

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR IV QUARTER
AND 12 MONTHS OF 2016 (UNAUDITED)

PROKAPITAL



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Table of content

AS Pro Kapital Grupp in brief	2
Management report	3
Key figures and main events 1 January – 31 December 2016 and after the reporting period	3
CEO review	6
Group Structure	7
Overview of development projects	8
Segments and key performance indicators	9
Financing sources and policies	11
Shares and shareholders	11
Legal overview and developments	12
People	12
Risks	13
Management Board's confirmation of the management report	14
Consolidated financial report	15
Consolidated interim statements of financial position	15
Consolidated interim statements of comprehensive income	17
Consolidated interim statements of cash flows	18
Consolidated interim statements of changes in equity	19
Notes to consolidated interim financial statements	20
Note 1. General information	20
Note 2. Basis of preparation	20
Note 3. Segment reporting	21
Note 4. Changes in minority shareholding	22
Note 5. Property, plant and equipment	22
Note 6. Investment property	23
Note 7. Current and non-current debts	24
Note 8. Revenue	26
Note 9. Cost of goods and services sold	26
Note 10. Gross profit	27
Note 11. Administrative expenses	27
Note 12. Financial income and expenses	27
Note 13. Earnings per share	27
Note 14. Shareholders meetings	28
Note 15. Transactions with related parties	29
Management Board's confirmation of the financial statements	30

AS Pro Kapital Grupp in brief

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

Since its establishment in 1994, Pro Kapital has completed 20 development projects with ca 190 000 square meters of total saleable area.

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

Management report

Key figures and main events 1 January – 31 December 2016 and after the reporting period

- Total revenue in 2016 was 20 652 thousand euros, an increase of 13% compared to the reference period (2015: 18 322 thousand euros). Total revenue of the fourth quarter was 4 475 thousand euros comparing to 5 411 thousand euros in 2015.
- Gross profit in 2016 was 6 054 thousand euros, an increase of 36% compared to the reference period (2015: 4 448 thousand euros). Gross profit for the fourth quarter was 1 424 thousand euros comparing to 1 121 thousand euros in 2015.
- Net operating result during 2016 decreased by 63 thousand euros (4%) compared to the reference period, totalling to profit of 1 361 thousand euros (2015: 1 424 thousand euros). Net operating result for the fourth quarter was profit of 798 thousand euros (2015 Q4: 2 330 thousand euros).
- Net result for 2016 has decreased by 595 thousand euros (30%) compared to the reference period, totalling to losses of 2 605 thousand euros (2015: losses of 2 010 thousand euros). Net result for the fourth quarter was losses of 235 thousand euros (2015 Q4: profit of 823 thousand euros).
- Cash flow from operations for 2016 amounted to 647 thousand euros (2015: 3 498 thousand euros). Cash flow from operations for the fourth quarter was negative 2 028 thousand euros (2015 Q4: positive 1 176 thousand euros).
- Net assets per share on 31 December 2016 totalled 1,51 euros (31 December 2015: 1,54 euros).
- On 19 January 2016 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2018. 4 234 PKG2 convertible bonds were redeemed with issue price of 11 855,20 euros.
- On 21 January 2016 the Supervisory Council decided to elect Edoardo Axel Preatoni as an additional Management Board member of AS Pro Kapital Grupp starting from 1 March 2016 with the term in office of 3 years.
- In March 2016 the Management Board of AS Pro Kapital Grupp decided on the allocation of the third subscription of secured, callable, fixed rate bonds with nominal value of 900 000 euros and total issue price of 919 726 euros with redemption date on 1 June 2020. After the third subscription the total nominal value of the issued bonds was 14,3 million euros.
- In May 2016 the Management Board of AS Pro Kapital Grupp decided on the allocation of the fourth subscription of secured, callable, fixed rate bonds with nominal value of 15 000 000 euros and total issue price of 15 083 333 euros with redemption date on 1 June 2020. After the fourth subscription the total nominal value of the issued bonds is 29,3 million euros.
- On 02 June 2016 Tallinn City Council established partly the detail plan of the Tallinna Kalasadam area, according to which the daughter company of AS Pro Kapital Grupp, AS Pro Kapital Eesti, shall have the right to erect 6-18 buildings with gross volume of 38 300 square meters together with the recreational areas and coastal promenade.
- On 13 June 2016 the group company Kliversala SIA concluded a construction agreement for River Breeze Residence in Riga, Kliversala district. Construction was started in July with total period of 18 months and presumed commissioning in winter 2017-2018. The volume of the construction agreement is 12,6 million euros excluding VAT. Total area of the building is 12 850 square meters, it has 7 floors with 48 apartments, areas ranging from 56 to 316 square meters and 2 underground parking sites.
- On 17 June 2016 the shareholders meeting of AS Pro Kapital Grupp decided to increase the share capital of AS Pro Kapital Grupp by issuing the new shares in amount of 67 784 shares with price 2,37 euros per share. During the offering period 20 - 22 June 2016 in total 33 892 shares were offered for subscription with the right to subscribe issued to Paolo Vittorio Michelozzi, the Member of the Management Board of the Company. All offered shares were subscribed with total value of 80 324,04 euros. The new amount of share capital is 10 847 566,00 euros.
- On 10 August 2016, after the reporting period, the Company prolonged the redemption date of 840 184 PKG3 convertible bonds by 2 years. New redemption date is 10 August 2018.

