporting

(Th. EUR)	Estonia	Latvia	Lithuania	Germany	Total
Revenue	679	284	1 604	594	3 161
Other operating income	3	23	0	50	76
Segment operating profit (loss)	-719	-193	479	-118	-551
Financial income and expense (net)	-326	-3	-25	0	-354
Profit (loss) before income tax	-1 045	-196	454	-118	-905
Income tax	0	-15	10	0	-5
Non-controlling interest	-4	1	0	0	-3
Net profit (loss) for the financial year attributable to equity holders of the parent	-1 041	-212	464	-118	-907
31.03.2014					
Assets	50 768	24 977	12 757	8 313	96 815
Liabilities	23 483	5 063	3 384	1 102	33 032
Acquisition of non-current assets	29	0	0	0	29
Depreciation and amortisation	-45	-51	-16	-81	-193
2013 3M					
Revenue	1 446	561	397	612	3 016
Other operating income	27	7	0	47	81
Segment operating profit (loss)	-720	-158	-6	-124	-1 008
Financial income and expense (net)	146	-29	-32	-1	84
Profit (loss) before income tax	-574	-175	-38	-125	-924
Income tax	0	11	2	0	13
Non-controlling interest	2	1	0	0	3
Net profit for the financial year attributable to equity holders of the parent	-572	-175	-36	-125	-908
31.12.2013					
Assets	50 674	25 590	13 805	8 225	98 294
Liabilities	22 904	5 184	4 376	1 135	33 599
Acquisition of non-current assets	11	25	2	9	47
Depreciation and amortisation	-175	-202	-25	-384	-786

Note 4. Disposal of subsidiary

	Pasaules tirdzniecības centrs "Rīga" SIA
<i>in thousands of euros</i>	
Net assets at the date of disposal	2 007
Share (%) as at 31 December 2013	100%
Disposed	100%
Share (%) as at 31 March 2014	0%
Cash received	39
Non- cash, received	1 985
Profit from disposal	17

Note 5. Property, plant and equipment

As of 31 December 2011 Pro Kapital's land and buildings was valued into their fair value based on the valuation of independent expert. The valuation, which conforms to International Valuation Standards, was performed by independent real estate appraiser SIA Newsec Valuation LV and was determined by reference to discounted cash flow method. Current market conditions (at the moment the valuation was performed) were used as assumptions for the valuations performed.

Independent real estate appraiser Newsec Valuations EE has carried out property valuations on January 2013. However, as the values determined by independent appraiser have not been significantly (over 3% bigger or 1,5% smaller) from the balance sheet value of properties, no upward fair value adjustment has been deemed necessary by the Company's management.

As of 31 March 2014 Company's management estimates the value of the properties remains unchanged and no adjustments to property values reflected in the balance sheet are deemed necessary.

	31.03.2014	31.12.2013					
Acquisition value	24 428	25 290					
Accumulated depreciation	-4 482	-5 069					
Balance sheet value	19 946	20 221					
			Land and buildings	Machinery and equipment	Other tangible assets	Prepay- ments	Total
(Th. EUR)							
Acquisition value 01.01.2013	21 897	1 218	2 447	0	25 592		
Additions:							
Acquired	0	10	24	13	47		
Disposals:							
Sold	-229	-8	-4	0	-241		
Written off	0	-9	-56	-13	-78		
Acquisition value 31.12.2013	21 668	1 211	2 411	0	25 290		
Additions:							
Acquired	29	0	0	0	29		

Disposals:					
Sold	-876	-15	0	0	-891
Written off	0	0	0	0	0
Acquisition value 31.03.2014	20 821	1 196	2 411	0	24 428

Accumulated depreciation					
01.01.2013	1 448	815	2 168		4 431
Additions:					
Depreciation charge for the period	608	102	76		786
Disposals:					
Sold	-71	-8	-4		-83
Written off	0	-9	-56		-65
Accumulated depreciation 31.12.2013	1 985	900	2 184		5 069
Additions:					
Depreciation charge for the period	152	32	9		193
Disposals:					
Sold	-767	-13	0		-780
Written off	0	0	0		0
Accumulated depreciation 31.03.2014	1 370	919	2 193		4 482

Note 6. Investment property

(Th. EUR)	31.03.2014	31.12.2013
Investment property held for increase in value	26 001	26 001
Investment property held for earning rentals	88	88
Total	26 089	26 089

