

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR II QUARTER AND 6 MONTHS OF 2019
(UNAUDITED)

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AS Pro Kapital Grupp in brief

AS Pro Kapital Grupp (hereinafter as “the Company” and/or “Pro Kapital”) is the leading real estate development company in the Baltics, with a commitment and passion for developing high quality, uniquely designed residential and commercial buildings. The Company was established in 1994, which makes Pro Kapital the first professional real estate development company in the Baltics with 25 years of experience. The key focus is on developing large-scale premium areas in the capitals of Baltic states – Tallinn, Riga and Vilnius, aimed at delivering maximum value for the stakeholders. Pro Kapital is the only real estate company with eight large ongoing and upcoming projects in its portfolio.

Pro Kapital has to date, successfully completed more than 250 thousand square meters of living and commercial premises and at least the same volume is yet to be developed. The Company is focused on delivering the highest quality. Forward looking business management is implemented through all operations across the value-chain, with inhouse competence. The Company can thereby ensure socially, economically and environmentally sustainable business growth.



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Management report

Key highlights

The total revenue of the Company for the reporting period of six months was 22.5 million euros, which is an increase of 49% compared to the reference period (2018 6M: 15.1 million euros). The total revenue of the second quarter was 12.1 million euros, an increase of 47% compared to 8.3 million euros during the same period in 2018. The real estate sales revenues are recorded at the moment of handing over the premises to the buyer. Therefore, the revenues from sales of real estate of the Company depend on the completion of the residential developments. The improvement of the results of the second quarter was influenced by continuous active sales of Kristina Houses development in Tallinn, River Breeze Residence in Riga and the completion of five new buildings in Šaltinių Namai Attico development in Vilnius, where presales were partly realized in notarised sales transactions in June already and are continuing in the third quarter.

The gross profit for the reporting period of six months was 8.2 million euros and for the second quarter was 4.0 million euros. In the comparable period the gross profit figures were 5.0 million euros and 3.2 million euros respectively. Gross profit margin has increased by 3%.

The operating result for the reporting period of six months was 5.1 million euros profit comparing to 4.4 million euros profit during the same period in 2018. The operating result of the second quarter was 2.4 million euros comparing to 3.7 million euros in 2018. The operating result of 2018 was influenced by 1.9 million profit from increase of investment property value in the second quarter.

The net result for the reporting period of the six months was 0.3 million euros loss and 0.1 million euros loss for the second quarter. In the comparable period the net results were 2.8 million euros profit and 2.9 million euros profit respectively. The net result of the period was influenced negatively by 3.5 million euros of interest expenses in AS Tallinna Moekombinaat. The interests are recorded in finance cost instead of capitalization into investment property, which has been done during active development until 31 December 2018.

Cash generated in operating activities during the reporting period was 0.5 million euros comparing to 3.2 million euros of cash generated during same period in 2018. In the second quarter of 2019 cash generated in operating activities was 0.8 million euros and 0.3 million euros during the same period in 2018.

Net assets per share on 30 June 2019 totalled to 1.77 euros compared to 1.51 euros on 30 June 2018.

Key performance indicators

	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Revenue, th EUR	22 512	15 065	12 140	8 267	27 991
Gross profit, th EUR	8 179	5 033	4 037	3 229	9 576
Gross profit, %	36%	33%	33%	39%	34%
Operating result, th EUR	5 121	4 429	2 477	3 742	21 483
Operating result, %	23%	29%	20%	45%	77%
Net result, th EUR	-276	2 822	-163	2 940	18 056
Net result, %	-1%	19%	-1%	36%	65%
Earnings per share, EUR	0.00	0.05	0.00	0.05	0.30
		30.06.209	30.06.2018	31.12.2018	
Total Assets, th EUR		248 972	197 777	245 112	
Total Liabilities, th EUR		148 510	112 273	144 374	
Total Equity, th EUR		100 462	85 504	100 738	
Debt / Equity *		1.48	1.31	1.43	
Return on Assets, % **		-0.1%	1.5%	8.6%	
Return on Equity, % ***		-0.3%	3.4%	19.7%	
Net asset value per share, EUR ****		1.77	1.51	1.78	

* 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

Main events

On 31 January 2019 the Company informed about changes in the Management Board and Supervisory Council of its subsidiaries. Ervin Nurmela was recalled from the Management Board member position of AS Tallinna Moekombinaat and from the Supervisory Council member position of AS Tondi Kvartal. Allan Remmelkoor was elected as the new Supervisory Council member of AS Tondi Kvartal. Allan Remmelkoor was recalled from the Management Board member position of AS Tondi Kvartal and Ervin Nurmela was elected as the new Management Board of AS Tondi Kvartal. CEO of AS Pro Kapital Grupp Paolo Michelozzi said that Allan Remmelkoor continues to work with the T1 Mall of Tallinn and is involved in preparations for potential new shopping mall developments. Ervin Nurmela focuses on the large-scale development projects of Kristiine City and Kalaranna Kvartal residential and commercial area in Tallinn, Estonia.