- On 16 September 2016 the Company prolonged the redemption date of 516 029 PKG4 convertible bonds by 2 years. New redemption date is 16 September 2018. 1 000 PKG4 convertible bonds were redeemed with issue price of 2 800 euros.
- Starting from 1 September 2016 AS Pro Kapital Grupp headquarters are situated in Tondi Quarter in a freshly renovated historical building at Sõjakooli 11.
- On 1 November 2016 the group company AS Pro Kapital Eesti launched the architectural competition for Kalasadam surrounding area with the aim to find the best solution for buildings and architectural urban space. The deadline for entries was 1 February 2017.
- On 18 November 2016 the group company AS Tallinna Moekombinaat signed a contract for financing the design and construction works of the T1 shopping and entertainment centre, located at Peterburi road 2, Tallinn, with Lintgen Adjacent Investments S.A.R.L., 100% owned subsidiary of San Francisco based private equity firm TPG. The total volume of the financing agreement is 65 million euros to fully fund T1 shopping and entertainment centre project to be opened in autumn 2018.
- On 23 November 2016 the Company redeemed 100 "AS Pro Kapital Grupp bond 11.2016" non-convertible bonds in total issue price of 1 000 000 euros.
- On 24 November 2016 AS Pro Kapital Grupp group company OÜ Marsi Elu and Nordecon AS concluded the contract for construction of four residential apartment buildings and semi-underground parking to be located in Kristiine City in Tondi. The cost of the first construction phase will be over three million euros, to which VAT is added. In the first construction phase a 5-story residential building with 31 apartments and semi-underground parking floor shall be completed in December 2017. In addition OÜ Marsi Elu and Nordecon AS have agreed on option for the three remaining construction phases for 93 additional apartments. The cost of the whole project is more than 10 million euros to which VAT will be added.
- On 30 November 2016 the Company prolonged the redemption date of 383 634 PKG5 convertible bonds by 2 years. New redemption date is 29 November 2018. 38 433 PKG5 convertible bonds were redeemed with issue price of 107 612,40 euros.
- On 21 December 2016 AS Pro Kapital Group company AS Pro Kapital Eesti, concluded the contract for purchase of minority shareholding of its subsidiary AS Tallinna Moekombinaat in amount of 343 750 of the A-shares of AS Tallinna Moekombinaat for 550 000 euros, which represents 1,61% of all AS Tallinna Moekombinaat shares. On 24 January 2017, after the reporting period, additional purchase agreement was concluded in amount of 300 000 A-shares of AS Tallinna Moekombinaat for 480 000 euros, which represents 1,4 % of all AS Tallinna Moekombinaat shares. After both of these acquisitions AS Pro Kapital Eesti holds 93,3% of AS Tallinna Moekombinaat shares. The goal of purchase of the participation was to increase Pro Kapital's shareholding in the company developing T1 shopping and entertainment centre.
- On 12 January 2017, after the reporting period, AS Pro Kapital Grupp group company PK Invest UAB has concluded the contract for construction of four residential apartment buildings and underground parking to be located in Vilnius City, in the existing Šaltiniu Namai quarter in the Old Town. The price of the construction contract is 10,8 million euros, excluding VAT and has the duration of 24 months.
- On 3 February 2017, after the reporting period, AS Pro Kapital Grupp group company AS Tondi Kvartal and Tarrest LT OÜ concluded the contract for reconstruction of historical caserm building Marsi 6 to an apartment building with 45 flats. The cost of the construction works will be close to 2,5 million euros, to which VAT is added and shall have the duration of ca 1 year.
- Sales for Vilnius Šaltiniu Namai project and Tallinn's Tondi residential quarter have been successfully continued. At the moment of issuing interim report 38 apartments out of 44 in K4-1 building in Vilnius have been handed over to the clients. For the II stage the signing of preliminary agreements based on 44 reservations has been started. In Tallinn, Tondi quarter, the Company has completed three apartment buildings where 77 apartments out of 93 have been handed over to the clients. Presales have been started also for the 4th building with 8 presale agreements signed and in Marsi 6 project 24 presale agreements out of 45 apartments have been signed. In Kliversala project in Riga, 7 presale agreements out of 47 apartments have been concluded for the first residential building.

Key financial figures

	2016 12M	2015 12M	2016 Q4	2015 Q4
Revenue, th EUR	20 652	18 322	4 475	5 411
Gross profit, th EUR	6 054	4 448	1 424	1 121
Gross profit, %	29%	24%	32%	21%
Operating result, th EUR	1 361	1 424	798	2 330
Operating result, %	7%	8%	18%	43%
Net result, th EUR	-2 605	-2 010	-235	823
Net result, %	-13%	-11%	-5%	15%
Earnings per share, EUR	-0,05	-0,04	0,00	0,02
	31.12.2016	31.12.2015		
Total Assets, th EUR	143 984	130 323		
Total Liabilities, th EUR	62 360	46 891		
Total Equity, th EUR	81 624	83 432		
Debt/ Equity *	0,76	0,56		
Return on Assets, % **	-1,9%	-1,5%		
Return on Equity, % ***	-3,2%	-2,4%		
Net asset value per share, EUR ****	1,51	1,54		

*debt / equity = total debt / total equity

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

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

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

CEO review

During the fourth quarter of 2016 Pro Kapital continued the construction works of the new T1 shopping and entertainment centre in Tallinn, which is the Company's largest single-object development project. In November the financing agreement was signed with TSSP, a leading global credit platform of TPG, with approximately \$19 billion in assets under management. The total volume of the financing agreement is 65 million euros to fully fund T1 shopping and entertainment centre project to be opened in October 2018. Active negotiations with several local and international retail operators were carried on. The Company continued development activities also in Kliversala residential quarter in Riga and residential development projects – Šaltinių Namai in Vilnius and Kristiine City in Tallinn, Tondi.

In Vilnius by the issuing of the present report 38 apartments out of 44 in building K4-1 have been handed over to the clients. In January 2017, after the reporting period the construction works for the 2nd stage residential buildings were started and the signing of preliminary agreements based on 44 reservations has been initiated.

In Tallinn, Tondi quarter, the Company has completed three apartment buildings where 77 apartments out of 93 have been handed over to the clients. Presales continued also for the 4th building with 8 presale agreements signed and presales were launched also for building Marsi 6, historical building, that will be renovated into a special design loft apartments. The start has been successful with 24 presale agreements out of 45 flats signed. The construction works were completed for converting a historical barrack on Tondi 53 land plot into an office building where starting from 1 September the head office of the Company is located. On 1 November the architectural competition was launched for Kalasadam area with the deadline for entries on 1 February 2017. On 20 February 2017, after the reporting period, the winning project "Kesk-küla" was announced out from 11 submitted entries, the author of which is Kadarik Tüür Arhitektid OÜ.

In Riga, the construction works for the first residential building in Kliversala project were continued and 7 presale agreements have been signed out of 47 flats in total. The projecting works were continued also for Tallinas Residential Complex.

During the twelve months the Company completed two tranches of emission of bonds with the total issue price of 16 003 059 euros. The proceeds are mainly planned for the development projects of the Company.

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

At the end of reporting period the Company recorded net revenue of 20,7 million euros, increase of 13% as compared to 18,3 million euros in the same period in 2015. Revenues have increased mostly in real estate segment. This segment is influenced by completion of the buildings as revenues are recoded at the moment notary deed of sales is concluded. The net result remained negative due to high financial costs. Recorded net losses of 2,6 million euros for 2016 were 30% higher as compared to 2,0 million euros losses in the same period last year

