

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT FOR IV QUARTER
AND 12 MONTHS OF 2015 (UNAUDITED)

PROKAPITAL



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Table of content

AS Pro Kapital Grupp in brief	2
Management report	3
Key figures and main events 1 January – 31 December 2015 and after the reporting period	3
CEO review	6
Group Structure	7
Overview of development projects	8
Segments and key performance indicators	9
Financing sources and policies	11
Shares and shareholders	11
Legal overview and developments	12
People	12
Risks	13
Management Board's confirmation of the management report	14
Consolidated financial report	15
Consolidated interim statements of financial position	15
Consolidated interim statements of comprehensive income	17
Consolidated interim statements of cash flows	18
Consolidated interim statements of changes in equity	19
Notes to consolidated interim financial statements	20
Note 1. General information	20
Note 2. Basis of preparation	20
Note 3. Segment reporting	21
Note 4. Liquidation of subsidiary	22
Note 5. Property, plant and equipment	22
Note 6. Investment property	23
Note 7. Loans	24
Note 8. Revenue	26
Note 9. Cost of goods sold	26
Note 10. Gross profit	27
Note 11. Administrative expenses	27
Note 12. Financial income and expenses	27
Note 13. Earnings per share	28
Note 14. Shareholders meetings	28
Note 15. Transactions with related parties	29
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 – 31 December 2015 and after the reporting period

- Total revenue of the Company in 2015 was 18 322 thousand euros, an increase of 77% compared to the reference period (2014 12 months: 10 335 thousand euros).
- Net operating result during twelve months has decreased by 24 435 thousand euros (94%) compared to the reference period, totalling to profit of 1 424 thousand euros (2014 12 months: 25 859 thousand euros). Net operating result includes profit 3 041 thousand euros (2014: 31 696 thousand euros) related to changes into fair value of investment property. Net operating profit for the fourth quarter was 2 330 thousand euros (2014 Q4: 27 579 thousand euros).
- Net result for twelve months of 2015 has decreased by 23 245 thousand euros (109%) compared to the reference period, totalling to losses of 2 010 thousand euros (2014 12 months: 21 235 thousand euros profit). Net result for the fourth quarter was profit of 823 thousand euros (2014 Q4: 24 141 thousand euros profit).
- Cash flow from operations for 2015 was positive of 3 498 thousand euros (2014 12 months: -1 069 thousand euros). Cash flow from operations of the fourth quarter was positive 1 176 thousand euros (2014 Q4: -1 628 thousand euros).
- Net assets per share totalled 1,54 euros (31.12.2014: 1,59 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 ģipsumu 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 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 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 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.
- On 25 September 2015 the extraordinary shareholders meeting of the Company decided to issue 97 363 new shares with subscription price 2,20 euros/share. The right to subscribe for the new shares was given to the member of the Management Board of the Company Paolo Michelozzi. During the offering period all shares were subscribed with total value of 214 200 euros. The increase of share capital was registered after the end of reporting period.
- On 10 December 2015 the Riga Building Board decided on acceptance of Kliversala area detail plan. The detail plan foresees in total close to 56 000 m2 of sellable area to be developed for mainly residential purpose.
- On 28 December 2015 subsidiary of the Company AS Tondi Kvartal concluded the contract for purchase of minority shareholding of 35% in its subsidiary OÜ Marsi Elu from Katmandu Stiftung, Liechtenstein company controlled by Mr Ernesto Preatoni. As a result AS Tondi Kvartal is holding 100% of the share capital of OÜ Marsi Elu. In addition AS Tondi Kvartal acquired the shareholder loan of 1 000 000 euros granted by the minority shareholder and accrued interest.
- On 19 January 2016, after the reporting period, the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2018. 4 234 PKG2 convertible bonds were redeemed with issue price of 11 855,20 euros.
- On 21 January 2016, after the reporting period, the Supervisory Council decided to elect Edoardo Axel Preatoni as an additional Management Board member of AS Pro Kapital Grupp starting from 1 March 2016 with the term in office of 3 years.
- Presales for Vilnius Šaltinių Namai project and Tallinn's Tondi residential quarter have been successfully continued. At the moment of issuing interim report all 19 premises in Vilnius K7 building have been sold and handed over to the clients and reservations for 26 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 two buildings of Marsi Street have been completed, with respectively 4 and 16 apartments out of 31 yet in sale. In the third building 13 presale agreements out of 31 apartments have been signed. For Kliversala project in Riga 8 presale agreements have been signed out of 49 apartments.