	Investment property held for increase in value	Investment property held for earning rentals	Total
NBV 01.01.2013	26 023	88	26 111
Additions:			
Acquired	85	0	85
Disposals:			

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Written off	0	0	0
Changes in fair value:			
Gain/loss from change in fair value	-85	0	-85
NBV 31.12.2013	26 001	88	26 089
Additions:			
Acquired	53	0	53
Disposals:			
Written off	0	0	0
Changes in fair value:			
Gain/loss from change in fair value	-53	0	-53
NBV 31.03.2014	26 001	88	26 089

As of 31 December 2011 assessing the fair value of investment property the management of the Company was based on valuation reports of independent real estate appraisers. The valuation, which confirms to International Valuation Standards, was in majority determined by reference to recent market transactions and arms' length term. In few instances where appropriate also discounted cash flow method was used in determination of fair value of Group's investment property.

On December 2013 Pro Kapital's investment properties were upraised by independent real estate expert Newsec Valuations EE. The appraiser determined no significant changes in the value of investment properties. At the end of the reporting period the management of the Company accessed values of investment properties and deemed them unchanged as of 31 March 2014.

Fair value adjustment of 53 th. EUR comes from capitalised costs that were expensed at the year end in order to retain balance value of investment properties that matches fair value determined in the valuation report.

The rental income and the corresponding direct expenses from the described investment property were the following

(Th. EUR)	2014 3M	2013 3M
Rental income	0	0
Direct operating costs	18	18

Note 7. Loans

(Th. EUR)	31.03.2014	31.12.2013
Current debt, financial institutions	1 290	1 872
Non-current debt, financial institutions	9 396	10 233
Current debt, related parties	3 743	3 753
Non- current debt, minority shareholder	700	0
Convertible debt, bonds	11 272	11 272
Non- convertible debt, bonds	1 640	1 640
Total	28 041	28 770

On January 9, 2014 Company prolonged maturity of its convertible bonds in the amount of 1 070 451,2 euros. The new maturity date for those convertible bonds is January 20, 2016, all other conditions for those convertible bonds remaining unchanged.

Shortly after reporting period the Company issued 300 non- convertible non- secured bonds with face value of 10 000 euros, maturity of 5 years and annual interest of 5%, thus increasing the amount of non- convertible non- secured bonds 1 940 thousand euros.

On March 24, 2014 loan agreement with Combrimat Ltd., the expected shareholder of Estonian subsidiary Marsi Elu OÜ (non-binding intention agreement signed) was signed, according to which Combrimat Ltd. will lend 1,0 mln euros for 5 years with annual interest of 5%. As of March 31, 2014, 0,7 mln euros were borrowed and another 0,3 mln euros were borrowed shortly after the end of the reporting period, after which the transfer of 35% of ownership share in Marsi Elu OÜ was transferred to the investor.

On March 27, 2014, loan agreement with Nordea Bank Finland Plc Estonian branch was signed, according to which Estonian subsidiary Marsi Elu OÜ is entitled to borrow up to 5,0 mln euros for the annual interest of EURIBOR+ 3,1%, to be repaid by September 27, 2016.

Creditor	31.03.2014	31.12.2013	CCY	Interest %
Swedbank AS (EE)	1 622	1 647	EUR	2,65% + 6m Euribor
Swedbank AS (EE)	2 395	2 436	EUR	2,65% + 6m Euribor
Swedbank AS (EE)	446	446	EUR	2,5%+ 6m Euribor
AS Swedbank (LV)	3 866	3 952	EUR	3,0% + 3m Euribor
"Swedbank" AB (LT)	2 331	3 624	EUR	3,0% + 6m Euribor
"Swedbank" AB (LT)	26	0	EUR	3,85% + 6m Euribor
Combrimat Ltd.	700	0	EUR	5,0%
Svalbork Invest, related party	3 743	3 753	EUR	5,0%
Convertible debt, bonds- various investors	11 272	11 272	EUR	7%
Non- convertible debt, bonds, various investors	1 640	1 640	EUR	5%
Total	28 041	28 770		

(Th. EUR)	31.03.2014	31.12.2013
Due within 1 year	11 662	11 730
Due between 2 to 5 years	16 379	17 040
Due after 5 years	0	0
Total	28 041	28 770