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

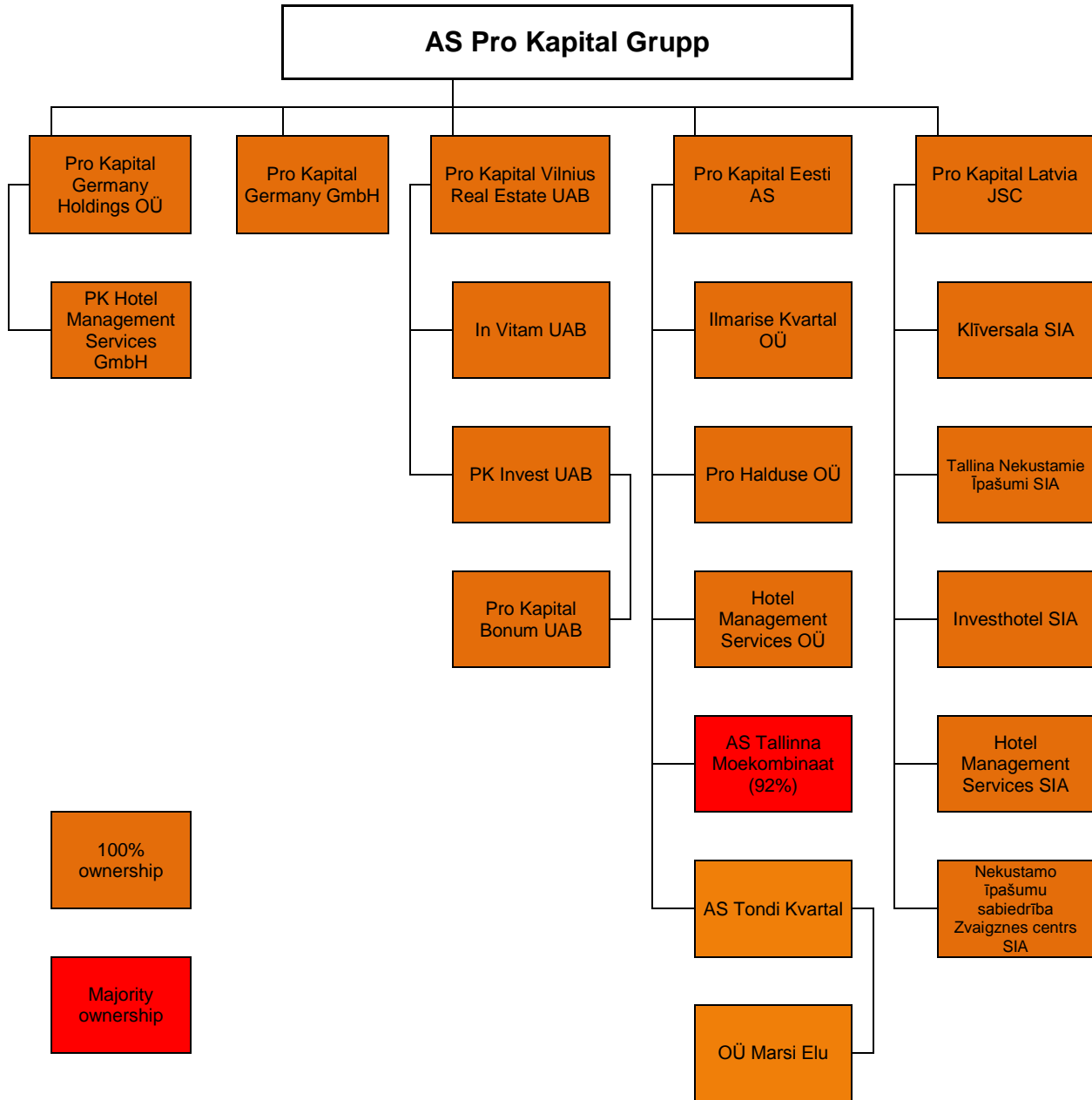
As at 31 December 2016 there were 121 employees working in the Company, 86 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

23 February 2017

Group Structure

As at 31 December 2016



Overview of development projects

<u>Project name</u>	<u>Type</u>	<u>Location</u>	<u>Ownership</u>	<u>Planned Volume</u>	<u>Classification</u>
T1 shopping centre	Retail	Tallinn	92%	GLA 55 000 m ²	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 13 931 m ²	Investment property
Tondi Quarter	Residential	Tallinn	100%	NSA 85 380 m ² 59 040 m ² resid. 26 340 m ² comm.	Inventories, investment property
Marsi 3, 3a, 3b	Residential	Tallinn	100%	NSA 6 594 m ² 6 594 m ² resid.	Inventories
Kalaranna District	Residential	Tallinn	100%	NSA 33 013 m ² 27 600 m ² resid. 5 413 m ² comm.	Investment property
Tallinas Quarter	Residential	Riga	100%	NSA 22 055 m ² 21 009 m ² resid. 1 046 m ² comm.	Investment property
Kliversala District	Residential	Riga	100%	NSA 55 666 m ² 44 746 m ² resid. 10 920 m ² comm.	Inventories, investment property
Zvaigznes Quarter	Residential	Riga	100%	NSA 18 378 m ² 18 378 m ² comm.	Investment property
Šaltinių Namai	Residential	Vilnius	100%	NSA 21 150 m ² 18 583 m ² resid. 2 567 m ² comm.	Inventories, investment property

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

Status of the projects:

T1 shopping & entertainment centre	Building licence obtained. Projecting and construction works continuing, financing agreement signed for the full financing of the project.
Ülemiste 5	Detail plan adopted, project not started. New detail plan under consideration in collaboration with the city in connection with Rail Baltica terminal.
Tondi Quarter	Building license for seven residential buildings of the 2 nd stage obtained. Construction works completed for small historical building on Tondi 53 land plot. Construction works of Marsi 6 building started.
Marsi 3, 3a, 3b; Sõjakooli 12, 12a, 12 b	Three buildings completed, sales in process. Presales of the fourth building Sõjakooli 12 continuing, construction works started.
Kalaranna District	Detailed plan approved. Architectural competition completed.
Tallinas Quarter	Projecting works in process in order to apply for the building licence. Sketch design approved by the city.

Kliversala District	New detail plan approved, construction works and presales continued for the 1 st building.
Zvaigznes Quarter Šaltīnių Namai	Building licence for reconstruction of the existing building issued. 1 st stage completed, available for sale. Construction of the two additional buildings completed, sales continued. For 2 nd stage presales and construction works started.

Segments and key performance indicators

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

Revenue structure 1 January – 31 December 2016, in thousand euros

	EST 2016 12M	EST 2015 12M	LV 2016 12M	LV 2015 12M	LT 2016 12M	LT 2015 12M	GER 2016 12M	GER 2015 12M	TOTAL 2016 12M	TOTAL 2015 12M
Real estate	4 173	5 337	0	0	8 729	4 718	0	0	12 902	10 055
Rent	20	26	59	79	91	100	0	0	170	205
Hotels	1 613	1 504	1 395	1 484	0	0	2 935	3 501	5 943	6 489
Maintenance	1 412	1 352	51	35	112	99	0	0	1 575	1 486
Other	7	56	22	24	33	7	0	0	62	87
TOTAL	7 225	8 275	1 527	1 622	8 965	4 924	2 935	3 501	20 652	18 322

Revenue structure 1 October – 31 December 2016, in thousand euros

	EST 2016 Q4	EST 2015 Q4	LV 2016 Q4	LV 2015 Q4	LT 2016 Q4	LT 2015 Q4	GER 2016 Q4	GER 2015 Q4	TOTAL 2016 Q4	TOTAL 2015 Q4
Real estate	503	2 059	0	0	2 054	1 256	0	0	2 557	3 315
Rent	5	6	10	19	24	23	0	0	39	48
Hotels	347	313	281	298	0	0	771	1 022	1 399	1 633
Maintenance	408	360	24	9	12	25	0	0	444	394
Other	0	12	8	7	28	2	0	0	36	21
TOTAL	1 263	2 750	323	333	2 118	1 306	771	1 022	4 475	5 411

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

The share of the Estonian segment as a percentage of total revenues of the Company in 2016 amounted to 35% comparing to 45,2% during the same period last year.