Key financial figures

	2015 12M	2014 12M <i>adjusted*</i>	2014 12M	2015 Q4	2014 Q4 <i>adjusted*</i>	2014 Q4
Revenue, th EUR	18 322	10 335	10 335	5 411	2 174	2 174
Gross profit, th EUR	4 448	2 495*	2 579	1 121	205*	240
Gross profit, %	24%	24%*	25%	21%	9%*	11%
Operating result, th EUR	1 424	25 859	25 859	2 330	27 579	27 579
Operating result, %	8%	250%	250%	43%	1269%	1269%
Net result, th EUR	-2 010	21 235	21 235	823	24 141	24 141
Net result, %	-11%	205%	205%	15%	1110%	1110%

Earnings per share, EUR	-0,04	0,39	0,39	0,02	0,45	0,45
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31.12.2015

31.12.2014

Total Assets, th EUR	130 323	125 031
Total Liabilities, th EUR	46 891	39 243
Total Equity, th EUR	83 432	85 788
Debt/ Equity **	0,56	0,46

Return on Assets, % ***	-1,5%	17,9%
Return on Equity, % ****	-2,4%	26,1%

Net asset value per share, EUR *****	1,54	1,59
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* Due to change in principles of accounting direct cost the total effect to 2014 gross profit was negative 84 thousand euros (2014 Q4: 35 thousand euros).

** 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 last quarter of 2015 Pro Kapital continued the construction works of the new T1 shopping and entertainment centre in Tallinn, which is the Company's largest single-object development project. Active negotiations with several local and international retail operators were carried on with over 55% of the leasable area being covered with signed lease agreements. The Company continued also the construction works in two of its residential development projects – Šaltinių Namai in Vilnius and Tondi Quarter in Tallinn.

In Vilnius by the issuing of the present report the K7 building is completed and fully sold and 26 presale agreements have been concluded out of 44 in building K4-1.

In Tondi quarter in Tallinn the 2 first buildings are completed, with 20 flats out of 62 yet in sale. In the 3rd building 13 presale agreements have been signed out of 31 flats. The construction tender for a historical barrack on Tondi 53 land plot to be reconstructed as an office building is in the final stage and projecting works for renovating 2 more historical barracks into office and residential buildings were continued.

In the end of December the Building Board of the Riga City government approved the detail plan for Kliversala project. The building permit for the first residential building has been already issued with 8 presale agreements signed out of 49 flats in total and the construction tender is in process. The projecting works were continued also for the Tallinas Residential Complex.

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 18,3 million euros, increase of 77% as compared to 10,3 million euros in the same period in 2014. Recorded net losses of 2 million euros for twelve months in 2015 were 105% lower as compared to 21,2 million euros profit in the same period last year.

Overall loans from financial institutions were 7,9 million euros as at 31 December 2015. The loans from minority shareholders were 0,3 million euros, the Company had 11,2 million euros worth convertible bonds and 15,6 million euros worth non-convertible bonds at the end of reporting date.

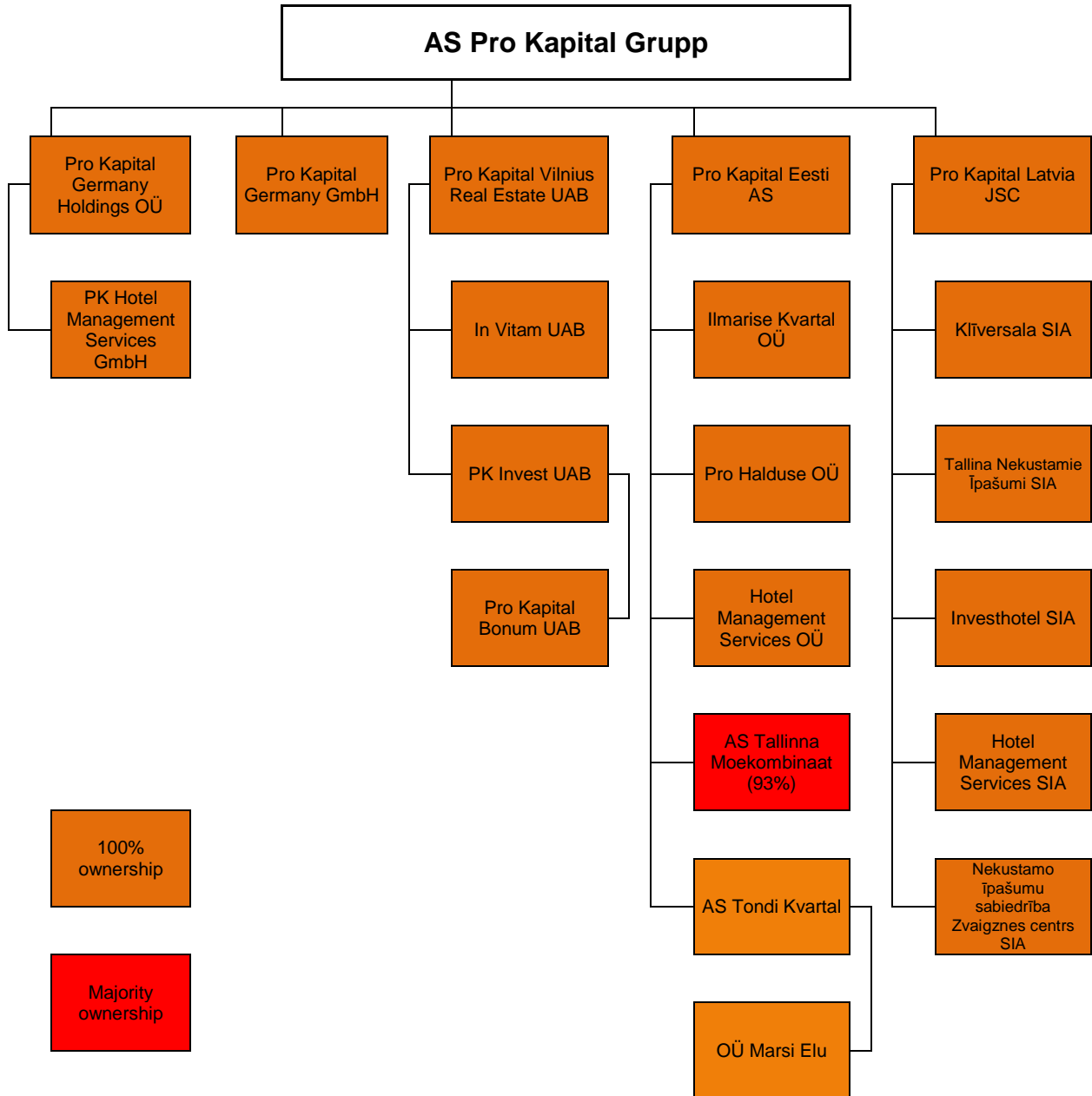
As at 31 December 2015 there were 108 employees working in the Company, 78 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp

