

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR 1 QUARTER
AND 3 MONTHS OF 2017 (UNAUDITED)

PROKAPITAL



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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 March 2017 and after the reporting period

- Total revenue for the first three months in 2017 was 3 614 thousand euros, an increase of 30% compared to the reference period (2016 3M: 2 777 thousand euros).
- Gross profit for the first three months in 2017 was 935 thousand euros, an increase of 256% compared to the reference period (2016 3M: 263 thousand euros).
- Net operating result for the first three months in 2017 increased by 452 thousand euros (48%) compared to the reference period, totalling to loss of 497 thousand euros (2016 3M: 949 thousand euros loss).
- Net result for the first three months in 2017 has increased by 52 thousand euros (4%) compared to the reference period, totalling to losses of 1 429 thousand euros (2016 3M: losses of 1 481 thousand euros).
- Cash flow from operations of the first three months of 2017 amounted to negative 2 558 thousand euros (2016 3M: -237 thousand euros).
- Net assets per share on 31 March 2017 totalled to 1,44 euros (31 December 2016: 1,51 euros).
- On 12 January 2017 AS Pro Kapital Grupp group company PK Invest UAB concluded the contract for construction of four residential apartment buildings and underground parking to be located in Vilnius City, in the existing Šaltinių Namai quarter in the Old Town. The price of the construction contract is 10,8 million euros, excluding VAT and has the duration of 24 months.
- On 3 February 2017 AS Pro Kapital Grupp group company AS Tondi Kvartals 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.
- On 8 March 2017 the Company prolonged the redemption date of 382 778 PKG6 convertible bonds by 2 years. New redemption date is 8 March 2019. 186 495 PKG6 convertible bonds were redeemed with issue price of 522 186 euros.
- On 6 April 2017, after reporting period, AS Pro Kapital Grupp group company OÜ Marsi Elu notified Nordecon AS to start with the second construction phase of Kristina houses. In the second phase a 5-story residential building with 31 apartments shall be completed. The planned completion of the works is June 2018 and the price of the construction works is slightly over two million Euros, to which VAT is added. In addition OÜ Marsi Elu and Nordecon AS have agreed on option for the two remaining construction phases for 62 additional apartments and also Sōjakooli and Sammu streets will be accomplished together with utility networks.
- On 3 May 2017, after reporting period, AS Pro Kapital Grupp decided to make a change in the composition of the Supervisory Council of its Latvian group subsidiary AS Pro Kapital Latvia. Aivars Blūmiņš was recalled from the Supervisory Council of AS Pro Kapital Latvia and Pro Kapital Head of Legal Ervin Nurmela was elected as a new council member. AS Pro Kapital Latvia Supervisory Council shall continue with three members in the following composition: Ernesto Achille Preatoni, Emanuele Bozzone and Ervin Nurmela.
- Sales for Vilnius Šaltinių Namai project and Tallinn's Tondi residential quarter have been successfully continued. At the moment of issuing interim report 41 apartments out of 44 in K4-1 building in Vilnius have been handed over to the clients. For the II stage 36 preliminary agreements have been signed. In Tallinn, Tondi quarter, the Company has completed three apartment buildings where 84 apartments out of 93 have been handed over to the clients. Presales have been started also for the 4th building with 15 presale agreements signed, 5th building with 4 presales and in Marsi 6 project 31 presale agreements out of 45 apartments have been signed. In Kliversala project in Riga, 8 presale agreements out of 47 apartments have been concluded for the first residential building.

Key financial figures

	2017 3M	2016 3M	2016 12M
Revenue, th EUR	3 614	2 777	20 652
Gross profit, th EUR	935	263	6 054
Gross profit, %	26%	9%	29%
Operating result, th EUR	-497	-949	-309
Operating result, %	-14%	-34%	1%
Net result, th EUR	-1 429	-1 481	-4 025
Net result, %	-40%	-53%	-19%
Earnings per share, EUR	-0,03	-0,03	-0,07
	31.03.2017	31.03.2016	31.12.2016
Total Assets, th EUR	144 439	131 478	142 314
Total Liabilities, th EUR	66 143	48 341	62 110
Total Equity, th EUR	78 296	83 137	80 204
Debt/ Equity *	0,84	0,58	0,77
Return on Assets, % **	-1,0%	-1,1%	-1,5%
Return on Equity, % ***	-1,8%	-1,8%	-2,4%
Net asset value per share, EUR ****	1,44	1,53	1,51

*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 2017 Pro Kapital continued the construction works of the new T1 Mall of Tallinn shopping and entertainment centre in Tallinn, which is the Company's largest single-object development project. Active negotiations with several local and international retail operators were carried on. The Company continued development activities also in Kliversala residential quarter in Riga and residential development projects – Šaltinių Namai in Vilnius and Tondi Quarter in Tallinn.

In Vilnius by the issuing of the present report 41 apartments out of 44 in building K4-1 have been handed over to the clients. In January 2017, the construction works for the 2nd stage residential buildings were started and 36 preliminary agreements have been signed.