In 2016 total of 32 apartments, 34 parking lots and 23 storage rooms (2015 12M: 41 apartments, 41 parking lots and 30 storage rooms) were sold. During 2015 construction works of Marsi 3 and Marsi 3b buildings and in June 2016 Marsi 3a building in Tondi Quarter were completed. The notary deeds for 77 apartments have been signed out of 93 at the moment of the preparation of current report, 8 presale agreements have been concluded for the 4th building which construction started in the fourth quarter. In Marsi 6 project 24 presale agreements have been signed out of 45. At the end of reporting period stock consisting of 23 apartments and 2 office premises, also several parking spaces and storage rooms was available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate 75,3% increased by 1% comparing to 74,7% in 2015. The hotel has increased its gross operating profit by 10% comparing to the same period last year.

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

The share of the Latvian segment as a percentage of total revenues of the Company in 2016 decreased to 7,4% comparing to 8,9% in the same period last year.

In Latvia there are no residential real estate properties for sale until new developments will be completed. Kliversala project has been issued a building permit for the first building with 47 flats and construction has started. At the moment of issuing current report 7 presale agreement have been signed.

PK Riga Hotel occupancy rate has decreased in 2016 by 5% and was 71,1% comparing to 74,6% in 2015. Accordingly the gross operating margin has decreased. Considering the complicated situation on Riga's hotel market, the results of the hotel are considered to be good.

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 in 2016 amounted to 43,4% comparing to 26,9% during the same period last year. Higher revenues in the fourth quarter of 2016 were influenced by completion of K4-1 building, as notary deeds on presales were concluded and revenues recorded. At the moment of compilation of this report notary deeds on 38 apartments out of 44 have been signed in K4-1 building and 26 preliminary agreements have been signed for the 2nd stage in Šaltinių Namai project.

In Lithuania 41 apartments, 7 business premises, 35 parking lots and 2 storage room were sold during (2015 12M: 19 apartments, 6 business premises, 14 parking lots, 2 storage rooms and 2 cottages). There were 8 apartments, 4 cottages, 6 business premises, 12 storage rooms and 44 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 in 2016 amounted to 14,2% comparing to 19,1% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel 54,6% shows 13% decrease comparing to 63,1% in 2015, which was influenced by partial renovation works in the hotel that started in the third quarter of the year. Gross operating margin has decreased comparing to the same period last year.

Other operative data 1 January – 31 December 2016

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	12M	12M	12M	12M	12M	12M	12M	12M	12M	12M
M ² sold*	2 271	3 065	0	0	3 435	2 123	0	0	5 706	5 188
Average price, m ² /EUR*	1 717	1 631	0	0	2 389	2 135	0	0	2 122	1 837
M ² under maintenance	61 869	59 400	15 038	15 038	16 907	12 980	0	0	93 814	87 418
Occupancy rate %, hotels	75,3%	74,8%	71,1%	74,6%	0,0%	0,0%	54,6%	63,1%	66,2%	70,2%

Other operative data 1 October – 31 December 2016

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2016 Q4	2015 Q4	2016 Q4	2015 Q4	2016 Q4	2015 Q4	2016 Q4	2015 Q4	2016 Q4	2015 Q4
M ² sold*	201	1 165	0	0	564	461	0	0	765	1 626
Average price, m ² /EUR*	2 317	1 647	0	0	2 875	2 324	0	0	2 728	1 839
M ² under maintenance	61 869	59 400	15 038	15 038	16 907	12 980	0	0	93 814	87 418
Occupancy rate %, hotels	74,6%	72,2%	60,9%	63,2%	0,0%	0,0%	52,7%	72,1%	62,3%	69,7%

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

Financing sources and policies

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

During 2016 the Company has borrowed 1 750 thousand euros from Nordea Bank, 326 thousand euros from Swedbank Lithuania and 805 thousand euros from a financing platform represented by Lintgen Adjacent Investments. The Company has repaid 3 310 thousand euros of bank loans during 2016. Total balance of borrowed amount was 7,5 million euros as at 31 December 2016. Bank loans are predominantly of middle-term duration, maturing within one to five years. Repayment schedule is mixed, both fixed for some loans and floating in dependence on sales volumes for others.

As at 31 December 2016 the Company had 11 million euros convertible bonds (current portion: 5,1 million euros; long term portion: 5,9 million euros), 1,2 million euros non-convertible bonds (all long term portion) and 29,3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020 of which 2,9 million euros is held by Pro Kapital.

Shares and shareholders

As at 31 December 2016 Pro Kapital has issued total 54 271 722 shares with the nominal value 0,20 euros. The registered share capital of the Company is 10 854 344,40 euros. On 17 June 2016 the shareholders decided to increase the share capital by 67 784 shares with the price 2,37 euros per share. During the first subscription period in June 33 892 shares with the total price of 80 324,04 euros were subscribed by the Member of the Management Board Paolo Vittorio Michelozzi. During the second subscription period that ended in December another 33 892 shares with the total price of 80 324,04 euros were subscribed by the Member of the Management Board Paolo Vittorio Michelozzi.

As at 31 December 2016 there were 84 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

Shareholders holding over 5% of the shares as at 31 December 2016:

	Shareholders	Number of shares	Participation in %
1	Nordea Bank Finland Plc Clients	28 529 425	52,57%
2	Eurofiduciaria S.R.L.	6 994 143	12,89%
3	Svalbork Invest OÜ	5 994 539	11,05%

Participation of Member of the Management Board and the Council Members as at 31 December 2016:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi*	CEO	252 647	0,47%
Allan Remmelkoor	COO	0	0,00%
Emanuele Bozzone	Chairman of the Council	0	0,00%
Petri Olkinuora	Council Member	0	0,00%
Pertti Huuskonen	Council Member	12 553	0,02%

Since May 2016 Paolo Vittorio Michelozzi is holding 3 secured, callable, fixed rate bond of the Company with the nominal value of 300 000 euros.

Earnings per share in 2016 were -0,05 euros (2015 12M: -0,04 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 31 December 2016, NASDAQ Baltic Secondary List



On 23 November 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange. During the reporting period 1 January – 31 December 2016 the shares were trading at the price range of 1,75 - 2,65 euros, with the closing price of 1,96 euros per share on 31 December 2016. During the period 331 thousand of the Company's shares were traded, with their turnover amounting to 696 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 – 31 December 2016 the shares were trading at the price range of 1,72- 2,35 euros, with the closing price of Classic Xetra 2,08 euros per share and Xetra Frankfurt Specialist price 2,11 euros per share on 31 December 2016. During the period 374 thousand of the Company's shares were traded.

Legal overview and developments

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

In the opinion of the Management Board AS Pro Kapital Grupp and its subsidiaries did not have any pending court litigation which might have financial effect of at least 100 000 euros as of the end of the reporting period.

People

As at 31 December 2016 the Company employed 121 people compared to 108 people on 31 December 2015, 86 of them were engaged in hotel and property maintenance services (78 on 31 December 2015).

Risks

Market risk, liquidity risk and risk of financing are of the most significant influence on the Company. The long-term orientation in business model the Company enables to mitigate the risks of possible market fluctuation.

The Company is further pursuing long term strategic approach, enabling it to acquire properties for development when market is low and sell the developed properties at the peak of business cycle, thus naturally capitalising on market opportunities and hedging market risk.