22 February 2016

Group Structure

As at 31 December 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>
T1 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	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 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 (7 residential buildings) obtained. Also the building licence has been obtained for the small historical building on Tondi 53 land plot.
Marsi 3, 3a, 3b	First 2 buildings completed, sales in process. Construction works and presales of the 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 detail plan approved, building licence received for the 1 st building.

Zvaigznes Quarter
Šaltīniņš 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 – 31 December 2015, thousand euros

	EST 2015 12M	EST 2014 12M	LV 2015 12M	LV 2014 12M	LT 2015 12M	LT 2014 12M	GER 2015 12M	GER 2014 12M	TOTAL 2015 12M	TOTAL 2014 12M
Real estate	5 337	492	0	0	4 718	2 228	0	0	10 055	2 720
Rent	26	28	79	70	100	107	0	0	205	205
Hotels	1 504	1513	1 484	1440	0	0	3 501	2927	6 489	5 880
Maintenance	1 352	1337	35	30	99	98	0	0	1 486	1 465
Other	56	35	24	23	7	7	0	0	87	65
TOTAL	8 275	3 405	1 622	1 563	4 924	2 440	3 501	2 927	18 322	10 335

Revenue structure 1 October – 31 December 2015, thousand euros

	EST 2015 Q4	EST 2014 Q4	LV 2015 Q4	LV 2014 Q4	LT 2015 Q4	LT 2014 Q4	GER 2015 Q4	GER 2014 Q4	TOTAL 2015 Q4	TOTAL 2014 Q4
Real estate	2 059	146	0	0	1 256	185	0	0	3 315	331
Rent	6	6	19	19	23	22	0	0	48	47
Hotels	313	309	298	241	0	0	1 022	813	1 633	1 363
Maintenance	360	387	9	8	25	25	0	0	394	420
Other	12	5	7	7	2	1	0	0	21	13
TOTAL	2 750	853	333	275	1 306	233	1 022	813	5 411	2 174

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 twelve months in 2015 amounted 45,2% comparing to 32,9% during the same period last year. Such an increase is influenced by completion of two new buildings Marsi 3 and Marsi 3b with 62 apartments in Tondi Quarter as sales of 40 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.

During twelve months of 2015 total of 41 apartments, 41 parking lots and 30 storage rooms (2014 12M: 4 apartments, 2 business premise, 6 parking lots and 1 storage room) have been sold. During 2015 construction works of Marsi 3 and Marsi 3b in Tondi Quarter were completed. 42 notary deeds have been signed out of 62 apartments in Marsi Street at the moment of disclosure of current report. 13 apartments out of 31 have been presold in the third building Marsi 3a. At the end of reporting period stock consisting of 28 apartments and business premises, also several parking spaces and storage rooms were available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel occupancy rate 74,8% during twelve months in 2015 shows 1,6% increase comparing to 73,6% occupancy rate for the same period in 2014. The hotel has decreased its gross operating profit by 7% comparing to the same period last year, which is mainly 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 twelve months in 2015 decreased to 8,9% comparing to 15,1% 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 5% and was 74,6% (2014 12M: 70,9%). Gross operating margin has decreased though by 3,2% due to lower average room rate and higher commissions and guest related costs.

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 twelve months in 2015 amounted to 26,9% comparing to 23,6% 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 all 19 apartments have been sold. At the moment of compilation of this report reservations for 26 apartments out of 44 in K4-1 building have been signed.

In Lithuania 19 apartments, 6 business premises, 14 parking lots, 2 storage rooms and 2 cottages were sold during twelve months (2014 12M: 5 apartments, 1 business premise, 7 parking lots and 2 cottages). There were 8 apartments, 4 cottages, 11 business premises, 14 storage rooms and 79 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 twelve months in 2015 amounted to 19,1% comparing to 28,3% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel 63,1% shows 19% increase comparing to 53,1% for the same period in 2014. The hotel has significantly increased gross operating profit by 40% comparing to the same period last year due to higher sales and lower costs.

