

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR II QUARTER
AND 6 MONTHS OF 2015 (UNAUDITED)

PROKAPITAL



AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR II QUARTER AND 6 MONTHS OF 2015 (UNAUDITED)

Table of content

AS Pro Kapital Grupp in brief	2
Management report	3
Key figures and main events 1 January – 30 June 2015 and after the reporting period	3
CEO review	5
Group Structure	6
Overview of development projects	7
Segments and key performance indicators	8
Financing sources and policies	10
Shares and shareholders	10
Legal overview and developments	11
People	11
Risks	11
Management Board's confirmation of the management report	13
Consolidated financial report	14
Consolidated interim statements of financial position	14
Consolidated interim statements of comprehensive income	16
Consolidated interim statements of cash flows	17
Consolidated interim statements of changes in equity	18
Notes to consolidated interim financial statements	19
Note 1. General information	19
Note 2. Basis of preparation	19
Note 3. Segment reporting	20
Note 4. Liquidation of subsidiary	21
Note 5. Property, plant and equipment	21
Note 6. Investment property	22
Note 7. Loans	23
Note 8. Revenue	25
Note 9. Cost of goods sold	25
Note 10. Gross profit	25
Note 11. Administrative expenses	26
Note 12. Financial income and expenses	26
Note 13. Earnings per share	26
Note 14. Shareholders meetings	27
Note 15. Transactions with related parties	27
Note 16. Lawsuits	28
Management Board's confirmation of the financial statements	31

AS Pro Kapital Grupp in brief

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

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

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

Management report

Key figures and main events 1 January – 30 June 2015 and after the reporting period

- Total revenue for six months of 2015 was 9 894 thousand euros, an increase of 67% compared to the reference period (2014 6 months: 5 909 thousand euros).
- Net operating result during six months has increased by 751 thousand euros (63%) compared to the reference period, totalling to losses of 440 thousand euros (2014 6 months: -1 191 thousand euros). Net operating profit for the second quarter was 282 thousand euros (2014 Q2: -640 thousand euros).
- Net result for six months of 2015 has increased by 380 thousand euros (19%) compared to the reference period, totalling to losses of 1 580 thousand euros (2014 6 months: -1 960 thousand euros). Net result for the second quarter was loss of 422 thousand euros (2014 Q2: -1 050 thousand euros).
- Cash flow from operations for first six months of 2015 was positive of 3 447 thousand euros (2014 6 months: 1 358 thousand euros). Cash flow from operations of the second quarter was positive 4 304 thousand euros (2014 Q2: 1 002 thousand euros).
- Net assets per share totalled 1,55 euros (30.06.2014: 1,17 euros).
- On 20 February 2015 Ernesto Achille Preatoni, the Member of the Council of AS Pro Kapital Grupp, resigned from his duties due to his wish to concentrate his time in developing his other projects outside of the Baltic's and to spend more time with his family.
- On 3 March 2015 the Company prolonged the redemption date of 569 273 PKG6 convertible bonds by 2 years. New redemption date is 08 March 2017.
- On 10 March 2015 the liquidation process of Latvian subsidiary Nekustamo īpašumu sabiedrība Prokurs SIA was finalised.
- On 26 March 2015 the construction works of a new residential building in Vilnius started based on the construction contract concluded on 1 August 2014 between subsidiary of the Company Pro Kapital Bonum UAB and UAB Merko Statyba. The lump sum of the contract is 2 900 000 euros, excluding VAT. The new building will have 41 apartments, 3 commercial premises and net sellable area of 2 679 m² in total. The planned construction period is 15 months as of the start of the construction works.
- 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. On 20 April 2015 the Management Board of the Company decided to announce the start of the subscription process of the first tranche of the bonds in amount of 10 – 15 million euros. On 27 May 2015 the Management Board of the Company decided on the allocation of the first subscription of the bonds with issue price 7 000 000 euros with redemption date on 1 June 2020. The Company applied respectively for the listing of the bonds on Nasdaq Stockholm and starting from 8 July the bonds were listed. The listing prospectus has been made available on Company's website.
- On 25 May 2015 the Company prolonged the redemption date of 88 887 PKG7 convertible bonds by 2 years. New redemption date is 25. May 2017. 22 224 PKG7 convertible bonds were redeemed with issue price of 62 227,20 euros.
- On 29 May 2015 the subsidiary of the Company AS Tallinna Moekombinaat signed a contract for performing the design and construction works of a shopping and entertainment centre T1, located at Peterburi mnt. 2, Tallinn, Estonia, with AS Merko Ehitus Eesti, 100% owned subsidiary part of AS Merko Ehitus group. The gross area of the centre is ca 130 000 m², including over 52 000 m² of different rental space (retail, catering, multiscreen cinema and entertainment). There will be over 200 retail premises in the centre. The works started in June 2015 and the centre is planned to open for visitors in autumn 2017. The value of the contract is approximately 70 million euros, plus value added tax.
- On 26 June 2015 the construction works of a new residential building in Tondi Residential Quarter started based on the construction contract concluded on 25 February 2014 between subsidiary of the Company OÜ Marsi Elu and AS Nordecon. The construction of the building with 31 apartments is planned to be completed in May 2016 and the price of the construction works is approximately 2 million euros without VAT.

- On 23 July 2015, after the reporting period, the Supervisory Council of Pro Kapital prolonged the term in office of the Chairman of the Management Board of the Company Paolo Michelozzi by 3 years starting from 1 August 2015.
- On 28 July 2015, after the reporting period, the Management Board of the Company decided on the allocation of the second subscription of the bonds with issue price 6 483 911 euros with redemption date on 01 June 2020.
- On 6 August 2015, after the reporting period, the Management Board of the Company prolonged the redemption date of 1 164 807 PKG1 convertible bonds by 2 years. New redemption date is 13. August 2017.
- Presales for Vilnius Šaltinių Namai project and Tallinn's Tondi residential quarter have been successfully continued. At the moment of issuing interim report 18 premises out of 19 in Vilnius K7 building have been sold (notary deeds concluded for 18 of them) and reservations for 18 apartments out of 44 in K4-1 building have been signed. In Tallinn, Tondi quarter, by the moment of issuing the present report the first building of Marsi Street has been completed, 24 apartments have been handed over to the clients and 4 out of 31 apartments are yet on sale. In the second building 12 presale agreements and in the third building 9 presale agreement have been signed. For Kliversala project in Riga 8 presale agreements have been signed out of 49 apartments.