On 8 March 2019 the Company prolonged the redemption date of 382 778 PKG6 convertible bonds by 2 years. New redemption date is 8 March 2021.

On 13 March 2019 the Company announced about the decision of the Supervisory Council of Pro Kapital to re-elect member of the Management Board of Pro Kapital, Edoardo Axel Preatoni until 31 December 2021.

On 24 April 2020 the Company redeemed 30 “AS Pro Kapital Grupp bond 04.2019” bonds in total issue price of 300 000 euros.

On 25 May 2019 the Company prolonged the redemption date of 82 950 PKG7 convertible bonds by 2 years. New redemption date is 25 May 2021.

Chairman's summary

Our key focus is set on large-scale development projects of residential and commercial quarters in all Baltic capitals – Tallinn, Riga and Vilnius. With 25 years of experience and large portfolio we have a strong understanding of the market we operate in.

Our current portfolio holds a number of prestigious residential and commercial development projects, either ongoing or upcoming. In addition, Pro Kapital has an extensive experience in developing and operating shopping malls. In November 2018, we opened a new generation shopping and entertainment centre - T1 Mall of Tallinn. T1 is located in one of the most fast-growing parts of Tallinn, which will be the future heart of Rail Baltica. The concept, but also architecture of T1 is unique across Baltics, with very wide selection of restaurants, cinema, entertainment centre amongst traditional shopping. As of April 2019, a Ferris Wheel on the rooftop of T1, a one of a kind across Europe, started welcoming guests. Following the opening, we have been in the progress of building a well-balanced mix of tenants which would complement the T1's value proposition.

The thoroughness and diversity of our business and portfolio is reflected by the stable improvement of our performance. The sales revenues during the first half-year have increased by 49% y-o-y, from 15.1 million euros in 2018 to 22.5 million euros during 2019. This result was strongly influenced by the active sales of Šaltiniu Namai Attico five new houses in Vilnius, Kristina Houses development in Tallinn, River Breeze Residence in Riga, but also rental revenues from T1, which we did not have in 2018. Our revenues from the sales of the real estate depend on the completion of the residential developments, as the revenues are recorded at the moment final notary deeds of sale are concluded and properties handed over to the buyer. As a result of the active sales, the operating result for the first half-year of 2019 was 5.1 million euros profit compared to 4.4 million euros profit during the same period in 2018. During the Q2 the operating result was 2.5 million euros profit in 2019 and 3.7 million euros profit in 2018. The operating result of 2018 was influenced by extraordinary gain from increase of value of investment property in amount of 1.9 million euros. Gross profit margin has increased by 3% during the first half-year y-o-y. Otherwise positive results were influenced by 3.5 million euros interest expenses related to T1 project, which in previous periods have been capitalized into cost of investment property. Consequently, the net result of the first half-year of 2019 was 276 thousand euros loss compared to 2.8 million euros profit during the same period in 2018.

Developing in the Baltic Market

Pro Kapital is one of the most senior developers in the Baltic market, with more than 25 years of experience. The market has changed rapidly during this time. Long-term experience we have gained operating each market, allows us to use that know-how to strengthen the Group's position. All three Baltic markets have been growing post crisis

at the same time showing maturity expecting long-term, quality focused business strategy from the developer. Each market however has its specific qualities depending on the geography, demographics as well as the socio-political situation.

Estonia

Estonian real-estate market continues to grow in both, middle-class and premium segment, which are both represented in our portfolio. It is an increasingly maturing and knowledgeable market with high expectations. In 2018, 3100 new apartments were completed in Tallinn, which is the main development area for Pro Kapital, compared to 2900 new apartments in 2017. It is expected that developers will finish construction of 3000-3300 apartments in Tallinn in 2019. Likely to the volumes, the average square meter price has increased by 3,5% y-o-y, which is related to rising income levels. However, the market has remained rational following the recession. For example, 40% of the deals take place without a bank loan and overall 10-20% of the apartments are bought as investments¹. With high offer on the market and the overall maturity of the market, the thoroughness of the development has become increasingly important. This means the real-estate investment is very well considered. The customer understands and values the quality of materials and room planning in addition to the location and well-planned living environment. Thus, the reputation of a developer has become as an important value for to the customer, as real-estate purchase is being considered as a long-term investment for a single buyer as well as for the portfolio investment. Although there are relatively high number of developers in the market, the quality of the products offered varies tremendously.