(Th. EUR)	Beneficiary	Collateral description	Carrying value of the pledged assets	
			31.03.2014	31.12.2013
	Swedbank AS (Estonia)	Tondi str. 51, Tallinn	1 340	1 340
	Swedbank AS (Estonia)	Põhja Avenue. 21, 21a, 21 b-1, Tallinn	5 809	5 850
	Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	548	548
	Swedbank AS (Estonia)	Kalaranna 1, Tallinn	4 857	4 857
	Swedbank AS (Estonia)	Ülemiste Road 5, Tallinn	1 700	1 700

AS Swedbanka (Latvia)	Pulkveza Brieza St. 11, Riga	5 753	5 788
AS Swedbanka (Latvia)	Trijadibas St.5, Riga	8 869	8 869
Swedbank AB (Lithuania)	Aguonu str.10, Vilnius	11 639	12 428
Total		40 515	41 380

In addition to guarantee letters related to loans of the Group, AS Pro Kapital Grupp has issued guarantee letters as follows:

- To AS Swedbank (Latvia) to assure the potential liability of Klīversala RE SIA, an entity belonging to Pro Kapital Latvia subsidiary group, in the amount of 8 084 th. EUR, as AS Swedbank (Latvia) has issued a guarantee letter in the same amount to VAS „Privatizācijas aģentūra” to assure the investment liabilities related to contract concluded between Klīversala RE SIA and VAS „Privatizācijas aģentūra” (31 March 2014).
- To Swedbank AS (Latvia) to assure loan liabilities of SIA Investhotel in the amount of 3 866 th. EUR as of 31 March 2014.
- Guarantee letter to Kristiine Keskus OÜ to secure (jointly with Pro Kapital Eesti AS) possible claims against Täismaja AS (merged with Pro Kapital Eesti AS) arising from a loan contract concluded between Pro Kapital Eesti and Täismaja AS on 9 March 2004. The guarantee letter is limited to maximum amount of potential claim. The guarantee is effective for 72 months from concluding sales- purchase agreement, i.e. until 2 May 2017.
- As AS Swedbank (Estonia) to assure loan liabilities of AS Tondi Kvartal that amounted to 446 th. EUR as of 31 March 2014.
- To Swedbank AB (Lithuania) to assure loan liabilities of UAB PK Invest in the amount of 2 357 th. EUR as of 31 March 2014.

Note 8. Revenue

(Th. EUR)	2014 3M	2013 3M
Revenue from sales of real estate	1 569	1 097
Rental revenue	53	282
Hotel operating revenue	1 093	1 141
Revenue from maintenance services	426	436
Other services	20	60
Total	3 161	3 016

Note 9. Cost of goods sold

(Th. EUR)	2014 3M	2013 3M
Cost of real estate sold	1 066	986
Cost of providing rental services	30	233
Cost of hotel operations	895	1 100
Cost of maintenance services	407	383
Cost of other services	0	0
Total	2 398	2 702

(Th. EUR)	2014 3M	2013 3M
Staff costs	270	275
Depreciation charge	176	164
Inventory write-offs	0	0
Maintenance costs	186	125
Other	1 766	2 138
Total	2 398	2 702

Note 10. Administrative expenses

Administrative expenses (Th. EUR)	2014 3M	2013 3M
Staff costs	546	706
Depreciation charge	17	27
Amortisation charge	2	3
Other	639	483
Total	1 204	1 219

Note 11. Financial income and expenses

Financial income (Th. EUR)	2014 3M	2013 3M
Interest income	7	7
Gain from foreign currency translation	0	3
Gain from disposal of subsidiary	17	0
Other financial income	8	417
Total	32	427

Financial expenses (Th. EUR)	2014 3M	2013 3M
Interest expenses	348	338
Foreign currency loss	0	2
Other financial expenses	38	4
Total	386	343

Note 12. Earnings per share

Earnings per share are calculated by dividing the net profit (loss) for the period with the weighted average number of shares in the period:

Average number of shares:

In period 01.01.2013 - 31.03.2013 $(53\,185\,422 * 90/90) = 53\,185\,422$

In period 01.01.2014 - 31.03.2014 $(54\,106\,575 * 90/90) = 54\,106\,575$

Indicative earnings per share (in EUR):

01.01.2013-31.03.2013 -908 thousand/ 53 185 422 = -0,02

01.01.2014-31.03.2014 -907 thousand /54 106 575 = -0,02

The convertible bonds issued did not have a dilutive effect on earnings in 2014 and 2013, therefore they have not been included in the calculation of the diluted net gain (loss) per share and the diluted gain (loss) per share equals the net gain (loss) per share indicator.