Other operative data 1 January – 31 December 2015

	EST 2015 12M	EST 2014 12M	LV 2015 12M	LV 2014 12M	LT 2015 12M	LT 2014 12M	GER 2015 12M	GER 2014 12M	TOTAL 2015 12M	TOTAL 2014 12M
M ² sold	3 065	385	0	0	2 123	968	0	0	5 188	1 353
Average price, m ² /EUR	1 631	1 098	0	0	2 135	2 302	0	0	1 837	2 036
M ² under maintenance	59 400	54 793	15 038	15 002	12 980	11 925	0	0	87 418	81 720
Occupancy rate %, hotels	74,8%	73,6%	74,6%	70,9%	N/A	N/A	63,1%	53,1%	70,2%	65,0%

Other operative data 1 October – 31 December 2015

	EST 2015 Q4	EST 2014 Q4	LV 2015 Q4	LV 2014 Q4	LT 2015 Q4	LT 2014 Q4	GER 2015 Q4	GER 2014 Q4	TOTAL 2015 Q4	TOTAL 2014 Q4
M ² sold	1 165	120	0	0	461	75	0	0	1 626	195
Average price, m ² /EUR	1 647	952	0	0	2 324	2 480	0	0	1 839	1 454
M ² under maintenance	59 400	54 793	15 038	15 002	12 980	11 925	0	0	87 418	81 720
Occupancy rate %, hotels	72,2%	71,0%	63,2%	56,6%	N/A	N/A	72,1%	59,1%	69,7%	62,4%

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 twelve months of 2015 the Company has borrowed 2 843 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 13 400 thousand euros by issuing non-convertible bonds. The Company repaid 5 794 thousand euros of bank loans, 1 000 thousand euros minor shareholder loan and repurchased convertible bonds in total value of 62 thousand euros during twelve months of 2015.

Total amount borrowed from banks was 7,9 million euros as at 31 December, 2015.

As at 31 December, 2015 the Company had 11,2 million euros convertible bonds (current portion: 6,1 million euros; long term portion: 5,1 million euros) and 15,6 million euros non-convertible bonds (current portion: 1 million euros; long-term portion 14,6 million euros).

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

During the reporting period Pro Kapital has issued additionally 97 363 shares. As at 31 December 2015 Pro Kapital has issued total 54 203 938 shares with the nominal value 0,2 euros. The registered share capital of the Company is 10 840 787,60 euros.

As at 31 December 2015 there were 72 shareholders registered in the shareholders register. Several of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

Shareholders holding over 5% of the shares as at 31 December 2015:

	Shareholders	Number of shares	Participation
1	Nordea Bank Finland Plc Clients	19 767 757	36,47%
2	Eurofiduciaria S.R.L.	6 888 533	12,71%
3	Svalbork Invest OÜ	6 840 368	12,62%
4	Sueno Latino AG	4 528 531	8,35%
5	Anndare Ltd.	3 893 740	7,18%

Participation of Member of the Management Board and the Council Members as of 31 December 2015:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi	CEO	184 863	0,34%
Allan Remmelkoor	COO	0	0%
Emanuele Bozzone	Chairman of the Council	0	0%
Petri Olkinuora	Council Member	0	0%
Pertti Huuskonen	Council Member	12 553	0,02%

**Trading price range and trading amounts of Pro Kapital Grupp shares,
1 January – 31 December 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 – 31 December 2015 the shares were trading at the price range of 1,79 - 2,80 euros, with the closing price of 2,23 EUR/share on 31 December 2015. During the period 334 thousand of the Company's shares were traded, with their turnover amounting to 780 thousand euros.

On 13 March 2014 the Company's shares started trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 31 December 2015 the shares were trading at the price range of 1,50- 2,65 euros, with the closing price of Classic Xetra 2,28 EUR/share and Xetra Frankfurt Specialist price 2,231 EUR/share on 31 December 2015. During twelve months in 2015 the trading volume on Classic Xetra was 392 thousand shares and on Xetra Frankfurt Specialist 378 thousand shares.

Legal overview and developments

To bring out to the investors better the events which might have material financial effect on the Company and its share price and not to burden the reporting with smaller litigation issues, the Company has changed the reporting policy concerning its legal disputes.

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

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

People

As at 31 December 2015 the Company employed 108 people compared to 106 people on 31 December 2014, 78 of them were engaged in hotel and property maintenance services (81 on 31 December 2014).