In Tallinn, Tondi quarter, the Company has completed three apartment buildings where 84 apartments out of 93 have been handed over to the clients. Presales continued for the 4th building with 15 presale agreements signed and also in the 5th building with 4 presale agreements signed. For the Marsi 6 historical building that will be renovated into a special design loft apartments, 31 presale agreements out of 45 flats have been signed. On 20 February 2017 the project "Kesk-küla" was announced as the winner of the architectural competition for Kalasadam area, the author of which is Kadarik Tüür Arhitektid OÜ. In total 11 entries were submitted from Estonian and international studios.

In Riga, the construction works for the first residential building in Kliversala project were continued and 8 presale agreements have been signed out of 47 flats in total. The projecting works were continued also for Tallinas Residential Complex.

For the activity of the Company and development of new projects the Company seeks to attain attractive mix of financing through combining acceptable level of borrowings from financial institutions, expanding its investor base and attracting additional private equity. 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 3,6 million euros, increase of 30% as compared to 2,8 million euros in the same period in 2016. Revenues have increased mostly in real estate segment. This segment is influenced by completion of the buildings as revenues are recorded at the moment notary deed of sales is concluded. The net result remained negative and was influenced also by high financial costs. Recorded net losses of 1,4 million euros for the reporting period were 4% less as compared to 1,5 million euros losses in the same period last year.

Overall loans from financial institutions were 13,9 million euros as at 31 March 2017. 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.

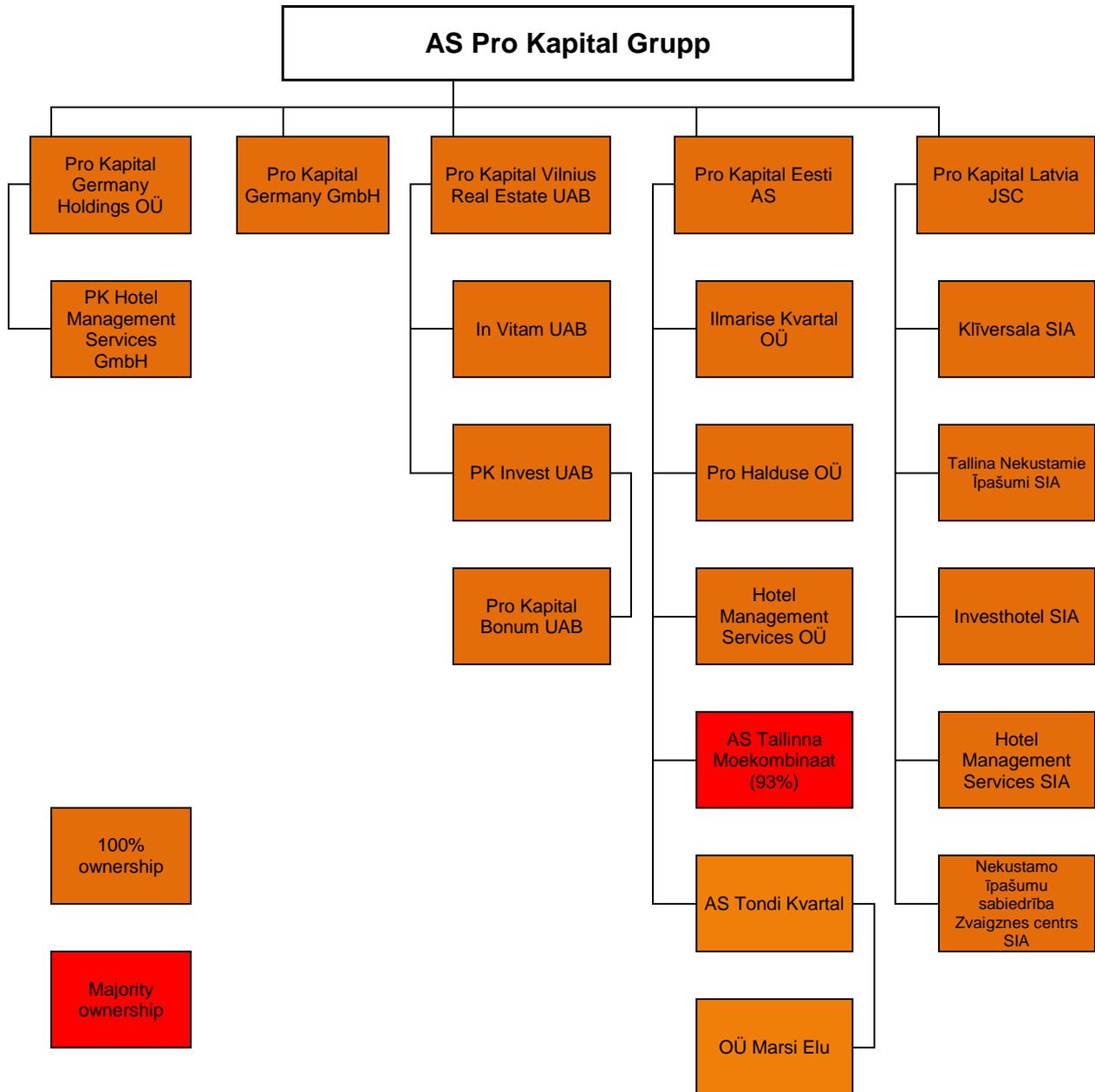
As at 31 March 2017 there were 122 employees working in the Company, 87 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