Key financial figures

	2015 6M	2014 6M	2015 Q2	2014 Q2
Revenue, th EUR	9 894	5 909	6 759	2 748
Gross profit, th EUR	2 367	1 410	1 770	647
Gross profit, %	24%	24%	26%	24%
Operating result, th EUR	-440	-1 191	282	-640
Operating result, %	-4%	-20%	4%	-23%
Net result, th EUR	-1 580	-1 960	-422	-1 050
Net result, %	-16%	-33%	-6%	-38%
Earnings per share, EUR	-0,03	-0,04	-0,01	-0,02
	30.06.2015	31.12.2014	30.06.2014	
Total Assets, th EUR	128 789	125 031	97 392	
Total Liabilities, th EUR	45 150	39 243	34 248	
Total Equity, th EUR	83 639	85 788	63 144	
Debt/ Equity *	0,54	0,46	0,54	
Return on Assets, % **	-1,3%	17,9%	-2,0%	
Return on Equity, % ***	-2,0%	26,1%	-3,1%	
Net asset value per share, EUR ****	1,55	1,59	1,17	

*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 second quarter of 2015 Pro Kapital started construction works of the new T1 shopping and entertainment centre in Tallinn, which is the Company's largest single-object development project. The value of the contract signed with Merko Ehitus is ca 70 million Euros without VAT. By the moment of issuing the present report lease agreements for over 55% of the leasable area have been signed and active negotiations with several local and international operators are carried on.

The Company continued also the construction works in two of its new residential development projects – Šaltinių Namai in Vilnius and Tondi Quarter in Tallinn. By the issuing of the present report one apartment is still available in fully completed building K7 and 18 presale agreements have been concluded with 26 premises yet available in building K4-1.

In Tondi quarter in Tallinn the construction works of the 3rd building have been started in the second quarter. The 1st building has been completed, in total 24 flats handed over to the clients and 4 flats out of 31 yet in sale. In the 2nd building 12 presale agreements out of 31 flats have been signed and in the 3rd building 9 presale agreements have been signed out of 31 flats. In Tondi quarter the Company continues also the projecting works for renovating 3 historical barracks into office and residential buildings.

In Riga, the first residential building in Kliversala project has been issued a building permit and 8 presales have been signed out of 49 flats in total. The projecting works were continued also for the Tallinas Residential Complex.

During and after the reporting period 2 tranches of emission of secured callable fixed rate bonds to the professional investors have been carried through which in total 134 bonds were subscribed in amount of ca 13,5 million Euros. Starting from July the bonds are listed on Nasdaq Stockholm. 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 the short-term financing to strengthen Company's working capital remains a top priority of the management.

At the end of reporting period the Company recorded net revenue of 9,9 million euros, increase of 67% as compared to 5,9 million euros in the same period in 2014. Recorded net losses of 1,6 million euros for six months in 2015 was 19% lower as compared to 1,9 million euros losses in the same period last year.

Overall loans from financial institutions were 8,5 million euros as at 30 June 2015. The loans from minority shareholders were 1,3 million euros, the Company had 11,2 million euros worth convertible bonds and 9,2 million euros worth non-convertible bonds at the end of reporting date.

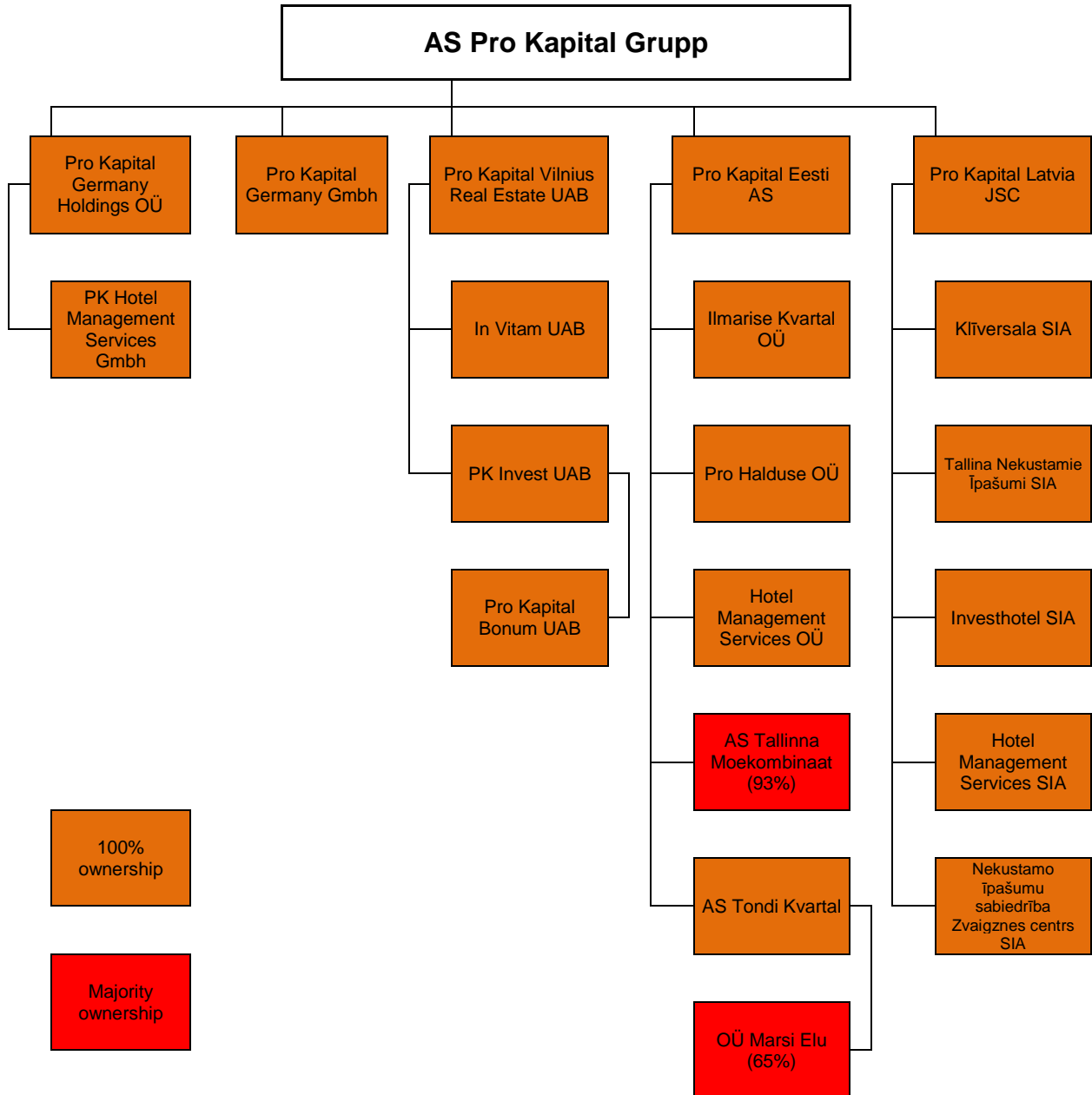
As at 30 June 2015 there were 105 employees working in the Company, 78 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