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	22 February 2016
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Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	22 February 2016
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Consolidated financial report

Consolidated interim statements of financial position

<i>in thousands of euros</i>	Notes	31.12.2015	31.12.2014
ASSETS			
Current Assets			
Cash and cash equivalents		6 392	1 881
Current receivables		1 608	2 463
Inventories		12 438	14 535
Total Current Assets		20 438	18 879
Non-Current Assets			
Non-current receivables		48	150
Property, plant and equipment	5	17 103	17 619
Investment property	6	92 457	88 110
Intangible assets		277	273
Total Non-Current Assets		109 885	106 152
TOTAL ASSETS		130 323	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	31.12.2015	31.12.2014
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	7	8 004	16 348
Customer advances		1 692	1 548
Current payables		5 103	4 761
Taxes payable		264	177
Short-term provisions		87	5
Total Current Liabilities		15 150	22 839
Non-Current Liabilities			
Long-term debt	7	27 054	13 430
Other long-term liabilities		837	79
Deferred income tax liability		3 503	2 744
Long-term provisions		347	151
Total Non-Current Liabilities		31 741	16 404
TOTAL LIABILITIES		46 891	39 243
Equity attributable to equity holders of the parent			
Share capital in nominal value		10 841	10 821
Paid in capital		1 669	1 474
Statutory reserve		1 082	1 064
Revaluation reserve		9 462	9 389
Foreign currency differences		0	-143
Retained earnings		60 677	39 778
Profit (loss) for the period		-1 934	21 381
Total equity attributable to equity holders of the parent		81 797	83 764
Non-controlling interest		1 635	2 024
TOTAL EQUITY		83 432	85 788
TOTAL LIABILITIES AND EQUITY		130 323	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 12M	2014 12M	2015 Q4	2014 Q4
Operating income					
Revenue	8	18 322	10 335	5 411	2 174
Cost of goods sold	9	-13 874	-7 840*	-4 290	-1 969*
Gross profit	10	4 448	2 495*	1 121	205*
Marketing expenses		-466	-446*	-52	-120*
Administrative expenses	11	-5 250	-5 160	-1 495	-1 179
Other income		3 353	29 050	3 194	28 693
Other expenses		-661	-80	-393	-20
Operating profit		1 424	25 859	2 330	27 579
Financial income	12	13	45	2	2
Financial expense	12	-2 606	-2 761	-684	-1 553
Profit (loss) before income tax		-1 169	23 143	1 648	26 028
Income tax		-841	-1 908	-825	-1 887
Net profit (loss) for the period		-2 010	21 235	823	24 141
Equity holders of the parent		-1 934	21 381	1 022	24 273
Non-controlling interest		-76	-146	-199	-132
Other comprehensive income, net of income tax					
Items that may be classified subsequently to profit or loss					
<i>Exchange differences on translating foreign operations**</i>		143	1 134	143	1 134
Items that will not be classified subsequently to profit or loss					
<i>Net change in properties revaluation reserve</i>		73	-1 941	73	-1 941
Total comprehensive income for the year		-1794	20 428	1 039	23 334
Equity holders of the parent		-1 718	20 574	1 238	23 466
Non-controlling interest		-76	-146	-199	-132
Earnings per share (EUR)	13	-0,04	0,39	0,02	0,45
Diluted earnings per share (EUR)	13	-0,04	0,39	0,02	0,45

*Due to change in principles of accounting direct costs they have increased and marketing costs have decreased by commissions and transaction costs related to real estate sales. The total amount added to direct costs in 2014 was 84 thousand euros (2014 Q4: 35 thousand euros).

**Due to Latvia entering into Eurozone on 01.01.2014, the Company has considered currency exchange differences realised and accordingly written off currency exchange differences in amount 1 134 th euros at the end of 2014. As Lithuania entered into Eurozone on 01.01.2015, the Company has considered currency exchange differences realised and accordingly written off currency exchange differences in amount 143 th euros at the end 2015.

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

Consolidated interim statements of cash flows

<i>in thousands of euros</i>	Note	2015 12M	2014 12M	2015 Q4	2014 Q4
Cash flows from operating activities					
Profit (loss) for the year		-2 010	21 235	823	24 141
Adjustments for:					
Depreciation and amortisation of non-current assets	5	693	749	189	222
Gain/loss from sale of PPE		0	-7	0	-4
Change in fair value of PPE		-44	1 946	-44	1 946
Change in fair value of investment property	6	-3 041	-31 696	-3 247	-32 256
Gain/loss from disposal of subsidiary		0	-19	0	0
Finance income and costs, net	12	2 593	2 652	682	1 531
Other non-monetary changes (net amounts)		645	-30 882	416	-31 529
Movements in working capital:					
Change in trade receivables and prepayments		957	275	-427	770
Change in inventories		2 097	31 052	160	32 233
Change in liabilities and prepayments		1 330	3 664	2 692	1 314
Change in provisions		278	-38	-68	4
Net cash generated by operating activities		3 498	-1 069	1 176	-1 628
Cash flows from investing activities					
Payments for property, plant and equipment	5	-55	-171	-5	-92
Proceeds from disposal of property, plant, equipment		0	11	0	4
Payments for intangible assets		-13	0	0	0
Payments for investment property	6	-1 306	-822	-1 100	-262
Proceeds from disposal of subsidiaries		0	146	0	4
Interest received		6	61	2	55
Net cash used in investing activities		-1 368	-775	-1 103	-291
Cash flows from financing activities					
Proceeds from increase of share and paid in capital		214	0	214	0
Proceeds from minority shareholders		153	958	153	958
Proceeds from non-convertible bonds		7 652	547	0	0
Repurchase of convertible bonds		-62	0	0	0
Proceeds from borrowings		3 673	3 448	865	1 608
Repayment of borrowings		-6 794	-2 840	-2 575	-575
Interest paid		-2 455	-1 147	-582	-85
Net cash used in/ generated by financing activities		2 381	966	-1 925	1 906
Net change in cash and cash equivalents		4 511	-878	-1 852	-13
Cash and cash equivalents at the beginning of the period		1 881	2 759	8 244	1 894
Cash and cash equivalents at the end of the period		6 392	1 881	6 392	1 881