The overall balance between the demand and supply in Estonian market, is shown by the fact most apartments are booked and sold during the course of construction. High volume of transactions has also been reflected in Pro Kapital sales in Kristiine City, where also large share of transactions is being carried out prior to the completion of the buildings. A significant ongoing development in Kristiine City, which is remarkably highly valued by the customers, is Kristina Houses project. More than 85% of the apartments in Kristina Houses find a new owner during the presales prior the completion of the construction. We are currently developing the final three buildings of Kristiina Houses and have, to date pre-sold 67 of 92 homes. The activity of the market is as well demonstrated by the very high interest and a number of pre-bookings in Pro Kapital's Kalaranna Quarter development, located on by the water right on the border of Tallinn's old town. To date, we have signed 92 reservation agreements for the residential premises in Kalaranna, although we have not started the construction nor public sales activities.

In Tallinn, the prices for apartments vary mainly according to location. New apartments cost 2300-5000 euros per square meter in the city centre and 1700-2500 euros per square meter in the residential districts¹.

Latvia

Latvian market has remained rational after recovery from the economic recession; however, the customer's purchase decision is most and foremost impacted by the local tax system and additional expenses dependent on the volume of the purchase, both monetary and the size of the premise. As a result, the strongest growth in the market is in upper-middle class segment, where the average prices range from 1500-4000 euros per square meter, depending on the area. The luxury segment, where apartment prices start from 4,000 euros per square meter is, on the other hand, challenging². Transactions occur but only with the best apartments that feature competitive spatial parameters, various uniqueness traits, and extremely good location. As premium segment is currently our primary segment of operating in Riga, we are very active with the sales and marketing of the luxury apartment building River Breeze Residence, located on the peninsula of Kliversala.

In total, the apartment prices in Riga increased by 2.5% in 2018, after an increase of 6.1% in 2017. In 2018 Riga saw a 4% decrease in apartment sales, on average 762 apartments were sold each month. At the same time, the share of transactions with apartments above 400 000 euros in Riga seldom exceeded 0.5% of total number of the apartments sold per year, which indicates the disproportion of different segments in the market. In addition to tax system, the amendments to the Immigration law affected the growth of transactions in this segment³. However, it is important to stress that River Breeze Residence has been exceeding all competition in the sales in the luxury segment. In 2018, when River Breeze was completed, we closed 7 sales out of 29 transactions³ in total in the exclusive segment. As at 30th of June 2019, River Breeze Residence had closed in sales of 4,2 million euros (including VAT) in total in 2019, which means apartments, underground parking and storage premises. This is by far the strongest result in the luxury segment through the sales period of 2018 and 2019.

It is however important to foresee the changes in the market, as we are proceeding with other development projects in Riga. For example, due to the tax system, the preference for two- and three-room apartments has changed rapidly within recent years, counting for 69% of the bought apartments in 2018 alone². Pro Kapital has adopted more practical room planning, more similar to the Estonian market, into future development projects, like Kliversala's second phase. Also, we are focusing on the increasing upper middle-class market as well as attracting investors with an interest to invest into large portfolio with long term returns.

Lithuania

Like other Baltic markets, the Lithuanian market has been growing with 3% in 2018 in Vilnius which is our development area. In 2017 the increase according to the Ober-Haus Lithuanian apartment price index was 3.6%. The average price at the end of 2018 rose to 1512 euros per square meter and starting from 2000 euros per square meter in upper class¹, which is Pro Kapital's key segment of operations in Vilnius. The residential

market has been growing fast and has been continuously active for the past years due to increasing population, and at the same time, growing income and low mortgage rates have positive impact to the housing development. It is expected that the demand for housing will stay strong in 2019, as general conditions for purchasing property remain highly favourable, new and well-paid jobs are created and the population in the capital city keeps increasing¹. As Pro Kapital is operating in the luxury segment, it is important that the luxury housing market has also been growing since 2014. According to Sotheby's, it is highly likely that in 2019, the number of deals worth more than 300,000 euros, will exceed the 2017 peak with 281 transactions. During the first half of this year, 164 luxury homes were sold⁴.