27 August 2015

Group Structure

As at 30.06.2015



Overview of development projects

<u>Project name</u>	<u>Type</u>	<u>Location</u>	<u>Ownership</u>	<u>Planned Volume</u>	<u>Classification</u>
Peterburi road shopping centre	Retail	Tallinn	93%	GLA 52 000 m ²	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 13 931 m ²	Investment property
Tondi Quarter	Residential	Tallinn	100%	NSA 115 550 m ² 80 963 m ² resid. 34 587 m ² comm.	Inventories, investment property
Marsi 3, 3a, 3b	Residential	Tallinn	65%	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 74 777 m ² 63 857 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:

Peterburi road shopping centre	Building licence obtained. Excavation works for the foundation of the building completed. Construction agreement concluded and construction works started.
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 the 2 nd stage obtained.
Marsi 3, 3a, 3b	First building completed. Construction works and presales of 2 nd and 3 rd building continuing.
Kalaranna District	Detailed plan approval in process
Tallinas Quarter	Projecting works in process in order to apply for the building licence. Sketch design approved by the city.
Kliversala District	New Master plan approved by the city, new detail plan submitted, building licence received for the 1 st building.

Zvaigznes Quarter
Šaltinių Namai

Building licence for reconstruction of the existing building issued. 1st stage completed and available for sale. Construction of 1st additional building completed, the second one is under construction and presales continued. 2nd stage is being projected in order to apply for the building permit.

Segments and key performance indicators

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

Revenue structure 1 January – 30 June 2015, thousand euros

	EST 2015 6M	EST 2014 6M	LV 2015 6M	LV 2014 6M	LT 2015 6M	LT 2014 6M	GER 2015 6M	GER 2014 6M	TOTAL 2015 6M	TOTAL 2014 6M
Real estate	2 948	295	0	0	3 098	2 040	0	0	6 046	2 335
Rent	14	14	40	33	51	58	0	0	105	105
Hotels	672	679	698	679	0	0	1 530	1 322	2 900	2 680
Maintenance	719	705	17	12	49	42	0	0	785	759
Other	44	29	10	1	4	0	0	0	58	30
TOTAL	4 397	1 722	765	725	3 202	2 140	1 530	1 322	9 894	5 909

Revenue structure 1 April – 30 June 2015, thousand euros

	EST 2015 Q2	EST 2014 Q2	LV 2015 Q2	LV 2014 Q2	LT 2015 Q2	LT 2014 Q2	GER 2015 Q2	GER 2014 Q2	TOTAL 2015 Q2	TOTAL 2014 Q2
Real estate	2 088	272	0	0	2 535	494	0	0	4 623	766
Rent	7	7	20	18	25	27	0	0	52	52
Hotels	422	446	448	413	0	0	822	728	1 692	1 587
Maintenance	319	309	8	9	25	15	0	0	352	333
Other	31	9	7	1	2	0	0	0	40	10
TOTAL	2 867	1 043	483	441	2 587	536	822	728	6 759	2 748

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 first six months in 2015 amounted 44,4% comparing to 29,1% during the same period last year. Such an increase is influenced by completion of a new building Marsi 3 with 31 apartments in Tondi Quarter as sales of 23 apartments have been finalised. Sales are recorded at the moment when premises are passed on to the owners, until then presales are recorded as prepayments from clients.

In the first half of 2015 total of 23 apartments, 22 parking lots and 18 storage rooms (2014 6M: 3 apartments and 5 parking lots) have been sold. In the beginning of the year construction works of Marsi 3 building in Tondi Quarter were completed. 24 notary deeds and 3 preliminary agreements have been signed out of 31 apartments in Marsi 3 as at the moment of the preparation of current report, 12 apartments out of 31 were presold in the next building Marsi 3b and 9 apartments in the building Marsi 3a. At the end of reporting period stock consisting of 17 apartments and office premises, also several parking spaces and storage rooms were available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate 67,9% shows 3% increase comparing to 66,1% for the same period in 2014. The hotel has decreased its gross operating profit by 3% comparing to the same period last year, which is related to higher maintenance costs.

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 first six months in 2015 decreased to 7,7% comparing to 12,3% 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 49 flats. At the moment of issuing current report 8 presale agreement have been signed.

PK Riga Hotel occupancy rate has increased in 2015 by 4% and was 71,7% (2014 6M: 69,1%). Gross operating margin has increased by 2%.

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 first six months in 2015 amounted to 32,4% comparing to 36,2% during the same period last year. At the end of the first quarter in 2015 construction works of K7 building in Saltiniu Namai were completed and 18 out of 19 apartments have been sold. At the moment of compilation of this report reservations for 18 apartments out of 44 in K4-1 building have been signed.

In Lithuania 17 apartments, 2 business premises, 5 parking lots and 1 cottage were sold during six months (2014 6M: 4 apartments, 1 business premise, 4 parking lots and 2 cottages). There were 10 apartments, 5 cottages, 15 business premises, 16 storage rooms and 88 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 first six months in 2015 amounted to 7,2% comparing to 10,1% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel 55,7% shows 23% increase comparing to 45,3% for the same period in 2014. The hotel has significantly increased gross operating profit by 80% comparing to the same period last year.

Other operative data 1 January – 30 June 2015

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2015 6M	2014 6M	2015 6M	2014 6M	2015 6M	2014 6M	2015 6M	2014 6M	2015 6M	2014 6M
M ² sold	1 718	232	0	0	1 542	893	0	0	3 260	1 125
Average price, m ² /EUR	1 610	1 194	0	0	2 010	2 284	0	0	1 773	2 146
M ² under maintenance	57 770	46 835	15 038	15 002	12 689	10 957	0	0	85 497	72 794
Occupancy rate %, hotels	67,9%	66,1%	71,7%	69,1%	0,0%	0,0%	55,7%	45,3%	64,3%	59,0%

Other operative data 1 April – 30 June 2015

	EST	EST	LV	LV	LT	LT	GER	GER	TOTAL	TOTAL
	2015 Q2	2014 Q2	2015 Q2	2014 Q2	2015 Q2	2014 Q2	2015 Q2	2014 Q2	2015 Q2	2014 Q2
M ² sold	1 154	207	0	0	1 345	203	0	0	2 499	410
Average price, m ² /EUR	1 689	1 314	0	0	1 908	2 433	0	0	1 773	2 118
M ² under maintenance	57 770	46 835	15 038	15 002	12 689	10 236	0	0	85 497	72 073
Occupancy rate %, hotels	80,3%	83,0%	86,3%	78,3%	0,0%	0,0%	61,6%	50,4%	74,8%	69,2%

Financing sources and policies

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

During the first six months of 2015 the Company has borrowed 1 367 thousand euros from Nordea Bank, 200 thousand euros from Swedbank Lithuania, 600 thousand euros from Eginvest Ltd, 30 thousand euros from Colosseum OÜ and raised 7 000 thousand euros by issuing non-convertible bonds. The Company repaid 3 705 thousand euros of bank loans and repurchased convertible bonds in total value of 62 thousand euros during the first six months of 2015.