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	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
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	-1 934	-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

Notes to consolidated interim financial statements

Note 1. General information

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

Shareholder	Country of incorporation	Share of ownership 31.12.2015	Share of ownership 31.12.2014
Nordea Bank Finland Plc Clients	Finland	36,47%	0,30%
Eurofiduciaria S.r.l.	Italy	12,71%	13,25%
Svalbork Invest OÜ	Estonia	12,62%	12,64%
Sueno Latino AG	Liechtenstein	8,35%	8,37%
Anndare Ltd.	Ireland	7,18%	6,91%

For the purpose of comparative financial figures of these interim financial statements as at 31 December 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 twelve 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 12M							
Revenue	386	8 279	1 624	4 925	3 937	-829	18 322
Operating income and expense (net)	-25	-2 484	-2 724	7 748	177		2 692
Segment operating profit/ loss	-1 395	-2 438	-3 311	8 476	92		1 424
Financial income and expense (net)	-4 072	2 515	-254	-537	-102	-143	-2 593
Profit (loss) before income tax	-5 467	77	-3 532	7 939	-10	-143	-1 169
Income tax	0	0	325	-1 166	0		-841
Non-controlling interest	0	-76	0	0	0		-76
Net profit (loss) for the reporting period attributable to equity holders of the parent	-5 467	153	-3 240	6 773	-10	-143	-1 934
31.12.2015							
Assets	57 019	145 419	28 275	21 609	5 936	-127 935	130 323
Liabilities	101 723	8 375	15 524	15 518	2 916	-97 165	46 891
Acquisition of non-current assets	0	13	3	9	30		54
Depreciation and amortisation	0	-154	-219	-26	-294		-693
2014 12M							
Revenue	371	3 382	1 585	2 441	3 363	-807	10 335
Operating income and expense (net)	-38	24 210	5 961	1 679	303	-3 145	28 970
Segment operating profit/ loss	-1 618	23 214	5 492	1 959	-103	-3 085	25 859
Financial income and expense (net)	-3 470	2 745	-202	-539	-116	-1 134	-2 716
Profit (loss) before income tax	-5 088	25 959	5 290	1 420	-219	-4 219	23 143
Income tax	0	0	-1 605	-303	0		-1 908
Non-controlling interest	0	-154	8	0	0		-146
Net profit (loss) for the reporting period attributable to equity holders of the parent	-5 088	26 113	3 677	1 117	-219	-4 219	21 381
31.12.2014							
Assets	52 650	145 587	30 694	14 812	5 967	-124 679	125 031
Liabilities	92 101	8 461	14 084	15 573	3 132	-94 108	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 31 December 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 were valued into their fair value based on the valuation of independent expert. The valuation, which conforms to International Valuation Standards, was performed by independent real estate appraiser 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>	31.12.2015	31.12.2014
Acquisition value	22 209	22 555
Accumulated depreciation	-5 107	-4 936
Balance value	17 102	17 619

<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	TOTAL
Acquisition value 01.01.2014	21 638	1 211	2 441	25 290
Additions:				
Acquired	6	89	82	177
Revaluation (+/-)	-1 941	0	-5	-1 946
Disposals:				
Sold or disposed through subsidiary	-912	-12	-19	-943
Written off	0	-13	-10	-23
Acquisition value 31.12.2014	18 791	1 275	2 489	22 555
Additions:				
Acquired	7	34	20	61
Reclassified	475	395	-870	0
Increase in value	43	0	0	43
Disposals:				
Sold	0	0	-1	-1
Liquidated	0	-16	-433	-449
Acquisition value 31.12.2015	19 316	1 688	1 205	22 209

<i>in thousands of euros</i>	Land and buildings	Machinery and equipment	Other tangible assets	TOTAL
Accumulated depreciation 01.01.2014	1 985	900	2 184	5 069
Additions:				
Depreciation charge for the period	572	134	36	742
Disposals:				
Sold or disposed through subsidiary	-826	-9	-18	-853
Written off	0	-13	-9	-22
Accumulated depreciation 31.12.2014	1 731	1 012	2 193	4 936
Additions:				
Depreciation charge for the period	488	152	44	688
Reclassified	428	280	-708	0
Revaluation (+/-)	-64	0	0	64
Disposals:				
Sold	0	0	-1	-1
Liquidated	0	-15	-433	-448
Accumulated depreciation 31.12.2015	2 583	1 429	1 095	5 107

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 from change in fair value	31 696	31 696
Balance at 31.12.2014	88 110	88 110
Additions:		
Acquired	1 306	1 306
Changes in fair value:		
Gain from change in fair value	3 041	3 041
Balance at 31.12.2015	92 457	92 457

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.