Note 13. Shareholders meetings

Extraordinary shareholders meeting of AS Pro Kapital Grupp

Extraordinary shareholders meeting of AS Pro Kapital Grupp took place on the 14th of March 2014. The reason for calling the extraordinary general meeting was to decide on approval of the issuance of new shares by AS Tallinna Moekombinaat substantially on the terms and conditions approved by extraordinary general meeting of shareholders of AS Pro Kapital Grupp. The goal of the issuance of new shares by group company AS Tallinna Moekombinaat is to raise capital necessary for the development of the shopping centre at Peterburi road 2 in Tallinn. AS Pro Kapital Grupp shareholders approved the terms and conditions of issuance of new shares by AS Tallinna Moekombinaat.

Decision adopted was as follows:

Approve the issuance of new shares by AS Tallinna Moekombinaat (the "Share Issue") substantially on the (e) the entire accrued interest will be paid and the principal amount of the Shareholder Loan will be repaid on its final repayment date, which will occur on the earlier of (1) 15 years as of the date the Shareholder Loan is transferred to the account of the Subsidiary or (2) the date occurring in 12 months after the full repayment of the Senior Liabilities.

General annual shareholders meeting of AS Tallinna Moekombinaat

On 24th of April 2014 AS Tallinna Moekombinaat shareholders meeting adopted the resolution to increase the share capital of AS Tallinna Moekombinaat. AS Tallinna Moekombinaat shareholders decision corresponds to the terms of approval granted by AS Pro Kapital Grupp shareholders on 14th of March 2014.

Main terms of the Subsidiary's share capital increase are as follows:

- Subsidiary will issue 18 300 000 new shares (the "New Shares").
- New Shares will be issued in several tranches.
- The existing shareholders do not have the pre-emptive right to subscribe for the New Shares.
- The monetary contribution (subscription price) for each New Share is EUR 1.53. As a precondition for the subscription of a New Share, the subscriber must grant to the Subsidiary an unsecured shareholder loan in the amount of EUR 0,492 per New Share that it subscribes for (the "Shareholder Loan"). The Shareholder Loan will be subordinated to the obligations and liabilities of the Subsidiary (the "Senior Liabilities") towards each credit institution, which will provide a loan to the Subsidiary (including by refinances any such loan) in relation to real estate development, including development of the shopping centre on the immovable property at Peterburi Rd. 2 in Tallinn. The interest at the rate of 12% per annum will accrue on the outstanding principal amount of the Shareholder Loan.

- SUMMER SOLSTICE Limited (a company established and operating under the laws of United Arab Emirates with registration number IC20120139; the "Investor") has the right to subscribe for the New Shares. Investor has not taken a binding obligation to subscribe the New Shares.

In case the Subsidiary shall issue all New Shares, the New Shares shall correspond to approximately 47,63% of the share capital of the Subsidiary and the participation of AS Pro Kapital Eesti shall remain at 50,27%.

OÜ Marsi Elu

AS Pro Kapital Grupp group company AS Tondi Kvartal concluded on 30.01.2014 the contract for establishment of OÜ Marsi Elu. The business area of the new subsidiary of AS Tondi Kvartal is real-estate development and the planned business activity is the development of the first phase of the second stage of Tondi residential area located in Tallinn.

The share capital of OÜ Marsi Elu is EUR 10 000, which upon the establishment of the company belonged 100% to AS Tondi Kvartal.

The purpose of establishment of the subsidiary was to start with the residential development of Marsi street 3 // 3a // 3b // Sammu street 6 // 6a // 6b // Sõjakooli street 12 // 12a // 12b // 12c land plot located at the Tondi residential area in Tallinn and to create a legal platform for possible participation of co-investor in the project.

AS Tondi Kvartal concluded on 13.03.2014 the contract for sale of minority shareholding of its subsidiary OÜ Marsi Elu to a financial investor. Based on the contract AS Tondi Kvartal took the obligation to sell 35% of the shares of OÜ Marsi Elu to company COMBRIMAT Limited, as a result of which AS Tondi Kvartal will hold 65% of the share capital of OÜ Marsi Elu.

Main conditions of the contract for sale of shareholding are as follows:

AS Tondi Kvartal took the obligation to sell 35% of OÜ Marsi Elu shares after fulfillment of the preconditions by the buyer.