Total amount borrowed from banks was 8,5 million euros as at 30 June, 2015.

As at 30 June, 2015 the Company had 11,2 million euros convertible bonds (current portion: 4,33 million euros; long term portion: 6,82 million euros) and 9,2 million euros non-convertible bonds (all long-term maturity).

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

Shares and shareholders

As at 30 June 2015 Pro Kapital has issued total 54 106 575 shares with the nominal value 0,2 euros. The registered share capital of the Company is 10 821 315 euros.

As at 30 June 2015 there were 72 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 30 June 2015:

	Shareholders	Number of shares	Participation
1	Nordea Bank Finland Plc Clients	9 462 439	17,49%
2	Eurofiduciaria S.R.L.	6 894 368	12,74%
3	Svalbork Invest OÜ	6 840 368	12,64%
4	Clearstream Banking Luxembourg S.A. Clients	5 881 882	10,87%
5	Sueno Latino AG	4 528 531	8,37%
6	A.F.I. American Financial Investments Ltd.	4 459 936	8,24%
7	Anndare Ltd.	3 917 760	7,24%

Participation of Member of the Management Board and the Council Members as of 30 June 2015:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi	CEO	87 500	0,16%
Allan Remmelkoo	COO	0	0
Emanuele Bozzone	Chairman of the Council	0	0
Petri Olkinuora	Council Member	0	0
Pertti Huuskonen	Council Member	0	0

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 June 2015, 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 – 30 June 2015 the shares were trading at the price range of 1,79 - 2,57 euros, with the closing price of 2,34 EUR/share on 30 June 2015. During the period 179 thousand of the Company’s shares were traded, with their turnover amounting to 407 thousand euros.

On 13 March 2014 the Company’s shares started trading on Frankfurt’s stock exchange trading platform Quotation Board. During the period of 1 January – 30 June 2015 the shares were trading at the price range of 1,55- 2,55 euros, with the closing price of Classic Xetra 2,30 EUR/share and Xetra Frankfurt Specialist price 2,30 EUR/share on 30 June 2015. During first six months in 2015 the trading volume on Classic Xetra was 476 thousand euros (267 thousand shares) and on Xetra Frankfurt Specialist 400 thousand euros (190 thousand shares).

Legal overview and developments

As of the end of the reporting period AS Pro Kapital Grupp and its subsidiaries had in total 3 pending court litigation disputes where the group company is either a plaintiff or the defendant.

You can find more detailed information about the legal disputes in Note 16 of this interim report.

People

As at 30 June 2015 the Company employed 105 people compared to 104 people on 30 June 2014, 78 of them were engaged in hotel and property maintenance services (79 on 30 June 2015).

Risks

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

properties at the peak of business cycle, thus naturally capitalising on market opportunities and hedging market risk.

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

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

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	27 August 2015
------------------	---	----------------

Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	27 August 2015
------------------	---	----------------

Consolidated financial report

Consolidated interim statements of financial position

<i>in thousands of euros</i>	Notes	30.06.2015	31.12.2014
ASSETS			
Current Assets			
Cash and cash equivalents		9 861	1 881
Current receivables		1 084	2 463
Inventories		12 093	14 535
Total Current Assets		23 038	18 879
Non-Current Assets			
Non-current receivables		49	150
Property, plant and equipment	5	17 323	17 619
Investment property	6	88 110	88 110
Intangible assets		269	273
Total Non-Current Assets		105 751	106 152
TOTAL ASSETS		128 789	125 031

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	30.06.2015	31.12.2014
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	7	11 351	16 348
Customer advances		1 467	1 548
Current payables		7 546	4 761
Taxes payable		543	177
Short-term provisions		5	5
Total Current Liabilities		20 912	22 839
Non-Current Liabilities			
Long-term debt	7	21 166	13 430
Other long-term liabilities		222	79
Deferred income tax liability		2 693	2 744
Long-term provisions		157	151
Total Non-Current Liabilities		24 238	16 404
TOTAL LIABILITIES		45 150	39 243
Equity attributable to equity holders of the parent			
Share capital in nominal value		10 821	10 821
Paid in capital		1 474	1 474
Statutory reserve		1 082	1 064
Revaluation reserve		9 389	9 389
Foreign currency differences		-143	-143
Retained earnings		61 141	39 778
Profit (loss) for the period		-1 703	21 381
Total equity attributable to equity holders of the parent		82 061	83 764
Non-controlling interest		1 578	2 024
TOTAL EQUITY		83 639	85 788
TOTAL LIABILITIES AND EQUITY		128 789	125 031

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	2015 6M	2014 6M	2015 Q2	2014 Q2
Operating income					
Revenue	8	9 894	5 909	6 759	2 748
Cost of goods sold	9	-7 527	-4 499	-4 989	-2 101
Gross profit	10	2 367	1 410	1 770	647
Marketing expenses		-293	-243	-194	-127
Administrative expenses	11	-2 388	-2 330	-1 207	-1 126
Other income		94	235	49	159
Other expenses		-220	-263	-136	-193
Operating profit (loss)		-440	-1 191	282	-640
Financial income	12	9	41	7	9
Financial expense	12	-1 135	-796	-709	-410
Profit (loss) before income tax		-1 566	-1 946	-420	-1 041
Income tax		-14	-14	-2	-9
Net profit (loss) for the period		-1 580	-1 960	-420	-1 050
Equity holders of the parent		-1 703	-1 946	-537	-1 035
Non-controlling interest		123	-14	115	-15
Earnings per share (EUR)	13	-0,03	-0,04	-0,01	-0,02
Diluted earnings per share (EUR)	13	-0,03	-0,04	-0,01	-0,02