23 May 2017

Group Structure

As at 31 March 2017



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	93%	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,12b,12c	Three buildings completed, sales in process. Construction works and presales of the fourth and fifth building continuing.
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 first building.
Zvaigznes Quarter Šaltīniņi 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 March 2017, in thousand euros

	EST 2017 3M	EST 2016 3M	LV 2017 3M	LV 2016 3M	LT 2017 3M	LT 2016 3M	GER 2017 3M	GER 2016 3M	TOTAL 2017 3M	TOTAL 2016 3M
Real estate	1 008	526	0	0	820	522	0	0	1 828	1 048
Rent	7	5	15	19	22	24	0	0	44	48
Hotels	308	238	223	243	0	0	721	726	1 252	1 207
Maintenance	418	432	34	9	33	27	0	0	485	468
Other	0	1	3	3	2	2	0	0	5	6
TOTAL	1 741	1 202	275	274	877	575	721	726	3 614	2 777

Other operative data 1 January – 31 March 2017

	EST 2017 3M	EST 2016 3M	LV 2017 3M	LV 2016 3M	LT 2017 3M	LT 2016 3M	GER 2017 3M	GER 2016 3M	TOTAL 2017 3M	TOTAL 2016 3M
M ² sold*	548	361	0	0	222	222	0	0	770	583
Average price, m ² /EUR*	1 695	1 407	0	0	3 366	2 091	0	0	2 185	1 668
M ² under maintenance	61 869	59 400	15 038	15 038	16 983	13 771	0	0	93 890	88 209
Occupancy rate %, hotels	62,3%	51,1%	51,8%	55,6%	0,0%	0,0%	54,0%	56,4%	56,1%	54,4%

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

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 during reporting period amounted to 48,2% comparing to 43,3% during the same period last year.

In the first quarter of 2017 total of 8 apartments, 10 parking lots and 8 storage rooms (2016 3M: 4 apartments, 2 parking lots and 2 storage rooms) were sold. In Kristina houses development project construction works of Marsi 3, Marsi 3a and Marsi 3b apartment buildings have been completed. The notary deeds for 84 apartments have been signed out of 93 at the moment of the preparation of current report, 15 presale agreements have been concluded for the 4th building which construction started in the fourth quarter of 2016 and 4 presale agreements for the 5th building. In Marsi 6 project 31 presale agreements have been signed out of 45. At the end of reporting period stock consisting of 15 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 62,3% during reporting period increased by 22% comparing to 51,1% during comparative period. The hotel has increased its gross operating profit by 100% 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 during reporting period decreased to 7,6% comparing to 9,9% during 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 8 presale agreement have been signed.

PK Riga Hotel occupancy rate has decreased during reporting period by 7% and was 51,8% comparing to 55,6% during comparative period. 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 during reporting period amounted to 24,3% comparing to 20,7% during the same period last year. The first stage of the project has been completed and construction works of the second stage have started. At the moment of compilation of this report notary deeds on 41 apartments out of 44 have been signed in K4-1 building of the 1st stage and 36 preliminary agreements have been signed for the 2nd stage in Šaltinių Namai project.

In Lithuania 3 apartments and 5 parking lots were sold during reporting period (2016 3M: 1 apartment, 2 business premises, 4 parking lots and 1 storage room). There were 5 apartments, 4 cottages, 6 business premises, 12 storage rooms and 39 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 reporting period amounted to 20,0% comparing to 26,1% during the same period last year. The occupancy of PK Parkhotel Kurhaus hotel 54,0% shows 4% decrease comparing to 56,4% in the same period in 2016. Lower occupancy was influenced by partial renovation works in the hotel that started in 2016 and ended in March 2017. Gross operating profit has increased by 24% comparing to the same period last year.

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 three months of 2017 the Company has borrowed 2 719 thousand euros from Swedbank Latvia and 3 732 thousand euros from a financing platform represented by Lintgen Adjacent Investments. The Company has repaid 168 thousand euros of bank loans during the first quarter of 2017. Total balance of borrowed amount was 13,9 million euros as at 31 March 2017. Bank loans are predominantly of middle-term duration, maturing within one to five years. Repayment schedule is mixed, both fixed for some loans and floating in dependence on sales volumes for others.

As at 31 March 2017 the Company had 11 million euros convertible bonds (current portion: 4,6 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 are held by Pro Kapital.