A new valuation has been performed by Colliers International at the end of 2015. According to valuation reports the total increase in value of the properties was 4 347 thousand euros since the last valuation.

Note 7. Loans

<i>in thousands of euros</i>	31.12.2015	31.12.2014
Current debt, financial institutions	931	6 877
Non-current debt, financial institutions	6 924	3 728
Current debt, related parties	30	4 538
Non- current debt, minority shareholder	308	1 308
Convertible debt, bonds	11 157	11 219
Non- convertible debt, bonds	15 640	2 240
Total	34 990	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%. During reporting period The Company has used the limit in amount 600 000 euros and in July repaid the amount.

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. On 6 August 2015 the Company prolonged maturity of PKG1 convertible bonds in the amount of 3 261 459,60 euros. The new maturity date is 13 August 2017.

During reporting period the Company has issued 134 senior secured callable fixed rate bonds with the value of 13 400 000 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>	31.12.2015	31.12.2014	CCY	Interest %
Swedbank AS (EE)	1 405	1 507	EUR	2,65%+ 6m Euribor
Swedbank AS (EE)	2 107	2 271	EUR	2,65%+ 6m Euribor
Swedbank AS (EE)	0	18	EUR	2,5%+ 6m Euribor
Nordea Bank AB Estonian branch (EE)	220	659	EUR	3,1%+ 1m Euribor
AS Swedbank (LV)	3 245	3 605	EUR	3%+ 3m Euribor
"Swedbank" AB (LT)	878	1 871	EUR	3%+ 6m Euribor
"Swedbank" AB (LT)	0	674	EUR	3,85%+ 6m Euribor
Combrimat Ltd.	0	1 000	EUR	5%
Svalbork Invest, related party	0	3 738	EUR	5%
Fiducaria Emiliana S.r.l	197	197	EUR	12%
Nikasi Overseas SA	111	111	EUR	12%
Estrella Ltd.	0	800	EUR	5%
Colosseum OÜ	30	0	EUR	5%
Convertible bonds, various investors	11 157	11 219	EUR	7%
Non-convertible secured bonds, various investors	13 400	0	EUR	8%
Non-convertible unsecured bonds, various investors	2 240	2 240	EUR	5%
Total	34 990	29 910		

Loan repayment

<i>in thousands of euros</i>	31.12.2015	31.12.2014
Due within 1 year	8 013	16 582
Due between 2 to 5 years	29 229	13 020
Due after 5 years	308	308
Total	34 990	29 910

Pledged assets

<i>in thousands of euros</i>		Carrying value of pledged assets	
Beneficiary	Collateral description	31.12.2015	31.12.2014
Swedbank AS (Estonia) *	Tondi St 51, Tallinn	595	874
Swedbank AS (Estonia)	Põhja Avenue 21, 21a, 21 b-1, Tallinn	5 600	5 725
Swedbank AS (Estonia)	Põhja Avenue 21, 23, Tallinn	303	427
Nordea Bank AB Est Br (Estonia)	Marsi St 3, 3a, 3b, Tallinn	4 346	4 808
Nordea Bank AB Est Br (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	208	181
Nordea Bank AB Est Br (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 190	2 300
AS Swedbanka (Latvia)	Pulkveza Brieza St 11, Riga	5 506	5 647
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	15 601	17 426
Swedbank AB (Lithuania)	Aguonu St 10,12,14; Saltiniu 20, 22, 24, 26, Vilnius	19 920	13 358
AS Merko Ehitus Eesti	Peterburi tee 2, Tallinn	26 300	

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	13	
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	823	
Nordic Trustee & Agency AB (SE)	Pro Kapital Bonum UAB	800	
Nordic Trustee & Agency AB (SE)	bank accounts with Nordea Bank AB (SE)	560	
Total		131 472	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 12M	2014 12M	2015 Q4	2014 Q4
Revenue from sales of real estate	10 055	2 720	3 315	331
Rental revenue	205	205	49	47
Hotel operating revenue	6 489	5 880	1632	1363
Revenue from maintenance services	1 486	1 465	394	420
Other services	87	65	21	13
Total	18 322	10 335	5 411	2 174

Note 9. Cost of goods sold

<i>in thousands of euros</i>	2015 12M	2014 12M	2015 Q4	2014 Q4
Cost of real estate sold	7 942	2 306*	2 697	517*
Cost of providing rental services	116	112	44	77
Cost of hotel operations	4 384	4 036	1 168	993
Cost of maintenance	1 401	1 345	370	419
Cost of other services	31	41	11	12
Total	13 874	7 840*	4 290	2 018*

To provide clearer presentation of operating results a few changes in reclassification of costs took place starting from the end of 2015. The changes included in the current report are:

- Commission fees and transaction costs related to sales of real estate have been recorded as Marketing Costs. In the current report these costs are classified as “Cost of real estate sold”. The total effect to direct costs is 187 thousand euros in 2015 and 84 thousand euros in 2014.
- Direct depreciation costs of hotel properties have been recorded as “Cost of providing rental services” and partially as “Cost of other services”. In the current report depreciation costs of hotel properties are classified as “Cost of hotel operations”.