Lithuanian market has increasingly high expectations, even more so in the luxury segment. Similarly, in Tallinn and Riga the customers expect very well considered development projects, that have been carefully planned down even to the smallest of detail, from the construction and materials, to the whole infrastructure and living environment. People wish their homes to have access to everything relevant within walking or cycling distance or easy to access with transportation. Thus, like all Baltic markets, the developer's reputation and ability to implement long-term business strategy in a sustainable manner, has become vitally important.

Unlike in Estonia or Latvia, the apartments sold in the luxury segment are mostly sold without finishing. That leaves the customer the opportunity to fully design their homes and this is perceived as an integral part of their individuality, which is highly valued in Lithuanian market. Apartments in our prestigious development project Šaltinių Namai, are sold with partial finishing, which means people can still change the planning and choose the interior at their preference.

Šaltinių Namai has been highly valued amongst customers. In the second quarter of 2019, we completed five new houses of Šaltinių Namai Attico, which is the second phase of Šaltinių Namai, and have to date sold 80% of the apartments out of 110 in total.

Šaltinių Namai Attico is one of the first developments in Lithuanian market, certified with A++ energy class. Sustainable, long-term mindset in development is very much appreciated by the market, as it does represent comprehensive and long-term mindset towards the environment as well as to the economy. Efficient energy measures pay off long-term and that gives the customer the confidence to the real-estate investment.



Paolo Michelozzi
CEO
AS Pro Kapital Grupp
29 July 2019

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3. "Review of the luxury apartments of Riga market above 400,000 euros", Roman Golubev, chief editor of real estate magazine "Square metre", March 2019
4. Lithuanian Market Overview by Egidija Bružienė, partner of Luxury Real Estate Agency Baltic Sotheby's International Realty. Verslo žinios, July 2019

Group structure

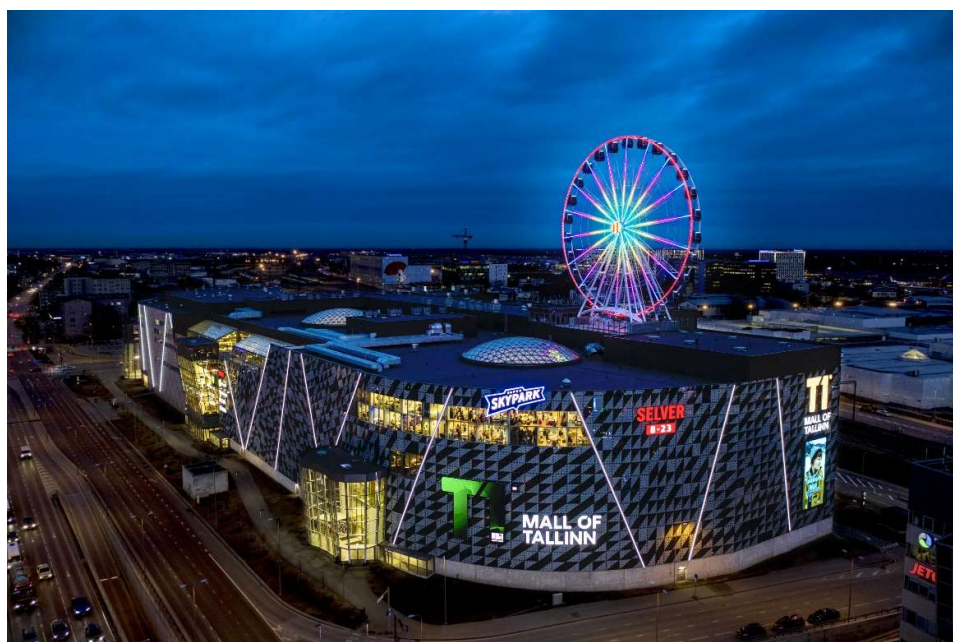
As at 30 June 2019



Overview of the development projects

T1 Mall of Tallinn – a new standard of retail and entertainment

T1 Mall of Tallinn is located at the centre of the near-future heart of the capital of Estonia. Unlike any shopping or entertainment centre in the Baltics, T1 is bringing communities together and change the behaviour and interpersonal interaction entirely. The Company believes people need more comfort and consolidation from services and experiences, more openness and responsiveness. T1 is thereby one of the key development projects that reflects the mindset of the Company. T1, with total building volume of 130 thousand square metres and gross leasable area 55 thousand square meters, is opened to the visitors from November 2018.



Ülemiste 5, Tallinn

Ülemiste 5 land plot is closely connected to the T1 Mall of Tallinn property, located on Peterburi road 2. Ülemiste 5 will be developed for commercial premises with gross leasable area 14 thousand square meters. This development project will play a significant role in establishing the new public transportation centre of Tallinn. The Company is currently in the process of establishing new detail plan with regards to the connection with Rail Baltica terminal. The plan will be coordinated and implemented in close co-operation with the City of Tallinn.