Shares and shareholders

As at 31 March 2017 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. As at 31 March 2017 there were 90 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 March 2017:

	Shareholders	Number of shares	Participation in %
1	Nordea Bank Finland Plc Clients	29 018 125	53,47%
2	Eurofiduciaria S.R.L.	6 736 215	12,41%
3	Svalbork Invest OÜ	5 994 539	11,05%

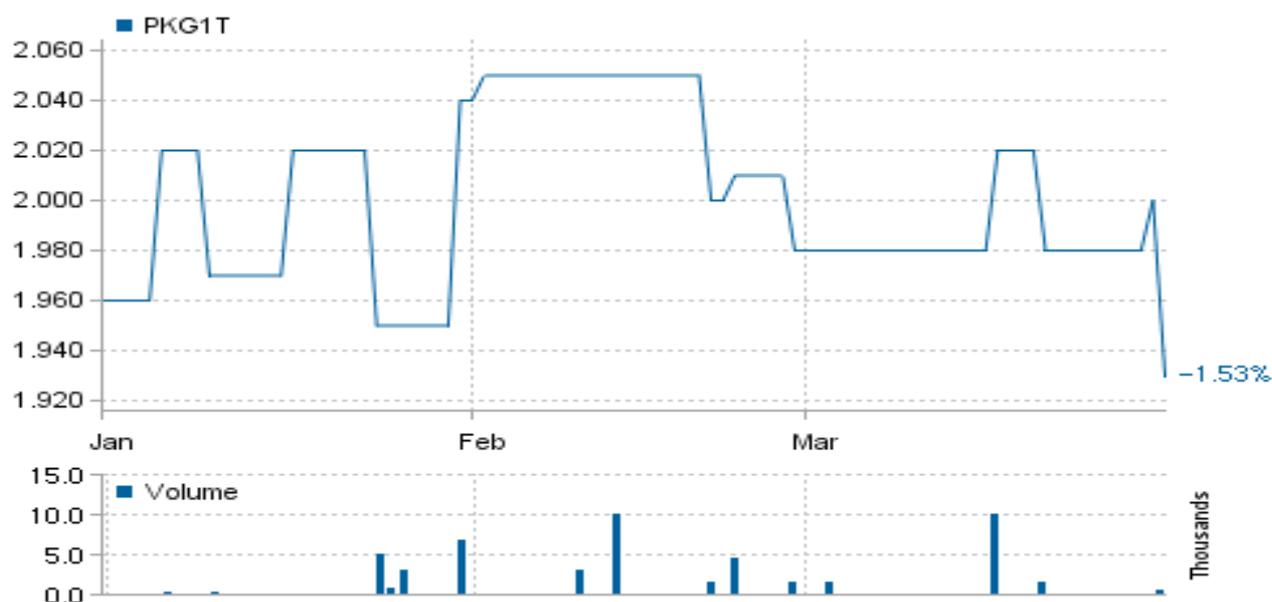
Participation of Member of the Management Board and the Council Members as at 31 March 2017:

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

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

Earnings per share during first three months in 2017 were -0,03 euros (2016 3M: -0,03 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 31 March 2017, 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 March 2017 the shares were trading at the price range of 1,93 - 2,05

euros, with the closing price of 2,00 euros per share on 31 March 2017. During the period 50 thousand of the Company's shares were traded, with their turnover amounting to 101 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 March 2017 the shares were trading at the price range of 1,87- 2,25 euros, with the closing price of Classic Xetra 1,95 euros per share and Xetra Frankfurt Specialist price 1,87 euros per share on 31 March 2017. During the period 125 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 March 2017 the Company employed 122 people compared to 105 people on 31 March 2016, 87 of them were engaged in hotel and property maintenance services (77 on 31 March 2016).

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 May 2017
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	23 May 2017
Edoardo Preatoni	Member of the Management Board	23 May 2017

Consolidated financial report

Consolidated interim statements of financial position

<i>in thousands of euros</i>	Notes	31.03.2017	31.12.2016
ASSETS			
Current Assets			
Cash and cash equivalents		3 331	5 382
Current receivables		4 568	4 475
Inventories	5	27 086	14 144
Total Current Assets		34 985	24 001
Non-Current Assets			
Non-current receivables		41	42
Property, plant and equipment	6	18 261	18 336
Investment property	7	90 855	99 660
Intangible assets		297	275
Total Non-Current Assets		109 454	118 313
TOTAL ASSETS	3	144 439	142 314

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	31.03.2017	31.12.2016
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	8	7 654	8 261
Customer advances		3 846	2 226
Current payables		3 978	8 502
Taxes payable		675	547
Short-term provisions		203	5
Total Current Liabilities		16 356	19 541
Non-Current Liabilities			
Long-term debt	8	44 433	38 040
Other long-term liabilities		1 827	804
Deferred income tax liability		3 348	3 360
Long-term provisions		179	365
Total Non-Current Liabilities		49 787	42 569
TOTAL LIABILITIES	3	66 143	62 110
Equity attributable to equity holders of the parent			
Share capital in nominal value*		10 854	10 854
Paid in capital*		1 816	1 816
Statutory reserve		1 082	1 082
Revaluation reserve		9 462	9 462
Retained earnings		55 017	59 104
Profit (loss) for the period	3	-1 411	-3 913
Total equity attributable to equity holders of the parent		76 820	78 405
Non-controlling interest	4	1 476	1 799
TOTAL EQUITY		78 296	80 204
TOTAL LIABILITIES AND EQUITY		144 439	142 314