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

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

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	23 February 2017
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	23 February 2017
Edoardo Preatoni	Member of the Management Board	23 February 2017

Consolidated financial report

Consolidated interim statements of financial position

<i>in thousands of euros</i>	Notes	31.12.2016	31.12.2015
ASSETS			
Current Assets			
Cash and cash equivalents		5 382	6 392
Current receivables		4 475	1 608
Inventories		14 144	12 438
Total Current Assets		24 001	20 438
Non-Current Assets			
Non-current receivables		42	48
Property, plant and equipment	5	18 226	17 103
Investment property	6	101 440	92 457
Intangible assets		275	277
Total Non-Current Assets		119 983	109 885
TOTAL ASSETS	3	143 984	130 323

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

Consolidated interim statements of financial position

<i>in thousands of euros</i>	Notes	31.12.2016	31.12.2015
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	7	8 261	8 004
Customer advances		2 226	1 692
Current payables		8 502	5 103
Taxes payable		547	264
Short-term provisions		5	87
Total Current Liabilities		19 541	15 150
Non-Current Liabilities			
Long-term debt	7	38 040	27 054
Other long-term liabilities		804	837
Deferred income tax liability		3 610	3 503
Long-term provisions		365	347
Total Non-Current Liabilities		42 819	31 741
TOTAL LIABILITIES	3	62 360	46 891
Equity attributable to equity holders of the parent			
Share capital in nominal value*		10 854	10 841
Paid in capital*		1 816	1 669
Statutory reserve		1 082	1 082
Revaluation reserve		9 462	9 462
Retained earnings		59 104	60 677
Profit (loss) for the period	3	-2 493	-1 934
Total equity attributable to equity holders of the parent		79 825	81 797
Non-controlling interest	4	1 799	1 635
TOTAL EQUITY		81 624	83 432
TOTAL LIABILITIES AND EQUITY		143 984	130 323

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

Consolidated interim statements of comprehensive income

<i>in thousands of euros</i>	Notes	2016 12M	2015 12M	2016 Q4	2015 Q4
Operating income					
Revenue	3, 8	20 652	18 322	4 475	5 411
Cost of goods sold	9	-14 598	-13 874	-3 051	-4 290
Gross profit	10	6 054	4 448	1 424	1 121
Marketing expenses		-518	-466	-175	-52
Administrative expenses	11	-5 396	-5 250	-1 543	-1 495
Other income		1 437	3 353	1 237	3 149
Other expenses		-216	-661	-145	-393
Operating profit	3	1 361	1 424	798	2 330
Financial income	12	13	13	8	2
Financial expense	12	-3 512	-2 606	-792	-684
Profit/ loss before income tax	3	-2 138	-1 169	14	1 648
Income tax	3	-467	-841	-249	-825
Net profit/ loss for the period		-2 605	-2 010	-235	823
Other comprehensive income, net of income tax					
Items that may be classified subsequently to profit or loss					
<i>Exchange differences on translating foreign operations*</i>		0	143	0	143
Items that will not be classified subsequently to profit or loss					
<i>Net change in properties revaluation reserve</i>		0	73	0	73
Total comprehensive income for the year		-2 605	-1 794	-235	1 039
Equity holders of the parent		-2 493	-1 718	-178	1 238
Non-controlling interest	3	-112	-76	-57	-199
Earnings per share (EUR)	13	-0,05	-0,04	0,00	0,02
Diluted earnings per share (EUR)	13	-0,05	-0,04	0,00	0,02

**Due to Lithuania entering into Eurozone on 01.01.2015, the Company has considered currency exchange differences realised and accordingly written off currency exchange differences in amount 143 thousand euros at the end of 2015.*

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

Consolidated interim statements of cash flows

<i>in thousands of euros</i>	Note	2016 12M	2015 12M	2016 Q4	2015 Q4
Cash flows from operating activities					
Loss for the year		-2 605	-2 010	-235	823
Adjustments for:					
Depreciation and amortisation of non-current assets	5	695	693	166	189
Change in fair value of non-current assets	5	140	-44	140	-44
Gain from sale of non-current assets		-4	0	-4	0
Change in fair value of investment property	6	-1 181	-3 041	-1 181	-3 247
Finance income and costs	12	3 499	2 593	784	682
Other non-monetary changes (net amounts)		551	645	602	416
Changes in working capital:					
Trade receivables and prepayments		-2 862	957	-2 999	-427
Inventories		-1 707	2 097	-4 329	160
Liabilities and prepayments		4 185	1 330	5 102	2 692
Provisions		-64	278	-74	-68
Net cash from operating activities		647	3 498	-2 028	1 176
Cash flows from investing activities					
Payments for property, plant and equipment	5	-1 206	-55	-520	-5
Payments for intangible assets		-2	-13	-1	0
Payments for investment property	6	-8 552	-1 306	-2 893	-1 100
Proceeds from sales of non-current assets		7	0	7	0
Payments for shares of subsidiaries		-911	0	-550	0
Interests received		13	6	9	2
Net cash from investing activities		-10 651	-1 368	-4 309	-1 103
Cash flows from financing activities					
Proceeds from increase of share capital		0	214	0	214
Proceeds from changes in non-controlling interests		1 187	153	0	153
Proceeds from issue of bonds	7	12 637	7 652	0	0
Redemption of convertible bonds	7	-122	-62	-110	0
Redemption of non-convertible bonds	7	-1 000	0	-1 000	0
Proceeds from borrowings	7	2 961	3 673	936	865
Repayment of borrowings	7	-3 310	-6 794	-556	-2 575
Interests paid		-3 359	-2 455	-1 126	-582
Net cash from financing activities		8 994	2 381	-1 495	-1 925
Net change in cash and cash equivalents		-1 010	4 511	-7 832	-1 852
Cash and cash equivalents at the beginning of the period		6 392	1 881	13 214	8 244
Cash and cash equivalents at the end of the period		5 382	6 392	5 382	6 392

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

Consolidated interim statements of changes in equity

<i>in thousands of euros</i>	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2014	10 821	1 474	1 064	11 330	-1 277	39 778	63 190	1 505	64 695
Changes in non-controlling interests	0	0	0	0	0	0	0	665	665
Comprehensive profit/ loss for the year	0	0	0	- 1 941	1 134	21 381	20 574	-146	20 428
31 December 2014	10 821	1 474	1 064	9 389	-143	61 159	83 764	2 024	85 788
Allocation of funds to statutory reserve	0	0	18	0	0	-18	0	0	0
Increase of share capital	20	195	0	0	0	0	215	0	215
Changes in non-controlling interests	0	0	0	0	0	-464	-464	-313	-777
Comprehensive profit/ loss for the period	0	0	0	73	143	-1934	-1 718	-76	-1 794
31 December 2015	10 841	1 669	1 082	9 462	0	58 743	81 797	1 635	83 432
Increase of share capital	13	147	0	0	0	0	160	0	160
Changes in non-controlling interests	0	0	0	0	0	361	361	276	637
Comprehensive profit/ loss for the period	0	0	0	0	0	-2 493	-2 493	-112	-2 605
31 December 2016	10 854	1 816	1 082	9 462	0	56 611	79 825	1 799	81 624

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 31.12.2016	Share of ownership 31.12.2015
Nordea Bank Finland Plc Clients	Finland	52,57%	36,47%
Eurofiduciaria S.R.L.	Italy	12,89%	12,71%
Svalbork Invest OÜ	Estonia	11,05%	12,62%

For the purpose of comparative financial figures of these interim financial statements as at 31 December 2016, Pro Kapital is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group”) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting, and to forward information to investors.