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	2015 6M	2014 6M	2015 Q2	2014 Q2
Cash flows from operating activities					
Profit (loss) for the year		-1 580	-1 960	-422	-1 050
Adjustments for:					
Depreciation and amortisation of non-current assets	5	331	325	158	130
Change in fair value of investment property	6	180	261	180	208
Gain/loss from sale of PPE		0	-2	0	0
Gain/loss from disposal of subsidiary	4	0	-19	0	-2
Finance income and costs, net	12	1 126	829	702	475
Other non-monetary changes (net amounts)		82	532	257	686
Movements in working capital:					
Change in trade receivables and prepayments		1 380	-132	976	-79
Change in inventories		2 442	721	2 390	-7
Change in liabilities and prepayments		-520	824	60	663
Change in provisions		6	-21	3	-22
Net cash generated by operating activities		3 447	1 358	4 304	1 002
Cash flows from investing activities					
Payments for property, plant and equipment	5	-40	-34	-34	-5
Proceeds from disposal of property, plant and equipment		0	6	0	0
Payments for investment property	6	-180	-261	-112	-208
Interest received		3	4	1	2
Net cash used in investing activities		-217	-285	-145	-211
Cash flows from financing activities					
Proceeds from non-convertible bonds		7 000	300	7 000	300
Repurchase of convertible bonds		-62	0	-62	0
Proceeds from borrowings		2 197	1 347	406	620
Repayment of borrowings		-3 705	-2 077	-2 884	-631
Interest paid		-680	-582	-95	-493
Net cash used in/ generated by financing activities		4 750	-1 012	4 365	-204
Net change in cash and cash equivalents		7 980	61	8 524	587
Cash and cash equivalents at the beginning of the period		1 881	2 759	1 337	2 233
Cash and cash equivalents at the end of the period		9 861	2 820	9 861	2 820

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 2013	10 637	0	0	11 330	-1 213	43 442	64 196	1 552	65 748
Increase of share capital, 15 May 2013	184	1 474	0	0	0	0	1 658	0	1 658
Allocation of funds to statutory reserve	0	0	1 064	0	0	-1 064	0	0	0
Changes in non-controlling interests	0	0	0	0	0	0	0	-69	-69
Comprehensive loss for the year	0	0	0	0	-64	-2 600	-2 664	22	-2 642
31 December 2013	10 821	1 474	1 064	11 330	-1 277	39 778	63 190	1 505	64 695
Changes in non-controlling interests	0	0	0	0	0	0	0	665	665
Comprehensive profit/ loss for the period	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
Changes in non-controlling interests	0	0	0	0	0	0	0	-569	-569
Comprehensive profit/ loss for the period	0	0	0	0	0	-1 703	-1 703	123	-1 580
30 June 2015	10 821	1 474	1 082	9 389	-143	59 438	82 061	1 578	83 639

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 30.06.2015	Share of ownership 31.12.2014
Nordea Bank Finland Plc Clients	Finland	17,49%	0,30%
Eurofiduciaria S.r.l.	Italy	12,74%	13,25%
Svalbork Invest OÜ	Estonia	12,64%	12,64%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	10,87%	27,84%
Sueno Latino AG	Liechtenstein	8,37%	8,37%
A.F.I. American Financial Investments Ltd.	Liechtenstein	8,24%	7,70%
Anndare Ltd.	Ireland	7,24%	6,91%

For the purpose of comparative financial figures of these interim financial statements as at 30 June 2015, 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 six months of 2015, 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 2014.

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 2014.

Note 3. Segment reporting

<i>in thousands of euros</i>	the Ultimate Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2015 6M							
Revenue	0	4 399	776	3 201	1 748	-230	9 894
Other operating income	0	2	18	2	102	-30	94
Segment operating profit (loss)	-808	105	-234	510	-13		-440
Financial income and expense (net)	-1 909	1 246	-122	-290	-51		-1 126
Profit (loss) before income tax	-2 717	1 351	-356	220	-64		-1 566
Income tax	0	0	-26	12	0		-14
Non-controlling interest	0	123	0	0	0		123
Net profit (loss) for the reporting period attributable to equity holders of the parent	-2 717	1 228	-382	232	-64		-1 703
30.06.2015							
Assets	6 700	71 745	30 452	14 039	5 853		128 789
Liabilities	27 276	7 793	5 973	3 212	896		45 150
Acquisition of non-current assets	0	7	6	6	21		40
Depreciation and amortisation	-1	-61	-110	-12	-147		-331
2014 6M							
Revenue	29	1 694	737	2 140	1 540	-231	5 909
Other operating income	0	8	29	7	214	-23	235
Segment operating profit (loss)	-728	-614	-249	521	-121		-1 191
Financial income and expense (net)	-565	-114	-29	-46	-1		-755
Profit (loss) before income tax	-1 293	-728	-278	475	-122		-1 946
Income tax	0	0	-27	13	0		-14
Non-controlling interest	0	-21	7	0	0		-14
Net profit (loss) for the reporting period attributable to equity holders of the parent	-1 293	-707	-312	488	-122		-1 946
31.12.2014							
Assets	399	73 159	30 694	14 812	5 967		125 031
Liabilities	19 673	8 461	5 719	4 448	942		39 243
Acquisition of non-current assets	0	40	40	2	89		171
Depreciation and amortisation	0	-143	-214	-25	-361		-743

Note 4. Liquidation of subsidiary

<i>in thousands of euros</i>	Nekustamo īpašumu sabiedrība Prokurs SIA
Net assets at the date of disposal	2 058
Share (%) as at 31 December 2014	70%
Changes in ownership	-70%
Share (%) as at 30 June 2015	0%
Cash received	0
Non- cash, received	1 441
Profit/loss from disposal	0

Latvian subsidiary Nekustamo īpašumu sabiedrība Prokurs SIA had sold its developed properties and remained inactive. The liquidation process was initiated in 2014 and on 10 March 2015 it was finalised.

Note 5. Property, plant and equipment

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

The last valuation by independent real estate appraiser Newsec Valuations was performed in November 2014. Although some properties' fair value appeared to be higher than book value, the Management Board decided to follow revaluation of fixed assets once in each 5 years (next planned in 2016) unless impairment of assets has to be recognised. As a result of valuation report, the hotel property in Germany was decreased in value by 1,9 million euros. Other properties remained unchanged.

<i>in thousands of euros</i>	30.06.2015	31.12.2014
Acquisition value	22 585	22 555
Accumulated depreciation	-5 262	-4 936
Balance value	17 323	17 619

<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	TOTAL
Acquisition value 01.01.2014	21 638	1 211	2 441	0	25 290
Additions:					
Acquired	6	89	82	0	177
Revaluation (+/-)	-1 941	0	-5	0	-1 946
Disposals:					
Sold or disposed through subsidiary	-912	-12	-19	0	-943
Written off	0	-13	-10	0	-23
Acquisition value 31.12.2014	18 791	1 275	2 489	0	22 555
Additions:					
Acquired	0	24	12	4	40
Reclassification	6	0	0	0	6
Acquisition value 30.06.2015	18 797	1 299	2 485	4	22 585

<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	TOTAL
Accumulated depreciation 01.01.2014	1 985	900	2 184	0	5 069
Additions:					
Depreciation charge for the period	572	134	36	0	742
Disposals:					
Sold or disposed through subsidiary	-826	-9	-18	0	-853
Written off	0	-13	-9	0	-22
Accumulated depreciation 31.12.2014	1 731	1 012	2 193	0	4 936
Additions:					
Depreciation charge for the period	244	76	6	0	326
Accumulated depreciation 30.06.2015	1 975	1 088	2 199	0	5 262