Kristiine City in Tallinn

Kristiine City is one of the largest residential areas in the Baltic countries, located in the Kristiine borough, a residential area very close to the City Centre of Tallinn. The unique project plans exquisitely integrated historical red brick buildings with the modern architecture that will arise over the hill, at the very heart of the new quarter. The Kristiine City development will bring lively and elegant atmosphere to the historical barrack area. The residential area is developed mainly to offer green living environment to families and people who prefer living outside the very centre or the city.

Kristina Houses in Kristiine City

This is a development of ten new apartment buildings located in Kristiine City with an estimation of 22 thousand square meters of net sellable area in total. The Company



has, to date, completed seven apartment buildings. The construction and presale of the final three buildings are ongoing. Seventh building was completed in March and the last three apartment buildings at Sammu street will be ready by the end of 2019.

Kalaranna in Tallinn

The Kalaranna development is located at the very heart of Tallinn, in the most exclusive and prestigious area, right on the beachfront of central Tallinn. The detail planning of the property includes a beach promenade and a well-connected public space with a building solution, turning the entire region into a truly valuable area in the city. The total net



sellable or rentable area of the development is more than 30 thousand square meters, most of which is residential real estate. The Company has finalised the detail planning and design works are currently in progress. The design is carried out by well-known architects Ott Kadarik and Mihkel Tüür, who were the winners of architectural competition held.

Kliversala in Riga

The district of Kliversala is located in the most picturesque and beautiful part of the centre of Riga. A land plot of almost five hectares in total, is located on the peninsula on the Daugava river and Agenskalna bay, facing the towers of Old Riga and the President Castle. The property will be developed as an integral residential quarter.

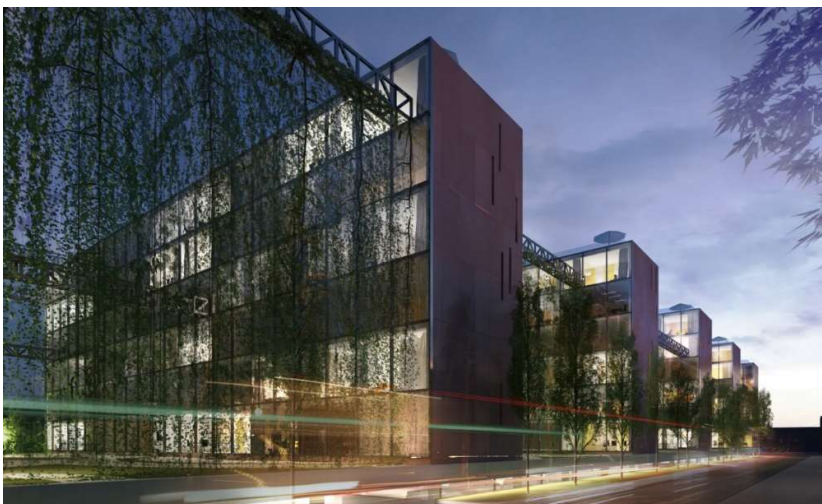
The River Breeze Residence and the neighbouring territory are a significant part of the long-term development strategy of the city of Riga, which will be carried out through the period until 2030. Mainly because the River Breeze Residence is located within the UNESCO heritage protection area and is thereby considered as a highly valuable territory.

The River Breeze Residence is a newly constructed residential building and a landmark of the city's silhouette, on the left side of the bank of the river. The River Breeze Residence is the first building in the Kliversala quarter, exclusive residential development, located on the shore of river Daugava and Agenskalna bay. Construction works of the building were completed in spring 2018 and the Company has started design works for the following phase.



Zvaigznes Quarter in Riga

Commercial property development of the modern office complex will be built on the site of a former factory. The area is located at one of the main transport arteries heading through the city – the Brīvības street - making it an attractive commercial area. The first phase of the project foresees renovation of the existing industrial building into an office building. The construction of new office and commercial buildings will be



carried out as a second phase of the project. The site is ready for construction, existing building is conserved. The Company started the design works for the renovation in 2017 and is currently in progress with technical design of the premises.

Tallinas Quarter in Riga

Tallinas street 5/7 is located in the central city of Riga, where a new residential development is planned. The project foresees a series of apartment buildings with commercial premises on the first floor. The building complex will



consist of new buildings and restored historical buildings that will create a unique atmosphere in the area. The building permit has been issued and the technical design is currently in progress.