For the comparative period of twelve months of 2016, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Ultimate Parent Company and its subsidiaries (hereinafter also referred together to as “the Group”).

Note 2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 „Interim Financial Reporting” as adopted by the European Union. The consolidated interim financial statements do not include all of the information required by complete set of financial statements and should be read in conjunction with annual consolidated financial statements of the Company as at and for the year ended 31 December 2015.

The accounting policies applied by the Company in these consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2015.

Note 3. Segment reporting

<i>in thousands of euros</i>	the Ultimate Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2016 12M							
Revenue	523	7 230	1 565	8 965	3 421	-1 052	20 652
Other operating income and expenses (net)	7	-540	37	1 605	171	-59	1 221
Segment operating profit (loss)	-1 307	-829	-689	4 779	-593		1 361
Financial income and expense (net)	-4 913	2 347	-347	-473	-113		-3 499
Profit (loss) before income tax	-6 220	1 518	-1 036	4 306	-706		-2 138
Income tax	0	0	20	-487	0		-467
Non-controlling interest	0	-112	0	0	0		-112
Net profit (loss) for the financial year attributable to equity holders of the parent	-6 220	1 630	-1 016	3 819	-706		-2 493
31.12.2016							
Assets	56 710	149 116	35 917	19 730	7 019	-124 508	143 984
Liabilities	107 472	9 918	24 182	9 821	4 705	-93 738	62 360
Acquisition of non-current assets	0	75	5	2	1 124		1 206
Depreciation and amortisation	0	-159	-217	-35	-284		-695
2015 12M							
Revenue	386	8 279	1 624	4 925	3 937	-829	18 322
Other operating income and expenses (net)	-25	-2 484	-2 724	7 748	177		2 692
Segment operating profit (loss)	-1 395	-2 438	-3 311	8 476	92		1 424
Financial income and expense (net)	-4 072	2 515	-254	-537	-102	-143	-2 593
Profit (loss) before income tax	-5 467	77	-3 565	7 939	-10	-143	-1 169
Income tax	0	0	325	-1 166	0		-841
Non-controlling interest	0	-76	0	0	0		-76
Net profit (loss) for the financial year attributable to equity holders of the parent	-5 467	153	-3 240	6 773	-10	-143	-1 934
31.12.2015							
Assets	57 019	145 419	28 275	21 609	5 936	-127 935	130 323
Liabilities	101 723	8 375	15 524	15 518	2 916	-97 165	46 891
Acquisition of non-current assets	0	13	3	9	30		55
Depreciation and amortisation	0	-154	-219	-26	-294		-693

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 31 December 2015	7,22%
Subscription of new shares	2,44%
Repurchase of shares	-1,61%
Minority (%) as at 31 December 2016	8,05%

in thousands of euros

Non-controlling interest as at 31 December 2015	1 635
Net change in non-controlling interest	276
Loss for the reporting period	-112
Non-controlling interest as at 31 December 2016	1 799

Note 5. Property, plant and equipment

In December 2011 Pro Kapital's land and buildings (three hotel properties) were 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 Newsec Valuation and was determined by reference to discounted cash flow method. Current market conditions (at the moment the valuation was performed) were used as assumptions for the valuations performed.

The Management Board has decided to follow valuation of fixed assets once in each 5 years unless impairment of assets has to be recognised. The last valuation has been performed by an independent valuator Colliers International at the end of 2016. Value of all of the hotels was considered higher than recorded in the balance sheet.

<i>in thousands of euros</i>	31.12.2016	31.12.2015
Acquisition value	24 086	22 209
Accumulated depreciation	-5 860	-5 107
Balance value	18 226	17 102

<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	TOTAL
Acquisition value 01.01.2015	18 791	1 275	2 489	0	22 555
Additions:					
Acquired	7	34	20	0	61
Assets reclassified	475	395	-870	0	0
Revaluation (+/-)	43	0	0	0	43
Disposals:					
Sold	0	0	-1	0	-1
Written off	0	-16	-433	0	-449
Acquisition value 31.12.2015	19 316	1 688	1 205	0	22 209
Additions:					
Acquired	0	11	77	1 118	1 206
Reclassified from investment property	750	0	0	0	750
Disposals:					
Sold	0	0	-9	0	-9
Written off	0	-13	-57	0	-70

Acquisition value 31.12.2016	20 066	1 686	1 216	1 118	24 086
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In the third quarter of 2016 the German hotel started renovation works of ca 60 rooms and public spaces. The cost of works until end of the year have been recorded as prepayments for property, plant and equipment. During the first quarter of 2017 renovation works of the first step should be completed.

Starting from September the headquarters of the Company are situated in newly renovated Sõjakooli 11 (part of Tondi 53 plot) premises in Tondi quarter, in Tallinn. The property was recorded as investment property until end of renovation works. After renovation it was reclassified as property, plant and equipment.

<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	TOTAL
Accumulated depreciation 01.01.2015	1 731	1 012	2 193	0	4 936
Additions:					
Depreciation charge for the period	488	152	44	0	684
Assets reclassified	428	280	-708	0	0
Change in fair value	-64	0	0	0	-64
Disposals:					
Sold	0	0	-1	0	-1
Written off	0	-15	-433	0	-448
Accumulated depreciation 31.12.2015	2 583	1 429	1 095	0	5 107
Additions:					
Depreciation charge for the period	490	144	55	0	689
Change in fair value	140	0	0	0	140
Disposals:					
Sold	0	0	-9	0	-9
Written off	0	-13	-54	0	-67
Accumulated depreciation 31.12.2016	3 213	1 560	1 087	0	5 860

Note 6. Investment property

<i>in thousands of euros</i>	Investment property held for increase in value	Total
Balance at 01.01.2015	88 110	88 110
Additions:		
Investments	1 306	1 306
Changes in fair value:		
Gain from change in fair value	3 041	3 041
Balance at 31.12.2015	92 457	92 457
Additions:		
Investments	8 552	8 552
Changes in fair value:		
Gain from change in fair value	1 181	1 181
Reclassified to property plant and equipment	-750	-750
Balance at 31.12.2016	101 440	101 440

The fair values of the Group's investment property at 31 December 2015 and 31 December 2016 have been derived on the basis of valuations carried out by Colliers International, an independent valuator not related to the Group. The valuations were performed by reference to recent market information. Mainly discounted cash flow method was used due to low number of comparable market transactions.

Investments into property during of 2016 include mainly construction costs of AS Tallinna Moekombinaat – 7 705 thousand euros during the reporting period – but also renovation of office building in Tondi quarter that was transformed into headquarters of the Company. The office property has been reclassified as fixed assets on group level.