Note 6. Investment property

<i>in thousands of euros</i>	Investment property held for increase in value	Total
Balance at 01.01.2014	26 001	26 001
Additions:		
Acquired	822	822
Transferred from inventories	29 591	29 591
Changes in fair value:		
Gain/loss from change in fair value	31 696	31 696
Balance at 31.12.2014	88 110	88 110
Additions:		
Acquired	180	180
Changes in fair value:		
Gain/loss from change in fair value	-180	-180
Balance at 30.06.2015	88 110	88 110

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

At the end of 2014, the Company decided to review its real estate assets considering short and long-term development strategy. Many properties had been recorded as inventories at cost price in spite of the fact that since acquisition long time has passed and financial reports have not been reflecting the fair value of the properties in Company's portfolio. After reviewing the strategy, the properties that will not be developed in the nearest upcoming years, were transferred to investment property as long-term assets. The fair value of the properties has been recorded as per valuation performed by an independent real estate appraiser Newsec Valuation in November 2014.

Note 7. Loans

<i>in thousands of euros</i>	30.06.2015	31.12.2014
Current debt, financial institutions	5 386	6 877
Non-current debt, financial institutions	3 081	3 728
Current debt, related parties	4 568	4 538
Non- current debt, minority shareholder	1 308	1 308
Non- current debt, other	600	0
Convertible debt, bonds	11 157	11 219
Non- convertible debt, bonds	9 240	2 240
Total	35 340	29 910

On 12 January 2015 the Company signed a loan agreement with Eginvest Ltd. Eginvest Ltd provides up to 1 000 000 euros in several instalments, with the due date of 2 years for each instalment and loan interest 5%. By the end of reporting period The Company has used the limit in amount 600 000 euros.

On 25 March 2015 the Lithuanian subsidiary of the Company Pro Kapital Bonum UAB entered into loan agreement with Swedbank AB. The credit up to 2 150 000 euros will be used for construction of K4-1 building in Šaltinių Namai project in Vilnius. Loan carries interest of 3,85% +6m Euribor. By the end of reporting period, company has not used the credit amount yet.

The Company has issued convertible bonds with issue price 2,80 euros and remaining total value of 11 157 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 3 March 2015 the Company prolonged maturity of PKG6 convertible bonds in the amount of 1 593 964,40 euros. The new maturity date for PKG6 convertible bonds is 08 March 2017. On 25 May 2015 the Company redeemed 22 224 PKG7 convertible bonds in the amount of 62 227,20 euros and prolonged maturity of remaining PKG7 convertible bonds in the amount of 248 883,60 euros. The new maturity date for PKG7 convertible bonds is 25 May 2017.

During reporting period the Company has issued 70 senior secured callable fixed rate bonds with issue price 7 000 000 euros with redemption date 1 June 2020. The bonds are carrying interest at a fixed rate 8%. Starting from 8 July 2015 the bonds are listed on Nasdaq Stockholm.

Creditors

<i>in thousands of euros</i>	30.06.2015	31.12.2014	CCY	Interest %
Swedbank AS (EE)	1 455	1 507	EUR	2,65%+ 6m Euribor
Swedbank AS (EE)	2 189	2 271	EUR	2,65%+ 6m Euribor
Swedbank AS (EE)	0	18	EUR	2,5%+ 6m Euribor
Nordea Bank AB Estonian branch (EE)	0	659	EUR	3,1%+ 1m Euribor
AS Swedbank (LV)	3 426	3 605	EUR	3%+ 3m Euribor
"Swedbank" AB (LT)	1 397	1 871	EUR	3%+ 6m Euribor
"Swedbank" AB (LT)	0	674	EUR	3,85%+ 6m Euribor
Combrimat Ltd.	1 000	1 000	EUR	5%
Svalbork Invest, related party	3 738	3 738	EUR	5%
Fiducaria Emiliana S.r.l	197	197	EUR	12%
Nikasi Overseas SA	111	111	EUR	12%
Estrella Ltd.	800	800	EUR	5%
Eginvest Ltd.	600	0	EUR	5%
Colosseum OÜ	30	0	EUR	5%
Convertible bonds, various investors	11 157	11 219	EUR	7%
Non-convertible secured bonds, various investors	7 000	0	EUR	8%
Non-convertible unsecured bonds, various investors	2 240	2 240	EUR	5%
Total	35 340	29 910		

Loan repayment

<i>in thousands of euros</i>	30.06.2015	31.12.2014
Due within 1 year	14 286	16 582
Due between 2 to 5 years	20 746	13 020
Due after 5 years	308	308
Total	35 340	29 910

Pledged assets

<i>in thousands of euros</i>		Carrying value of pledged assets	
Beneficiary	Collateral description	30.06.2015	31.12.2014
Swedbank AS (Estonia) *	Tondi St 51, Tallinn	745	874
Swedbank AS (Estonia)	Põhja Avenue 21, 21a, 21 b-1, Tallinn	5 662	5 725
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	303	427
Nordea Bank AB Est Br (Estonia)	Marsi St 3, 3a, 3b, Tallinn	4 110	4 808
Nordea Bank AB Est Br (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	184	181
Nordea Bank AB Est Br (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 300	2 300
AS Swedbanka (Latvia)	Pulkveza Brieza St 11, Riga	5 576	5 647
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	17 466	17 426
Swedbank AB (Lithuania)	Aguonu St 10, Vilnius	11 825	13 358

Share pledges related to secured callable fixed rate bonds:

Nordic Trustee & Agency AB (SE)	Pro Kapital Germany Holdings OÜ	10	
Nordic Trustee & Agency AB (SE)	Pro Kapital Germany GmbH	25	
Nordic Trustee & Agency AB (SE)	PK Hotel Management Services GmbH	116	
Nordic Trustee & Agency AB (SE)	Pro Kapital Eesti AS	16 880	
Nordic Trustee & Agency AB (SE)	OÜ Ilmarise Kvartal	3	
Nordic Trustee & Agency AB (SE)	Pro Halduse OÜ	26	
Nordic Trustee & Agency AB (SE)	OÜ Hotel Management Services	25	
Nordic Trustee & Agency AB (SE)	AS Tondi Kvartal	160	
Nordic Trustee & Agency AB (SE)	OÜ Marsi Elu	7	
Nordic Trustee & Agency AB (SE)	Pro Kapital Latvia JSC	9 960	
Nordic Trustee & Agency AB (SE)	Kliversala SIA	14 531	
Nordic Trustee & Agency AB (SE)	Tallina Nekustamie Īpašumi SIA	3 100	
Nordic Trustee & Agency AB (SE)	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	2 500	
Nordic Trustee & Agency AB (SE)	Hotel Management Services SIA	569	
Nordic Trustee & Agency AB (SE)	Pro Kapital Vilnius Real estate UAB	1 335	
Nordic Trustee & Agency AB (SE)	In Vitam UAB	3	
Nordic Trustee & Agency AB (SE)	PK Invest UAB	800	
Nordic Trustee & Agency AB (SE)	Pro Kapital Bonum UAB	823	
Nordic Trustee & Agency AB (SE)	bank accounts with Nordea Bank AB (SE)	560	
Total		99 602	50 746

* In January 2015 Estonian subsidiary Tondi Kvartal AS has repaid loan balance to Swedbank AS.