Šaltinių Namai in Vilnius

Šaltinių Namai is a prestigious new quarter surrounded by the nature in the most peaceful part of the Old Town of Vilnius.

The first stage of project Šaltinių Namai has been completed, with altogether six five-floor buildings with attics and eleven private cottages. Residents of Šaltinių Namai quarter are already enjoying the private courtyard, beautiful landscape and fully equipped children's playground.

In June five new buildings of the following stage have been completed and presales started to realize into final sales deeds.



Segments and sales information

The Company's operations are divided across four geographical segments: Estonia, Latvia, Lithuania and Germany. In addition, the Company monitors its activities through the business activities: real estate sale and rent, hotel operations, maintenance of real estate and other services.

Revenue structure of six months, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
Real estate	5 970	8 095	3 903	3 841	5 609	403	0	0	15 482	12 339
Rent	4 937	4	35	36	35	67	0	0	5 007	107
Hotel	0	0	0	0	0	0	1 873	1 875	1 873	1 875
Maintenance	22	600	0	10	72	71	0	0	94	681
Other	28	0	11	50	17	13	0	0	56	63
Total	10 957	8 699	3 949	3 937	5 733	554	1 873	1 875	22 512	15 065

Revenue structure of second quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
Real estate	1 505	3 028	1 528	3 841	5 551	215	0	0	8 584	7 084
Rent	2 435	3	18	18	15	42	0	0	2 468	63
Hotel	0	0	0	0	0	0	1 009	977	1 009	977
Maintenance	12	74	0	3	36	36	0	0	48	113
Other	13	0	6	18	12	12	0	0	31	30
Total	3 965	3 105	1 552	3 880	5 614	305	1 009	977	12 140	8 267

The Company's operations in **Estonia** consist of the development and sales of residential and business premises, rental activity and maintenance of residential and business premises. Revenue from rent and maintenance services of T1 Mall of Tallinn is included in the rent revenue.

The share of the Estonian segment as a percentage of total revenues of the Company for the six months amounted to 48.7% compared to 57.7% during the same period last year. The decrease in Estonian segment is resulting from growing real estate sale segment in Lithuania.

During the reporting period of six months the total of 41 apartments, 58 parking lots and 34 storage rooms were sold (2018 6M: 78 apartments, 1 business premises, 68 parking lots and 28 storage rooms). Seven of ten apartment buildings have been completed in Kristina Houses development and almost all apartments are completely

sold. 67 presales agreements have been signed for the last three houses, which will be completed this autumn.

At the end of the reporting period the stock consisting of 3 residential and 1 business premises, also several parking spaces and storage rooms were available for sale in Tallinn.

The Company's operations in **Latvia** consist of development and sale of apartments in premium residential real estate property.

The share of the Latvian segment as a percentage of total revenues of the Company for the six months amounted to 17.5% comparing to 26.1% in the same period last year. The decrease results from the significant increase in Lithuanian segment. At the moment of issuing the current report 34 luxury apartments, several storage rooms and parking lots are available for sale in Latvia.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company for the six months amounted to 25.5% comparing to 3.7% during the same period last year. The significant increase in total revenue was affected by the completion of five new buildings in Šaltinių Namai Attico development in June.

During the reporting period 21 apartments, 1 cottage, 26 storage rooms and 23 parking lots were sold in Lithuania (2018 6M: 1 apartment and 1 business premises). In the 3rd quarter we expect that the rest of the preliminary agreements (close to 60) will be realized into notarised sales transactions in Šaltinių Namai Attico development. There were 93 apartments, 2 cottages, 3 business premises, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

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

The share of the German segment as a percentage of total revenues of the Company for the six months amounted to 8.3% comparing to 12.4% last year. The decrease in German segment is resulting from growing real estate sale segment in Baltic countries and opening of T1 Mall of Tallinn. The occupancy rate of 64% of PK Parkhotel Kurhaus has decreased by 6% compared to the same period in 2018. In the second quarter the occupancy rate was 70% which is 1% lower than last year. The revenues remained though at the same level due to higher average room rate. Gross operating profit has

decreased 7% and amounted to 299 thousand euros comparing to 320 thousand in 2018. Net result decreased by 17 thousand euros comparing to the same period last year.