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	2017 3M	2016 3M	2016 12M
Operating income				
Revenue	3, 9	3 614	2 777	20 652
Cost of goods sold	10	-2 679	-2 514	-14 598
Gross profit	11	935	263	6 054
Marketing expenses		-214	-117	-518
Administrative expenses	12	-1 277	-1 181	-5 396
Other income		64	105	254
Other expenses		-5	-19	-703
Operating profit	3	-497	-949	-309
Financial income	13	1	2	13
Financial expense	13	-889	-528	-3 512
Profit/ loss before income tax	3	-1 385	-1 475	-3 808
Income tax	3	-44	-6	-217
Net profit/ loss for the period		-1 429	-1 481	-4 025
Equity holders of the parent		- 1 411	-1 465	-3 913
Non-controlling interest	3	-18	-16	-112
Earnings per share (EUR)	14	-0,03	-0,03	-0,07
Diluted earnings per share (EUR)	14	-0,03	-0,03	-0,07

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	2017 3M	2016 3M	2016 12M
Cash flows from operating activities				
Loss for the year		-1 429	-1 481	-4 025
Adjustments for:				
Depreciation and amortisation of non-current assets	6	175	174	695
Change in fair value of non-current assets	6	0	0	30
Gain from sale of non-current assets		0	0	-4
Change in fair value of investment property	7	0	0	599
Finance income and costs	13	887	526	3 499
Other non-monetary changes (net amounts)		12 584	29	302
Changes in working capital:				
Trade receivables and prepayments		-93	777	-2 862
Inventories	5	-12 942	-567	-1 707
Liabilities and prepayments		-1 752	381	4 185
Provisions		12	-76	-64
Net cash used in operating activities		-2 558	-237	648
Cash flows from investing activities				
Payments for property, plant and equipment	6	-98	-13	-1 206
Payments for intangible assets		-24	-1	-2
Payments for investment property	7	-4 085	-1 770	-8 552
Proceeds from sales of non-current assets		0	0	7
Interests received		1	2	13
Net cash used in investing activities		-4 206	-1 782	-9 740
Cash flows from financing activities				
Net changes in non-controlling interests		-480	826	276
Proceeds from issue of bonds	8	0	901	12 637
Redemption of convertible bonds	8	-522	-12	-123
Redemption of non-convertible bonds	8	0	0	-1 000
Proceeds from borrowings	8	6 450	789	2 961
Repayment of borrowings	8	-168	-521	-3 310
Interests paid		-567	-569	-3 359
Net cash from financing activities		4 713	1 414	8 082
Net change in cash and cash equivalents		-2 051	-605	-1 010
Cash and cash equivalents at the beginning of the period		5 382	6 392	6 392
Cash and cash equivalents at the end of the period		3 331	5 787	5 382

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 2015	10 821	1 474	1 064	9 389	-143	61 159	83 764	2 024	85 788
Allocation of funds to statutory reserve	0	0	18	0	0	-18	0	0	0
Increase of share capital	20	195	0	0	0	0	215	0	215
Changes in non-controlling interests	0	0	0	0	0	-464	-464	-313	-777
Comprehensive profit/ loss for the period	0	0	0	73	143	-1934	-1 718	-76	-1 794
31 December 2015	10 841	1 669	1 082	9 462	0	58 743	81 797	1 635	83 432
Changes in non-controlling interests	0	0	0	0	0	540	540	646	1 186
Comprehensive profit/ loss for the period	0	0	0	0	0	-1 465	-1 465	-16	-1 481
31 March 2016	10 841	1 669	1 082	9 462	0	57 818	80 872	2 265	83 137
Increase of share capital	13	147	0	0	0	0	160	0	160
Changes in non-controlling interests	0	0	0	0	0	-179	-179	-370	-549
Comprehensive profit/ loss for the period	0	0	0	0	0	-2 448	-2 448	-96	-2 544
31 December 2016	10 854	1 816	1 082	9 462	0	55 191	78 405	1 799	80 204
Changes in non-controlling interests	0	0	0	0	0	-174	-174	-305	-479
Comprehensive profit/ loss for the period	0	0	0	0	0	-1 411	-1 411	-18	-1 429
31 March 2017	10 854	1 816	1 082	9 462	0	53 606	76 820	1 476	78 296

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 31.03.2017	Share of ownership 31.12.2016
Nordea Bank Finland Plc Clients	Finland	53,47%	52,57%
Eurofiduciaria S.R.L.	Italy	12,41%	12,89%
Svalbork Invest OÜ	Estonia	11,05%	11,05%

For the purpose of comparative financial figures of these interim financial statements as at 31 March 2017, Pro Kapital is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting, and to forward information to investors.