Note 7. Current and non-current debts

Current debts

<i>in thousands of euros</i>	31.12.2016	31.12.2015
Bank loans and overdrafts	3 141	931
Convertible bonds	5 104	6 052
Non-convertible bonds	0	1 000
Current portion of finance lease	16	21
Total	8 261	8 004

Non-current debts

<i>in thousands of euros</i>	31.12.2016	31.12.2015
Bank loans and overdrafts	4 365	6 924
Convertible bonds	5 930	5 104
Non-convertible bonds	27 337	14 640
Payables to non-controlling interest	400	362
Non-current portion of finance lease	8	24
Total	38 040	27 054

Creditors

<i>in thousands of euros</i>	31.12.2016	31.12.2015
Swedbank AS (EE)	1 303	1 405
Swedbank AS (EE)	1 942	2 107
Nordea Bank AB Estonian branch (EE)	0	220
Nordea Bank AB Estonian branch (EE)	501	0
AS Swedbank (LV)	2 874	3 245
“Swedbank” AB (LT)	0	878
Lintgen Adjacent Investments (Agent) incl long-term interests	886	0
Lease agencies	24	45
Fiducaria Emiliana S.r.l including long-term interests payable	259	235
Nikasi Overseas SA including long-term interests payable	141	126
Convertible bonds, various investors	11 034	11 157
Non-convertible bonds, various investors	1 240	2 240
Secured bonds, various investors	26 097	13 400
Total	46 301	35 058

All agreements and liabilities are fixed in euros. The total interest cost for the reporting period was 2 958 thousand euros (2015: 2 080 thousand euros).

Convertible bonds

The Company has issued convertible bonds with issue price 2,80 euros and remaining total value of 11 142 thousand euros. Each convertible bond entitles the holder to redeem and exchange one bond to one share of the

Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by AS Pro Kapital Grupp. Convertible bonds carry interest rate of 7%.

On 19 January 2016 the Company redeemed 4 234 PKG2 convertible bonds with total value of 11 855,20 euros and prolonged the maturity of convertible bonds with total value of 1 058 596 euros. The new maturity date for those convertible bonds is 20 January 2018.

On 10 August 2016 the Company prolonged the redemption date of 840 184 PKG3 convertible bonds with total value of 2 352 515,20 euros. The new maturity date of PKG3 convertible bonds is 10 August 2018.

On 16 September 2016 the Company prolonged the redemption date of 516 029 PKG4 convertible bonds with total value of 1 444 881,20 euros. New redemption date is 16 September 2018. 1 000 PKG4 convertible bonds were redeemed with total issue price of 2 800 euros.

On 30 November 2016 the Company prolonged the redemption date of 383 634 PKG5 convertible bonds by 2 years. New redemption date is 29 November 2018. 38 433 PKG5 convertible bonds were redeemed with issue price of 107 612,40 euros.

All other conditions for convertible bonds have remained unchanged.

Non-convertible unsecured bonds

The company has issued non-convertible bonds with issue price 10 000 euros. On 23 November 2016 the Company redeemed 100 "AS Pro Kapital Grupp bond 11.2016" bonds with total issue price of 1 000 000 euros. On the reporting date the remaining balance of non-convertible unsecured bonds is 124 bonds with total value of 1 240 000 euros.

Non-convertible secured bonds

On 2 April 2015 the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the Company. The Management Board of the Company was authorized to issue the bonds in several tranches maximum up to 50 million euros. As at 31 December 2015 the Company has issued 134 bonds with the total value of 13,4 million euros with redemption date on 1 June 2020 and with a fixed rate of 8%. During the reporting period additional 159 bonds have been issued with total nominal value of 15,9 million euros. The total of 293 bonds have been issued with total nominal value of 29,3 million euros. On the report date 29 bonds were held by the Company itself and the liability on the balance sheet has been reduced by 2,9 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 31 December 2016 was 26,1 million euros.

Secured, callable, fixed rate bonds of the Company are secured with the shares of all subsidiaries of the Group with an exception for Investhotel SIA shares. Since 8 July 2015 the bonds have been listed on Nasdaq Stockholm.

Pledged assets

in thousands of euros

Beneficiary	Collateral description	31.12.2016	31.12.2015
Swedbank AS (Estonia)	Põhja Avenue 21, 21a, 21 b-1, Tallinn	5 475	5 600
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	283	303
Nordea Bank AB Est Br (Estonia)*	Marsi St 3, 3a, 3b, Tallinn	2 445	4 346
Nordea Bank AB Est Br (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	230	208
Nordea Bank AB Est Br (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 310	2 190
Nordea Bank AB Est Br (Estonia)	Tondi 53-2 (Sõjakooli 11), Tallinn	610	N/A
Lintgen Adjacent Investments	Peterburi 2, Tallinn	33 500	N/A
AS Swedbanka (Latvia)	Pulkveza Brieza St 11, Riga	5 364	5 506
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	22 877	15 601
Swedbank AB (Lithuania)*	Aguonu St 10,12,14; Šaltinių 20, 22, 24, 26, Vilnius	N/A	19 920
AS Merko Ehitus Eesti	Peterburi tee 2, Tallinn	N/A	26 300
<i>Share pledges related to secured callable fixed rate bonds:</i>			
Nordic Trustee & Agency AB	Pro Kapital Germany Holdings OÜ	10	10
Nordic Trustee & Agency AB	Pro Kapital Germany GmbH	25	25
Nordic Trustee & Agency AB	PK Hotel Management Services GmbH	116	116
Nordic Trustee & Agency AB	Pro Kapital Eesti AS	16 880	16 880

Nordic Trustee & Agency AB	OÜ Ilmarise Kvartal	3	3
Nordic Trustee & Agency AB	Pro Halduse OÜ	26	26
Nordic Trustee & Agency AB	OÜ Hotel Management Services	25	25
Nordic Trustee & Agency AB	AS Tondi Kvartal	160	160
Nordic Trustee & Agency AB	OÜ Marsi Elu	13	13
Nordic Trustee & Agency AB	AS Tallinna Moekombinaat	11 795	N/A
Nordic Trustee & Agency AB	Pro Kapital Latvia JSC	9 960	9 960
Nordic Trustee & Agency AB	Kliversala SIA	14 531	14 531
Nordic Trustee & Agency AB	Tallina Nekustamie Īpašumi SIA	4 000	3 100
Nordic Trustee & Agency AB	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	2 500	2 500
Nordic Trustee & Agency AB	Hotel Management Services SIA	569	569
Nordic Trustee & Agency AB	Pro Kapital Vilnius Real estate UAB	1 335	1 335
Nordic Trustee & Agency AB	In Vitam UAB	3	3
Nordic Trustee & Agency AB	PK Invest UAB	823	823
Nordic Trustee & Agency AB	Pro Kapital Bonum UAB	800	800
Nordic Trustee & Agency AB	bank accounts with Nordea Bank AB (SE)	24	25
Total		136 699	130 877

*The bank loan has been repaid during 2016, pledge has been released on Lithuanian properties.