Other operative data of six months

	EST	EST	LV	LV	LT	LT	Total	Total
	2019 6M	2018 6M	2019 6M	2018 6M	2019 6M	2018 6M	2019 6M	2018 6M
M2 sold*	3 005	4 133	1 129	1 048	1 862	157	5 996	5 338
Average price, m2/EUR*	1 816	1 837	3 152	3 369	2 508	2 575	2 283	2 159
M2 under maintenance	26 307	30 948	0	12 660	18 045	17 642	44 352	61 250

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

Other operative data of second quarter

	EST	EST	LV	LV	LT	LT	Total	Total
	2019 Q2	2018 Q2	2019 Q2	2018 Q2	2019 Q2	2018 Q2	2019 Q2	2018 Q2
M2 sold*	716	1 524	440	1 048	1 862	61	3 018	2 633
Average price, m2/EUR*	1 864	1 795	3 187	3 369	2 508	3 548	2 454	2 462
M2 under maintenance	26 307	30 948	0	12 660	18 045	17 642	44 352	61 250

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

Financing sources and policies

Pro Kapital pursues conservative financing policy, targeting on high ratio of equity in its projects, as compared to the industry standards. The objective of the Company is to use external financing in a manner that enables to avoid interest related risk during the low economic periods and to have sufficient additional external financing capacity when 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 the Company's credit standing.

During the reporting period, the Company borrowed 2.4 million euros from AB Luminor Bankas (Lithuania), Swedbank AS (Latvia) 0.6 million euros and 10.3 million euros from LHV Bank (Estonia). The Company has repaid 7.6 million euros of the bank loans during the six months of 2019. As at 30 June 2019, the total amount borrowed from the banks was 92.7 million euros (Note 8). Bank loans are predominantly of middle-term duration, maturing within one to five years. Repayment schedule is mixed, both fixed for some loans and floating, depending on sales volumes for the others.

As at 30 June 2019 the Company had 10.1 million euros convertible bonds (current portion: 4.1 million euros; long term portion: 6.0 million euros), 0.3 million euros non-

convertible bonds maturing in the third quarter and 29.3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020 of which 1.4 million euros are held by Pro Kapital.

Shares and shareholders

As at 30 June 2019 Pro Kapital had issued 56 687 954 shares in total with the nominal value 0.20 euros. The registered share capital of the Company was 11 337 590.80 euros.

As at 30 June 2019 there were 167 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent different non-resident investors.

Shareholders holding over 5% of the shares as at 30 June 2019 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	27 506 561	48.52%
Clearstream Banking Luxembourg S.A. Clients	11 054 018	19.50%
Nordea Bank AB (Publ)/ Non-treaty Clients	6 609 496	11.66%
Svalbork Invest OÜ	4 051 238	7.15%

The largest shareholders of AS Pro Kapital Grupp are Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as of 30 June 2019 Ernesto Preatoni and his affiliates control 41.22% of shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 4 051 238 shares representing 7.15% of the total shares of the Company.
- 14 007 726 shares representing 24.71% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 5 310 985 shares representing 9.36% of the total shares of the Company held through a nominee account opened by Nordea Bank.

Participation of Member of the Management Board and the Council Members as at 30 June 2019 is as follows:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi	CEO	281 647	0.50%
Allan Remmelkoor	COO	0	0.00%
Edoardo Axel Preatoni	Board member	0	0.00%
Emanuele Bozzone	Chairman of the Council	0	0.00%
Petri Olkinuora	Council Member	30 000	0.05%
Ernesto Preatoni	Council Member	23 369 949	41.22%