Price of the transaction is 3500 EUR, which corresponds to the nominal value of the sellable shares and the value of the equity of OÜ Marsi Elu attributable to the transferable shares as of incorporation of the company.

The obligation of the buyer, prior to the transfer of the ownership of the shares, is to provide OÜ Marsi Elu with a shareholder loan in amount of 1 000 000 EUR, with repayment date of 5 years and interest of 5% per year. Loan is unsecured.

OÜ Marsi Elu has prior to conclusion of the contract for sale of its shareholding, bought with intra-group transaction from AS Tondi Kvartal the part of the business needed for development of Marsi 3, 3a and 3b building including the imaginary part of the land plot and conditional contracts concluded for sale of the apartments. AS Tondi Kvartal, as the shareholder, has provided OÜ Marsi Elu with an unsecured shareholder loan in amount of 1 850 000 EUR, with repayment date of 5 years and interest of 5% per year, for purchasing the business.

The purpose of the sale of the shareholding was to involve a financial investor for the development of Marsi 3, 3a and 3b residential building.

Investor fulfilled its obligations to pay for the shareholding and grant the shareholder loan and the 35% participation in OÜ Marsi Elu was transferred to the investor on 11 April, 2014.

OÜ Marsi Elu and AS Nordecon concluded on 25th of February 2014 the contract for construction of residential apartment building to be located in Tondi Residential Quarter, Tallinn, Kristiine district. The price of the construction works of the first construction phase is approximately three million euros, to which VAT is added.

In the first construction phase a 5-story residential building with 31 apartments, semi-underground parking floor and central plaza shall be completed. In addition necessary roads and external networks will be built.

Construction works commenced in February of 2014 and the planned duration of construction is 11 months.

As of the date of signing the construction contract (25.02.2014) 9 apartments out of 31 were covered by conditional sales agreement. Prior to start of the construction 29% of all apartments have found a buyer.

In addition Nordecon AS and OÜ Marsi Elu have agreed on option for the second and third construction phase, exercising of which will result in 62 additional apartments.

OÜ Vene 19

AS Pro Kapital Grupp group company AS Pro Kapital Eesti concluded on 24th of March 2014 the contract for establishment of OÜ Vene 19. The business area of the new subsidiary of AS Pro Kapital Eesti is maintenance and rent of own real-estate and the planned business activity is management of commercial premises located at Vene Street in Tallinn. AS Pro Kapital Eesti transferred to the new subsidiary the commercial premises located at Vene street in Tallinn. On 25th of April 2014 AS Pro Kapital Eesti sold its full participation in OÜ Vene 19 to OÜ Silver Grupp. Main conditions of the contract for sale of shareholding are as follows:

OÜ Vene 19 area of operations and the business of the company is management of property located in the basement of the building located at Tallinn Vene street 19.

AS Pro Kapital Eesti sold to OÜ Silver Grupp the share of OÜ Vene 19 with nominal value of 7500 EUR, which represents 100% of the share capital of OÜ Vene 19. Price of the transaction is 102 500 EUR, which corresponds approximately to the equity of OÜ Vene 19 at the moment of the sale.

The purpose of the sale of the shareholding is the divestment of non-core assets of the group (participation in the group company).

Note 14. Transactions with related parties

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

Transactions with related parties	2014 3M	2013 3M
(Th. EUR)		
Significant owners and owner related companies		
Interest income	4	21
Issued loans	475	475
Granted claims	14 743	17 627
Interest expense	48	51
Paid interest	0	398
Acquisition of shares in subsidiaries	0	9
Salaries and bonuses, management	159	151

Receivables from related parties	31.03.2014	31.12.2013
(Th. EUR)		
Significant owners and owner related companies		
Current receivables from related parties	506	501
Total	506	501

Payables to related parties	31.03.2014	31.12.2013
(Th. EUR)		
Significant owners and owner related companies		
Payables to related parties*	4 843	4 105
Total	4 843	4 105

*includes 400 th. EUR interest payable

Holdings in the Ultimate Parent Company	31.03.2014	31.12.2013
Members of the Council and individuals related to them	34,09%	34,09%

Furthermore, 22 224 pieces of convertible bonds are held by the members of the Council.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

During reporting period, the Company sold apartment to the Chairman of the Management Board. The transaction was executed at market price.

No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties. The Group has been provided loans to related parties at rates comparable to the average commercial rate of interest. The loans to related parties are unsecured.