For the comparative period of three months of 2017, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Ultimate Parent Company and its subsidiaries (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 2016.

The accounting policies applied by the Company in these consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2016.

Note 3. Segment reporting

<i>in thousands of euros</i>	the Ultimate Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2017 3M							
Revenue	0	1 742	286	877	832	-123	3 614
Other operating income and expenses (net)	0	4	20	0	49	-14	59
Segment operating profit (loss)	-455	-95	-192	399	-154		-497
Financial income and expense (net)	-1 110	502	-128	-112	-40		-888
Profit (loss) before income tax	-1 565	407	-320	287	-194		-1 385
Income tax	0	0	-14	-30	0		-44
Non-controlling interest	0	-18	0	0	0		-18
Net profit (loss) for the financial year attributable to equity holders of the parent	-1 565	425	-334	257	-194		-1 411
31 March 2017							
Assets	55 577	152 002	35 933	18 692	7 224	-124 989	144 439
Liabilities	107 903	12 878	24 532	9 946	5 103	-94 219	66 143
Acquisition of non-current assets	0	5	1	0	92		98
Depreciation and amortisation	0	-43	-54	-6	-70		-173
2016 3M							
Revenue	0	1 203	281	575	838	-120	2 777
Other operating income and expenses (net)	9	2	14	31	43	-13	86
Segment operating profit (loss)	-356	-238	-192	-30	-133		-949
Financial income and expense (net)	-909	605	-73	-125	-24		-526
Profit (loss) before income tax	-1 265	367	-265	-155	-157		-1 475
Income tax	0	0	-9	3	0		-6
Non-controlling interest	0	-16	0	0	0		-16
Net profit (loss) for the financial year attributable to equity holders of the parent	-1 265	383	-274	-152	-157		-1 465
31 December 2016							
Assets	56 710	149 116	35 917	18 060	7 019	-124 508	142 314
Liabilities	107 472	9 918	24 182	9 570	4 705	-93 737	62 110
Acquisition of non-current assets	0	75	5	2	1 124		1 206
Depreciation and amortisation	0	-159	-217	-35	-284		-695

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 31 December 2016	8,05%
Repurchase of shares	-1,40%
Minority (%) as at 31 March 2017	6,65%

in thousands of euros

Non-controlling interest as at 31 December 2016	1 799
Net change in non-controlling interest	-305
Loss for the reporting period	-18
Non-controlling interest as at 31 March 2017	1 476

Note 5. Inventories

<i>in thousands of euros</i>	31.03.2017	31.12.2016
Property held for resale	3 867	4 956
Works in progress	23 122	9 078
Goods bought for resale	64	75
Prepayments for inventories	33	35
Total	27 086	14 144

Property held for resale include completed real estate stock in Tallinn and Vilnius. Works in progress include properties being under development or awaiting for development in the nearest future. In the beginning of 2017 Lithuanian subsidiary PK Invest UAB concluded a construction contract for developing second stage of residential buildings. In relation to that the investment property in Vilnius was reclassified as inventories in total amount of 12 890 thousand euros.

Note 6. Property, plant and equipment

Land and buildings held for providing services or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less subsequent accumulated depreciation and/ or impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Land and buildings include three hotel properties (in Tallinn, Riga and Bad Kreuznach) and administrative premises in Tallinn and Vilnius.

<i>in thousands of euros</i>	31.03.2017	31.12.2016
Acquisition value	24 175	24 086
Accumulated depreciation	-5 914	-5 750
Balance value	18 261	18 336

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<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	TOTAL
Acquisition value 01.01.2016	19 316	1 688	1 205	0	22 209
Additions:					
Acquired	0	11	77	1 118	1 206
Reclassified from investment property	750	0	0	0	750
Disposals:					
Sold	0	0	-9	0	-9
Written off	0	-13	-57	0	-70
Acquisition value 31.12.2016	20 066	1 686	1 216	1 118	24 086
Additions:					
Acquired	1 211	0	5	-1 118	98
Disposals:					
Sold	0	0	-8	0	-8
Written off	0	0	-1	0	-1
Acquisition value 31.03.2017	21 277	1 686	1 212	0	24 175

In the third quarter of 2016 the German hotel started renovation works of ca 60 rooms and public spaces. The cost of works until end of 2016 were recorded as prepayments for property, plant and equipment. At the end of the first quarter of 2017 renovation works of the first step were completed.

Starting from September 2016 the headquarters of the Company are situated in newly renovated Sõjakooli 11 (part of Tondi 53 plot) premises in Tondi quarter, in Tallinn. The property was recorded as investment property until end of renovation works. After renovation it was reclassified as property, plant and equipment.