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

- To Swedbank AS (Latvia) to assure the potential liability of Kliversala SIA, an entity belonging to Pro Kapital Latvia subsidiary group, as Swedbank (Latvia) has issued a guarantee letter in amount of 8 084 thousand euros to VAS „Privatizācijas aģentūra” to assure the investment liabilities related to contract concluded between Kliversala SIA and VAS „Privatizācijas aģentūra”. The guarantee letter will expire 31 December 2017.
- Guarantee letter to Kristiine Keskus OÜ to secure (jointly with Pro Kapital Eesti AS) possible claims against Tāismaja AS (merged with Pro Kapital Eesti AS) arising from a loan contract concluded between Pro Kapital Eesti and Tāismaja AS on 9 March 2004. The guarantee letter is limited to maximum amount of potential claim. The guarantee is effective for 72 months from concluding sales- purchase agreement, i.e. until 2 May 2017.

Note 8. Revenue

<i>in thousands of euros</i>	2016 12M	2015 12M	2016 Q4	2015 Q4
Revenue from sales of real estate	12 902	10 055	2 557	3 315
Rental revenue	170	205	39	48
Hotel operating revenue	5 739	6 489	1 195	1 633
Revenue from maintenance services	1 779	1 486	648	394
Other services	62	87	36	21
Total	20 652	18 322	4 475	5 411

Note 9. Cost of goods and services sold

<i>in thousands of euros</i>	2016 12M	2015 12M	2016 Q4	2015 Q4
Cost of real estate sold	8 536	7 942	1 464	2 697
Cost of providing rental services	116	116	42	48
Cost of hotel operations	4 457	4 384	1 120	1 164
Cost of maintenance	1 454	1 401	419	370
Cost of other services	35	31	6	11

Total	14 598	13 874	3 051	4 290
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Note 10. Gross profit

<i>in thousands of euros</i>	2016 12M	2015 12M	2016 Q4	2015 Q4
Real estate	4 366	2 113	1 093	618
Rental revenue	54	89	-3	0
Hotel operating	1 282	2 105	75	469
Maintenance services	325	85	229	24
Other services	27	56	30	10
Total	6 054	4 448	1 424	1 121

Note 11. Administrative expenses

<i>in thousands of euros</i>	2016 12M	2015 12M	2016 Q4	2015 Q4
Staff costs	2 825	2 437	797	605
Offices and communication	216	210	48	55
Travel and transportation	210	159	63	44
Consulting, software licences, etc	388	359	132	-60
Bank, stock exchange, depository fees	390	382	97	193
Land and real estate taxes	550	482	316	147
Depreciation charge	109	100	29	25
Amortisation charge	2	7	0	2
Other	706	1 114	61	484
Total	5 396	5 250	1 543	1 495

Note 12. Financial income and expenses

Financial income

<i>in thousands of euros</i>	2016 12M	2015 12M	2016 Q4	2015 Q4
Interest income	12	7	8	0
Gain from foreign currency	1	0	0	0
Other financial income	0	5	0	1
Total	13	12	8	1

Financial expenses

<i>in thousands of euros</i>	2016 12M	2015 12M	2016 Q4	2015 Q4
Interest expenses	2 958	2 080	840	581
Foreign currency loss	0	144	0	130
Other financial expenses	554	382	-48	-27
Total	3 512	2 606	792	684

Note 13. Earnings per share

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

Average number of shares:

For period 01.01.2016-31.12.2016	$(54\,203\,938 \cdot 354/366) + 54\,271\,722 \cdot 12/366$	=54 206 160
For period 01.01.2015-31.12.2015	$(54\,106\,575 \cdot 312/365) + 54\,203\,938 \cdot 53/365$	=54 120 713
For period 01.10.2016-31.12.2016	$(54\,203\,938 \cdot 80/92) + 54\,271\,722 \cdot 12/92$	=54 212 779
For period 01.10.2015-31.12.2015	$(54\,106\,575 \cdot 39/92) + 54\,203\,938 \cdot 53/92$	=54 162 665

Indicative earnings per share:

01.01.2016-31.12.2016	- 2 493 thousand euros/ 54 206 160 = -0,05 euros
01.01.2015-31.12.2015	- 1 934 thousand euros/ 54 120 713 = -0,04 euros
01.10.2016-31.12.2016	- 178 thousand euros/ 54 212 779 = -0,00 euros
01.10.2015-31.12.2015	1 022 thousand euros/ 54 162 665 = 0,02 euros

The convertible bonds issued did not have a dilutive effect on earnings in 2016 and 2015, therefore they have not been included in the calculation of the diluted net result per share and the diluted result per share equals the net result per share indicator.

Note 14. Shareholders meetings

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

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

The Company will issue 67 784 shares with nominal value 0,20 euros per share. Share capital will be increased by 13 556,80 euros. The new amount of share capital after increase will be 10 854 344,40 euros. The pre-emptive right of the existing shareholders of the Company to subscribe for the shares is cancelled and Member of the Management Board Paolo Vittorio Michelozzi has the right to subscribe for the shares. The shares will be offered for subscription during following subscription periods and shares will be issued after the end of subscription period:

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

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

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

- a) prolong respective subscription period by up to 15 days; and/or
 - b) cancel the shares that were not subscribed for during the relevant subscription period.
- 6) It was decided to amend the article 5.8 of the articles of association of the Company as follows:

“The Supervisory board (Council) has the right to increase the share capital of the Company by up to 1 200 000 Euros within 3 years as from adopting this version of the articles of association. Shares issued by the Council may be paid for by monetary contributions and/or by non-monetary contribution, if so resolved by the Council. Non-monetary contribution shall be valued pursuant to law and these articles of association”.

Note 15. Transactions with related parties

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

Transactions with related parties

<i>in thousands of euros</i>	2016 12M	2015 12M
Significant owners and owner related companies		
Loan repayments received (non-monetary)	0	501
Loans received	0	630
Loans repaid	0	6 138
Interests paid	1	784
Redemption of non-convertible bonds	1 000	0
Interests paid on non-convertible bonds	90	0
Repurchase of minority shares	550	361
Payments for shares of subsidiaries	911	0
Redemption of non-convertible bonds	1 000	0
Operating revenues	78	87
Operating expenses	12	12
Interest expenses	91	215
Minority shareholders		
Redemption of convertible bonds	37	0
Interests paid	558	0
Interest expenses	38	37
Salaries and bonuses paid to management	872	929

Receivables from related parties

<i>in thousands of euros</i>	31.12.2016	31.12.2015
Short-term receivables		
Significant owners and owner related companies	11	10
Total	11	10

Payables to related parties

<i>in thousands of euros</i>	31.12.2016	31.12.2015
Short-term payables		
Significant owners and owner related companies	0	392
Long-term payables to minority shareholders	400	362
Total	400	754

Shareholding in the Company %	31.12.2016	31.12.2015
Members of the Council and individuals related them	0,02%	0,02%
Members of the Board and individuals related them	0,47%	0,34%

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 twelve months of 2016 and the fourth quarter of 2016.

The consolidated interim report has been prepared in accordance with the International Financial Reporting Standards and gives a true and fair view of the company's financial position, its results of the operations and cash flows. AS Pro Kapital Group is a going concern.

Paolo Michelozzi	Chairman of the Management Board	23 February 2017
Allan Remmelkoor	Member of the Management Board	23 February 2017
Edoardo Preatoni	Member of the Management Board	23 February 2017