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

- To AS Swedbank (Latvia) to assure the potential liability of Klīversala RE SIA, an entity belonging to Pro Kapital Latvia subsidiary group, in the amount of 8 084 thousand euros, as Swedbank (Latvia) has issued a guarantee letter in the same amount to VAS „Privatizācijas aģentūra” to assure the investment liabilities related to contract concluded between Klīversala RE SIA and VAS „Privatizācijas aģentūra”.
- 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>	2015 6M	2014 6M	2015 Q2	2014 Q2
Revenue from sales of real estate	6 046	2 335	4 623	766
Rental revenue	105	105	52	52
Hotel operating revenue	2 900	2 680	1 692	1 587
Revenue from maintenance services	785	759	352	333
Other services	58	30	40	10
Total	9 894	5 909	6 759	2 748

Note 9. Cost of goods sold

<i>in thousands of euros</i>	2015 6M	2014 6M	2015 Q2	2014 Q2
Cost of real estate sold	4 679	1 778	3 558	712
Cost of providing rental services	233	42	117	12
Cost of hotel operations	1 744	1 971	916	1 076
Cost of maintenance	751	705	338	298
Cost of other services	122	3	62	3
Total	7 529	4 499	4 991	2 101

Note 10. Gross profit

<i>in thousands of euros</i>	2015 6M	2014 6M	2015 Q2	2014 Q2
Real estate	1 367	557	1 065	54
Rental revenue	-128	63	-65	40
Hotel operating	1 156	709	776	511
Maintenance services	34	54	14	35
Other services	-64	27	-22	7
Total	2 365	1 410	1 768	647

Note 11. Administrative expenses

<i>in thousands of euros</i>	2015 6M	2014 6M	2015 Q2	2014 Q2
Staff costs	1 155	1 109	564	563
Offices and communication	102	92	58	50
Travel and transportation	78	60	47	25
Consulting, software licences, etc	274	174	156	71
Bank, stock exchange, depository fees	144	139	76	68
Land and real estate taxes	228	167	137	81
Depreciation charge	49	37	24	19
Amortisation charge	4	3	2	2
Other	354	549	143	247
Total	2 388	2 330	1 207	1 126

Note 12. Financial income and expenses

Financial income

<i>in thousands of euros</i>	2015 6M	2014 6M	2015 Q2	2014 Q2
Interest income	6	13	6	6
Gain from foreign currency translation	0	1	0	1
Gain from disposal of subsidiary	0	19	0	2
Other financial income	3	8	1	0
Total	9	41	7	9

Financial expenses

<i>in thousands of euros</i>	2015 6M	2014 6M	2015 Q2	2014 Q2
Interest expenses	832	741	438	393
Foreign currency loss	14	0	13	0
Other financial expenses	289	55	258	17
Total	1 135	796	709	410

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:

In period	01.01.2015-30.06.2015	(54 106 575* 181/181)	=54 106 575
In period	01.01.2014-30.06.2014	(54 106 575* 181/181)	=54 106 575

Indicative earnings per share:

01.01.2015-30.06.2015	- 1 703 thousand euros/ 54 106 575 = -0,03 euros
01.01.2014-30.06.2014	- 1 946 thousand euros/ 54 106 575 = -0,04 euros

The convertible bonds did not have a dilutive effect on earnings in 2015 and 2014, therefore they have not been included in the calculation of the diluted net gain (loss) per share and the diluted gain (loss) per share equals the net gain (loss) per share indicator.

Note 14. Shareholders meetings

Extraordinary shareholders meeting of AS Pro Kapital Grupp was held on 9 April 2015. The reason for calling an extraordinary meeting was to amend Articles of Association of the Company, to prolong the term in office of Council members and to amend the terms and conditions of the convertible bonds.

The decisions adopted at the extraordinary shareholders meeting were as follows:

- To amend article 5.3 of the Articles of Association in the following wording:
5.3. The Company's supervisory board (Council) shall have the minimum of three (3) and the maximum of seven (7) members. The members of the supervisory board shall be elected by the general meeting of shareholders for a term of up to five (5) years. A member of the supervisory board may be removed by a resolution of the general meeting of shareholders regardless of the reason."
- The expiring term in office of Council members Pertti Huuskonen and Petri Olkinuora is prolonged until 5 July 2016.
- Remuneration conditions of Council Members remain the same.
- The terms and conditions of the convertible bonds, approved by the 13 April 2009 and amended by the 6 February 2013 Shareholders meeting have been amended as follows:
4.3. A Bond shall expire on a maturity date (hereinafter the "Maturity Date"), which shall be:
4.3.1. one of the following dates:
4.3.1.1. the day which shall occur 4 (four) years as of the registering such Bond in the Register, shall be the Maturity Date for all bonds whose bondholder (the person owning the bond at 10.00 on the Maturity Date) has not given the Company its acceptance to prolong the Maturity Date.
4.3.1.2. the Company may make a proposal, for the bondholder who has not exchanged its bond to the company share, to extend the Maturity Date of the bond by up to 4 (four) years as of the Maturity Date registered in the Register (at the moment of making the proposal). The Maturity Date of the bond, whose bondholder has submitted to the Company its written acceptance to prolong the maturity of the bond, shall be the new Maturity Date stated by the Company in the notice sent to the bondholder (the new Maturity Date shall be entered into the Register).
4.3.2. the Exchange Date referred to in Clause 7, hereof, if the Bond is exchanged to a share of the Company.

The annual general meeting of AS Pro Kapital Grupp shareholders took place on 16 June 2015. The reason for calling the annual general meeting of shareholders was to decide on approval of the audited annual report of the Company for the financial year of 2014, deciding on allocation of the profit and election of auditor.