<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	TOTAL
Accumulated depreciation 01.01.2016	2 583	1 429	1 095	0	5 107
Additions:					
Depreciation charge for the period	490	144	55	0	689
Change in fair value	30	0	0	0	30
Disposals:					
Sold	0	0	-9	0	-9
Written off	0	-13	-54	0	-67
Accumulated depreciation 31.12.2016	3 103	1 560	1 087	0	5 750
Additions:					
Depreciation charge for the period	132	29	12	0	173
Disposals:					
Sold	0	0	-8	0	-8
Written off	0	0	-1	0	-1
Accumulated depreciation 31.03.2017	3 235	1 589	1 090	0	5 914

Note 7. Investment property

<i>in thousands of euros</i>	Investment property held for increase in value	Total
Balance at 01.01.2016	92 457	92 457
Additions:		
Investments	8 552	8 552
Changes in fair value:		
Loss from change in fair value	-599	-599
Reclassified to property plant and equipment	-750	-750
Balance at 31.12.2016	99 660	99 660
Additions:		
Investments	4 085	4 085
Reclassified into inventories	-12 890	-12 890
Balance at 31.03.2017	90 855	90 855

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

Investments into property during of 2017 include mainly construction costs of AS Tallinna Moekombinaat – 4 002 thousand euros during the reporting period. In the beginning of 2017 Lithuanian subsidiary PK Invest UAB concluded a construction contract for developing second stage of residential buildings, in relation to that the investment property in Vilnius was reclassified as inventories – construction in progress.

Note 8. Current and non-current debts

Current debts

<i>in thousands of euros</i>	31.03.2017	31.12.2016
Bank loans and overdrafts	3 073	3 141
Convertible bonds	4 569	5 104
Current portion of finance lease	12	16
Total	7 654	8 261

Non-current debts

<i>in thousands of euros</i>	31.03.2017	31.12.2016
Bank loans and overdrafts	10 714	4 365
Convertible bonds	5 943	5 930
Non-convertible bonds	27 360	27 337
Payables to non-controlling interest	409	400
Non-current portion of finance lease	7	8
Total	44 433	38 040

Creditors

<i>in thousands of euros</i>	31.03.2017	31.12.2016
Swedbank AS (EE)	1 277	1 303
Swedbank AS (EE)	1 901	1 942
Nordea Bank AB Estonian branch (EE)	0	0
Nordea Bank AB Estonian branch (EE)	494	501
AS Swedbank (LV)	2 779	2 874
AS Swedbank (LV)	2 719	0
Lintgen Adjacent Investments (Agent) incl long-term interests	4 617	886
Lease agencies	19	24
Fiducaria Emiliana S.r.l including long-term interests payable	265	259
Nikasi Overseas SA including long-term interests payable	144	141
Convertible bonds, various investors	10 512	11 034
Non-convertible bonds, various investors	1 240	1 240
Secured bonds, various investors	26 120	26 097
Total	52 087	46 301

All agreements and liabilities are fixed in euros. The total interest cost for the reporting period was 889 thousand euros (2016 3M: 528 thousand euros).

Convertible bonds

The Company has issued convertible bonds with issue price 2,80 euros and remaining total value of 10 512 thousand euros. Each convertible bond entitles the holder to redeem and exchange one bond to one share of the Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by AS Pro Kapital Grupp. Convertible bonds carry interest rate of 7%.

On 8 March 2017 the Company prolonged the redemption date of 382 778 PKG6 convertible bonds by 2 years. New redemption date is 8 March 2019. 186 495 PKG6 convertible bonds were redeemed with issue price of 522 186 euros.

All other conditions for convertible bonds have remained unchanged.

Non-convertible unsecured bonds

The company has issued non-convertible bonds with issue price 10 000 euros. On the reporting date the remaining balance of non-convertible unsecured bonds is 124 bonds with total value of 1 240 000 euros.

Non-convertible secured bonds

On 2 April 2015 the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the Company. The Management Board of the Company was authorized to issue the bonds in several tranches maximum up to 50 million euros. As at 31 March 2017 the Company has issued 293 bonds with the total value of 29,3 million euros with redemption date on 1 June 2020 and with a fixed rate of 8%. 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 March 2017 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	31.03.2017	31.12.2016
Swedbank AS (Estonia)	Põhja Avenue 21, 21a, 21 b-1, Tallinn	5 443	5 475
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	283	283
Nordea Bank AB Est Br (Estonia)*	Marsi St 3, 3a, 3b, Tallinn	1 670	2 445
Nordea Bank AB Est Br (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	410	230
Nordea Bank AB Est Br (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 311	2 310
Nordea Bank AB Est Br (Estonia)	Tondi 53-2 (Sõjakooli 11), Tallinn	716	720
Lintgen Adjacent Investments	Peterburi 2, Tallinn	37 502	33 500
AS Swedbanka (Latvia)	Pulkveza Brieza St 11, Riga	5 329	5 364
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	23 489	22 877
<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	20	13
Nordic Trustee & Agency AB	AS Tallinna Moekombinaat	11 795	11 795
Nordic Trustee & Agency AB	Pro Kapital Latvia JSC	9 960	9 960
Nordic Trustee & Agency AB	Kliversala SIA	14 531	14 531
Nordic Trustee & Agency AB	Tallina Nekustamie Īpašumi SIA	4 000	4 000
Nordic Trustee & Agency AB	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	2 500	2 500
Nordic Trustee & Agency AB	Hotel Management Services SIA	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)	23	24

**The bank loan has been repaid during 2016.*

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 was effective for 72 months from concluding sales- purchase agreement, i.e. until 2 May 2017.