*Adjustments of marketing costs recorded in direct costs in 2014

Note 10. Gross profit

<i>in thousands of euros</i>	2015 12M	2014 12M	2015 Q4	2014 Q4
Real estate	2 113	414*	618	-186*
Rental revenue	89	93	5	-30
Hotel operating	2 105	1 844	464	370
Maintenance services	85	120	24	1
Other services	56	24	10	1
Total	4 448	2 495*	1 121	156*

To provide clearer presentation of operating results a few changes in reclassification of costs took place starting from the end of 2015. The changes included in the current report are:

- Commission fees and transaction costs related to sales of real estate have been recorded as Marketing Costs. In the current report these costs are classified as “Cost of real estate sold”. The total effect to direct costs is 187 thousand euros in 2015 and 84 thousand euros in 2014.
- Direct depreciation costs of hotel properties have been recorded as “Cost of providing rental services” and partially as “Cost of other services”. In the current report depreciation costs of hotel properties are classified as “Cost of hotel operations”.

*Adjustments of marketing costs recorded in direct costs in 2014

Note 11. Administrative expenses

<i>in thousands of euros</i>	2015 12M	2014 12M	2015 Q4	2014 Q4
Staff costs	2 437	2 286	605	648
Offices and communication	210	166	55	28
Travel and transportation	159	152	44	40
Consulting, software licences, etc	359	381	-60	163
Bank, stock exchange, depository fees	382	320	193	106
Land and real estate taxes	482	491	147	97
Depreciation charge	100	79	25	24
Amortisation charge	7	6	2	1
Other costs	1 114	1 279	484	72
Total	5 250	5 160	1 495	1 179

Note 12. Financial income and expenses

Financial income

<i>in thousands of euros</i>	2015 12M	2014 12M	2015 Q4	2014 Q4
Interest income	7	19	0	3
Gain from foreign currency translation	0	1	0	0
Gain from disposal of subsidiary	0	17	0	-2
Other financial income	5	8	1	0
Total	12	45	1	1

Financial expenses

<i>in thousands of euros</i>	2015 12M	2014 12M	2015 Q4	2014 Q4
Interest expenses	2 080	1 537	581	399
Foreign currency loss	144	1 135	130	1 134
Other financial expenses	382	89	-27	19
Total	2 606	2 761	684	1 552

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	01.01.2015-31.12.2015	$(54\,106\,575 \cdot 312/365) + (54\,203\,938 \cdot 53/365)$	=54 120 713
In period	01.01.2014-31.12.2014	$(54\,106\,575 \cdot 365/365)$	=54 106 575
In period	01.10.2015-31.12.2015	$(54\,106\,575 \cdot 39/92) + (54\,203\,938 \cdot 53/92)$	=54 162 665
In period	01.10.2014-31.12.2014	$(54\,106\,575 \cdot 92/92)$	=54 106 575

Indicative earnings per share:

01.01.2015-31.12.2015	- 1 934 thousand euros/ 54 120 713 = -0,04 euros
01.01.2014-31.12.2014	21 381 thousand euros/ 54 106 575 = 0,40 euros
01.10.2015-31.12.2015	1 022 thousand euros/ 54 162 665 = 0,02 euros
01.10.2014-31.12.2014	24 273 thousand euros/ 54 106 575 = 0,45 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).

The extraordinary shareholders meeting of 25 September 2015 decided to increase the share capital of AS Pro Kapital Grupp by issuing new shares in amount of 97 363 with price 2,20 euros per share.

The offering of new shares of AS Pro Kapital Grupp took place from 28 September until 16 October 2015. The right to subscribe for new shares was issued to Paolo Vittorio Michelozzi, the Member of the Management Board of the Company. During the offering period all 97 363 shares were subscribed with total value of 214 198,60 euros. The share capital after registration of new shares is 10 840 787,60 euros.

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 12M	2014 12M
<i>Significant owners, management and related companies to them</i>		
Revenue	87	8
Administrative expenses	12	0
Loan repayments received	501	0
Interest income	0	8
Loans received (incl minority shareholding)	630	2 108
Loans repaid	6 138	68
Interest expenses (incl minority shareholding)	252	190
Paid interest (incl minority shareholding)	784	0
Purchase of minority shareholding	360	0
Salaries and bonuses paid to management	929	942

Receivables from related parties

<i>in thousands of euros</i>	31.12.2015	31.12.2014
<i>Significant owners and owner related companies</i>		
Current receivables from related parties	10	501
Total	10	501

Payables to related parties

<i>in thousands of euros</i>	31.12.2015	31.12.2014
<i>Significant owners and owner related companies</i>		
Short term payables (incl minority shareholding)	392	4 284
Long term payables (incl minority shareholding)	362	0
<i>Payables to Members of Council and Management Board</i>	0	116
Total	754	4 400

Shareholding in %

	31.12.2015	31.12.2014
<i>Members of the Council and persons related to them</i>	0,2%	36,24%
<i>Members of the Board</i>	0,34%	0,16%

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.

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 twelve months and the fourth 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	22 February 2016
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Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	22 February 2016
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