The decisions adopted at the annual general meeting of shareholders were as follows:

- The audited annual report of the Company for the financial year of 2014 was approved.
- The Company's net profit for the financial year which ended 31 December 2014 was in the amount of 21 380 950 euros. It was decided to transfer 18 423 euros of the profit to statutory reserve and 21 362 527 euros of the profit to the retained earnings of previous periods.
- It was decided to elect AS Deloitte Audit Eesti as the auditor of the Company for the financial year of 2015 and to approve the fee payable to the auditor for the audit of Company and its subsidiaries for the financial year of 2015 in the amount of 52 000 Euros (net of VAT).

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>	2015 6M	2014 6M
Significant owners and owner related companies		
Interest income	0	27
Issued loans	0	475
Loan repayments received	501	0
Claims granted	0	18 263
Loans received	30	0
Interest expense	149	108
Salaries and bonuses paid to management	378	363

Receivables from related parties

<i>in thousands of euros</i>	30.06.2015	31.12.2014
Significant owners and owner related companies		
Current receivables from related parties	0	501
Total	0	501

Payables to related parties

<i>in thousands of euros</i>	30.06.2015	31.12.2014
Significant owners and owner related companies		
Payables to related parties	4 391	4 284
Payables to members of Council and Management Board	121	116
Total	4 512	4 400

Shareholding in %

Members of the Council and individuals related them	0%	34,09%
---	----	--------

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

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

Note 16. Lawsuits

Ultimate Parent Company

	As of 30.06.2015	As of 31.03.2015
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 31.03.2015 AS Pro Kapital Grupp as the ultimate parent company did not have any pending court cases.

As of 30.06.2015 AS Pro Kapital Grupp as the ultimate parent company did not have any pending court cases.

Pro Kapital Estonia sub-group

	As of 30.06.2015	As of 31.03.2015
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	0	0

As of 31.03.2015 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. AS Pro Kapital Eesti is involved in one lawsuit as a third party (AS Tāismaja who was involved in the lawsuit as third party was merged with AS Pro Kapital Eesti).

As of 30.06.2015 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any pending court cases. AS Pro Kapital Eesti is involved in one lawsuit as a third party.

Pro Kapital Latvia sub-group

	As of 30.06.2015	As of 31.03.2015
Pending disputes:	2	2
Resolved disputes:	0	0
New disputes:	0	0

As of 31.03.2015 Pro Kapital Latvia sub-group had two pending court cases.

As of 30.06.2015 Pro Kapital Latvia sub-group had the same two pending court cases.

Pending disputes:

On 30.07.2012 the Property department of Riga's City Council issued a decision according to which buildings belonging to SIA "Nekustamo īpašumu sabiedrība "Zvaigznes centrs"" at 193 Brīvības Street, in Riga are classified as degrading the environment and endangering the security of people. On the basis of this decision the company would have to pay an increased real estate tax. The company appealed against the mentioned decision to the chairman of the Riga City Council, however the chairman decided to reject the claim. The company has on 14.02.2013 appealed against the decision to the Administrative District Court asking for revocation of the decision. Administrative District Court decided to reject the application of the company. On 29.05.2014 the company submitted the appellation to the Administrative Regional Court. The proceedings are currently pending.

On August 2, 2013 the Property department of Riga's City Council issued a decision according to which buildings belonging to LLC „TALLINA NEKUSTAMIE ĪPAŠUMI” at 5/7 Tallina Street, in Riga are classified as degrading the environment and endangering the security of people. On the basis of this decision the company would have to pay an increased real estate tax. The Company appealed against the mentioned decision to the chairman of the Riga City Council, however the chairman decided (4th of November 2013) to reject the claim. The Company has on 18.12.2013 appealed against the decision of the chairman of Riga City Council to the Administrative District Court asking for revocation of the decision. Administrative District Court decided to reject the application of the company. On 14.07.2014 the company submitted the appellation to the Administrative Regional Court. The proceedings are currently pending.

Pro Kapital Vilnius sub-group

	As of 30.06.2015	As of 31.03.2015
Pending disputes:	0	1
Resolved disputes:	1	0
New disputes:	0	0

As of 31.03.2015 Pro Kapital Vilnius sub-group had one pending court case. During the reporting period one court case was resolved.

As of 30.06.2015 Pro Kapital Vilnius sub-group did not have any pending court cases.

Resolved disputes:

On February 2012, UAB "Gatvių statyba" submitted the claim to the Vilnius district court requesting for LTL 197 thousand Lithuanian litas (approx. 57 thousand Euros), plus 8,06 % interest, for the performed works in Šaltinių Namai. Group company PK INVEST UAB did not agree with the claim because the works were performed unduly and the deficiencies were recorded by the parties in writing.

The case was heard at Vilnius district court. The claim of the contractor and the counter-claim of PK INVEST UAB had been upheld partially.

PK INVEST UAB filed an appeal on the basis that the court refused to lower the price of the works that were performed partially and with deficiencies.

The Court of Appeal of Lithuania decided on 26.09.2014 to annul the decision of first instance court and adopted a new decision – court rejected the claim of UAB „Gatvių statyba” and satisfied the counterclaim of PK INVEST UAB.

The Court of Appeal of Lithuania decided to reduce the amount of the Construction agreement from LTL 2 247 085 to LTL 2 019 581,19 and also awarded PK Invest UAB LTL 39 740,18 of overpayment from UAB “Gatvių statyba” and 6% of annual interest from the awarded amount from 29.03.2012 until full implementation of court’s decision.

The plaintiff UAB “Gatvių statyba” was also obliged to submit the surety bond guarantee of LTL 93 881 to PK INVEST UAB within 40 days from the date of the appellate court decision. If UAB „Gatvių statyba” fails to submit the guarantee it should pay LTL 93.881 fine to PK INVEST UAB. The Court of Appeal of Lithuania also awarded to PK INVEST UAB litigation costs.

UAB „Gatvių statyba” lodged a cassation to the Supreme Court of Lithuania requesting to annul the decision of appellate court and to maintain valid the decision of first instance court. PK INVEST UAB submitted a respond requesting to leave the decision of appellate court unchanged.

The Supreme Court of Lithuania decided to reject the cassation of UAB „Gatvių statyba” and leave the decision of the Court of Appeal of Lithuania unchanged. The decision is binding and enforceable.

Pro Kapital German sub-group

	As of 30.06.2015	As of 31.03.2015
Pending disputes:	0	0
Resolved disputes:	0	0
New disputes:	1	0

As of 31.03.2015 Pro Kapital German sub-group entities did not have any pending court cases. During the reporting period one court case was initiated.

As of 30.06.2015 Pro Kapital German sub-group entities have one pending court case.

New disputes:

Employee, whose employment contract was terminated by PK Hotel Management Services GmbH, has disputed the termination and filed relevant claim to court. The proceedings are currently pending.

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for the six months and the second quarter of 2015.

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

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	27 August 2015
------------------	---	----------------

Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	27 August 2015
------------------	---	----------------