Note 9. Revenue

<i>in thousands of euros</i>	2017 3M	2016 3M	2016 12M
Revenue from sales of real estate	1 828	1 048	12 902
Rental revenue	44	48	170
Hotel operating revenue	1 252	1 207	5 739
Revenue from maintenance services	485	468	1 779
Other services	5	6	62
Total	3 614	2 777	20 652

Note 10. Cost of goods and services sold

<i>in thousands of euros</i>	2017 3M	2016 3M	2016 12M
Cost of real estate sold	1 167	994	8 536
Cost of providing rental services	52	24	116
Cost of hotel operations	1 035	1 050	4 457
Cost of maintenance	422	445	1 454
Cost of other services	3	1	35
Total	2 679	2 514	14 598

Note 11. Gross profit

<i>in thousands of euros</i>	2017 3M	2016 3M	2016 12M
Real estate	661	54	4 366
Rental revenue	-8	24	54
Hotel operating	217	157	1 282
Maintenance services	63	23	325
Other services	2	5	27
Total	935	263	6 054

Note 12. Administrative expenses

<i>in thousands of euros</i>	2017 3M	2016 3M	2016 12M
Staff costs	632	633	2 825
Offices and communication	43	58	216
Travel and transportation	49	45	210
Consulting, software licences, etc	130	46	388
Bank, stock exchange, depository fees	102	86	390
Land and real estate taxes	118	118	550
Depreciation charge	27	26	109
Amortisation charge	1	2	2
Other	175	167	706
Total	1 277	1 181	5 396

Note 13. Financial income and expenses

Financial income

<i>in thousands of euros</i>	2017 3M	2016 3M	2016 12M
Interest income	1	2	12
Gain from foreign currency	0	0	1
Total	1	2	13

Financial expenses

<i>in thousands of euros</i>	2017 3M	2016 3M	2016 12M
Interest expenses	797	486	2 958
Other financial expenses	92	42	554
Total	889	528	3 512

Note 14. 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 01.01.2017-31.03.2017	54 271 722*90/90	=54 271 722
For period 01.01.2016-31.03.2016	54 203 938* 91/91	=54 203 938
For period 01.01.2016-31.12.2016	(54 203 938* 354/366+54 271 722*12/366)	=54 206 160

Indicative earnings per share:

01.01.2017-31.03.2017	- 1 411 thousand euros/ 54 271 722 = -0,03 euros
01.01.2016-31.03.2016	- 1 465 thousand euros/ 54 203 938 = -0,03 euros
01.01.2016-31.12.2016	- 3 913 thousand euros/ 54 206 160 = -0,07 euros

The convertible bonds issued did not have a dilutive effect on earnings during first three months in 2017 and 2016, 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.

Based on current management forecast on future operating results, the management estimates to propose to the shareholders to start regular dividend payments starting for the financial year 2019. Provided the forecasted operating results are exceeded, regular dividend payment proposal may be made also for the financial year 2018. It should be considered that dividend payments depend on Company results of operations, financial condition, cash requirement, future prospects, profits available for distribution, debt covenants and other factors deemed by the management to be relevant at the time.

Note 15. Shareholders meetings

No shareholders meetings have been held during first quarter of 2017.

Note 16. Transactions with related parties

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

Transactions with related parties

<i>in thousands of euros</i>	2017 3M	2016 3M	2016 12M
Significant owners and owner related companies			
Revenues	23	22	78
Administrative expenses	3	3	12
Interest expense	0	0	91
Interests paid	0	0	91
Redemption of non-convertible bonds	0	0	1 000
Purchase of minority shares	480	0	550
Payments for minority shares	480	361	911
Minority shareholders			
Redemption of convertible bonds	186	0	0
Interest expenses	11	10	38
Interests paid	290	0	0
Salaries and bonuses paid to management	159	191	872

Receivables from related parties

<i>in thousands of euros</i>	31.03.2017	31.03.2016	31.12.2016
Short-term receivables			
Significant owners and owner related companies	6	7	11
Total	6	7	11

Payables to related parties

<i>in thousands of euros</i>	31.03.2017	31.03.2016	31.12.2016
Short-term payables			
Significant owners and owner related companies	0	30	0
Long-term payables to minority shareholders	409	372	400
Total	409	754	400

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Shareholding in the Company %

	31.03.2017	31.03.2016	31.12.2016
Members of the Council and individuals related them	0,02%	0,02%	0,02%
Members of the Board and individuals related them	0,47%	0,34%	0,47%

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

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for the three months of and the first quarter of 2017.

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

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