Note 15. Lawsuits

Ultimate parent company

	As of 31.03.2014	As of 31.12.2013
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 31.12.2013 AS Pro Kapital Grupp as the ultimate parent company did not have any pending court cases.

As of 31.03.2014 AS Pro Kapital Grupp as the ultimate parent company did not have any pending court cases.

Pro Kapital Estonia sub-group

	As of 31.03.2014	As of 31.12.2013
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 31.12.2013 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. Sub-group subsidiary AS Tāismaja is involved in one lawsuit as a third party.

As of 31.03.2014 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. AS Pro Kapital Eesti is involved in one lawsuit as a third party (AS Tāismaja who was involved in the lawsuit as third party was merged with AS Pro Kapital Eesti).

Pro Kapital Latvia sub-group

	As of 31.03.2014	As of 31.12.2013
Pending disputes:	2	1
Resolved disputes:	0	0
New disputes:	0	1

As of 31.12.2013 Pro Kapital Latvia sub-group had one pending court case and one new court case was initiated during the reporting period

As of 31.03.2014 Pro Kapital Latvia sub-group had the same two pending court cases

Pending disputes:

On 30.07.2012 the Property department of Riga's City Council issued a decision according to which buildings belonging to SIA "Nekustamo īpašumu sabiedrība "Zvaigznes centrs"" at 193 Brīvības Street, in Riga are classified as degrading the environment and endangering the security of people. On the basis of this decision the company would have to pay an increased real estate tax. The company appealed against the mentioned decision to the chairman of the Riga City Council, however the chairman decided to reject the claim. The company has on

14.02.2013 appealed against the decision to the Administrative District Court asking for revocation of the decision. The proceedings are currently pending.

On August 2, 2013 the Property department of Riga's City Council issued a decision according to which buildings belonging to LLC „TALLINA NEKUSTAMIE ĪPAŠUMI” at 5/7 Tallinas Street, in Riga are classified as degrading the environment and endangering the security of people. On the basis of this decision the company would have to pay an increased real estate tax. The Company appealed against the mentioned decision to the chairman of the Riga City Council, however the chairman decided (4th of November 2013) to reject the claim. The Company has on 18.12.2013 appealed against the decision of the chairman of Riga City Council to the Administrative District Court asking for revocation of the decision. The proceedings are currently pending.

Pro Kapital Vilnius sub-group

	As of 31.03.2014	As of 31.12.2013
Pending disputes:	2	2
Resolved disputes:	0	0
New disputes:	0	0

As of 31.12.2013 the entities of Pro Kapital Vilnius sub-group had two pending court cases.

As of 31.03.2014 the entities of Pro Kapital Vilnius sub-group had the same two pending court cases.

Pending disputes:

UAB "Natalex" has filed a claim in the amount of 166 thousand Lithuanian litas (approx. 48 thousand Euros), plus interest 6% for return of the prepayment under an apartment sale contract. Group company PK Invest UAB found that UAB "Natalex" had breached the contract and the prepayment has been set-off with the penalty against UAB "Natalex". In April 2012 the court rejected UAB "Natalex" claim. UAB "Natalex" appealed the court decision. Court of Appeal of Lithuania dismissed the appeal of UAB "Natalex" on 09.10.2013 and did not amend the judgment of the Court of First Instance. Claim of UAB "Natalex" filed against PK Invest UAB was left unsatisfied. Aforementioned judgment has not entered into force as UAB "Natalex" has submitted a cassation to the Supreme Court.

On February 2012, UAB "Gatvių statyba" submitted the claim to the Vilnius district court requesting for LTL 197 thousand Lithuanian litas (approx. 57 thousand Euros), plus 8,06 % interest, for the performed works in Saltiniu Namai. Group company PK INVEST UAB did not agree with the claim because the works were performed unduly and the deficiencies were recorded by the parties in writing. The case was heard at Vilnius district court. The claim of the contractor and the counter-claim of PK INVEST UAB had been upheld partially. PK INVEST UAB has filed an appeal on the basis that the court refused to lower the price of the works that were performed partially and with deficiencies. Appeal proceeding are ongoing.

Pro Kapital German sub-group

	As of 31.03.2014	As of 31.12.2013
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 31.12.2013 Pro Kapital German sub-group entities did not have any pending court cases.

As of 31.03.2014 Pro Kapital German sub-group entities did not have any pending court cases.

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 first quarter of 2013.

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	Chief Executive Officer and Chairman of the Management Board	22 May 2014
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Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	22 May 2014
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