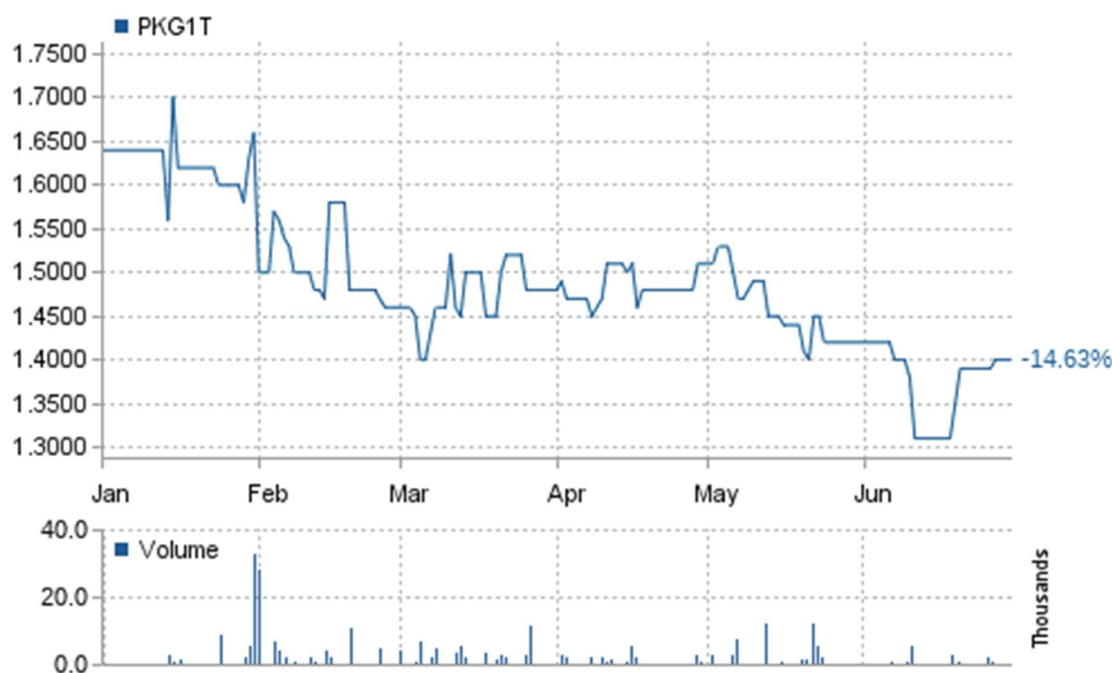
Paolo Vittorio Michelozzi is holding 3 secured, callable, fixed rate bonds of the Company with the nominal value of 300 000 euros.

Edoardo Axel Preatoni is holding 10 secured, callable, fixed rate bonds of the Company with the nominal value of 1 000 000 euros.

Emanuele Bozzone, with his affiliates, is holding 5 secured, callable, fixed rate bonds of the Company with the nominal value of 500 000 euros.

Earnings per share during the six months of 2019 were 0.00 euros (2018 6M: 0.05 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 June 2019, NASDAQ Baltic Main List



Source: nasdaqbaltic.com

On 23 November 2012 the Company was listed on the secondary list of Tallinn's stock exchange. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn's stock exchange. During the period 1 January – 30 June 2019 the shares were traded at the price range 1.31 - 1.71 euros, with the closing price of 1.40 euros per share on 28 June 2019. During the period 250 thousand of the Company's shares were traded with their turnover amounting to 375 thousand euros.

Since 13 March 2014 the Company's shares are available for trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 30 June 2019 the shares were traded at the price range of 1.26 - 1.62 euros, with the closing price 1.30 euros per share on 28 June 2019. During the period 180 thousand of the Company's shares were traded with the total turnover of 259 thousand euros.

Legal overview and developments

The Company has set the policy to disclose the information about pending court litigation disputes which might have material financial effect on the Company and its share price. The Company will disclose all disputes which might have financial effect of at least 100 000 euros at once or during the period of one financial year.

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 at the end of the reporting period.

People

As at 30 June 2019 the Company employed 86 people compared to 87 people on 30 June 2018. 38 of them were engaged in hotel and property maintenance services (44 on 30 June 2018). The number of employees does not include council members.

Risks

The most significant risks for the Company are related with the market, liquidity and financing.

Due to long- term orientation in business model the Company can survive turbulences in the markets. 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 circle, thus naturally capitalising on market opportunities and hedging market risk. The size and the diversity of the Company's real estate portfolio allows to adjust itself according to the needs in the market.

Liquidity risks are managed on an 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 risks.

Risk of financing might prolong the Company's schedule of property development and cause the slow-down of realization of its real estate portfolio. The risk is managed through maintaining the continuity of funding and balancing through the use of bank overdrafts, bank loans, bonds and other debentures as well as expanding its investor base and attracting additional financing from outside of Estonia. The Company considers the main risk of events occurring in local banking market, in terms of less alternatives for financing real estate projects and increasing interest rates.

Significant business risk would occur with another crisis, the decrease of the substantial purchasing capability of the permanent residence, the increase of the interest rates for mortgage loans and other factors which could decrease the demand for real estate and have a negative impact to the Group operating activities, decreasing the sales and rent income as well the gain from development activities, property management service. The Company has valued possible business risks and has taken necessary measures to ensure the sustainability in its development.

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Paolo Michelozzi	Chief Executive Officer	29 July 2019
	and Chairman of the Management Board	

Allan Remmelkoor	Chief Operating Officer	29 July 2019
	and Member of the Management Board	

Edoardo Preatoni	Member of the Management Board	29 July 2019
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Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	30.06.2019	30.06.2018	31.12.2018
ASSETS				
Current assets				
Cash and cash equivalents		4 102	6 711	7 040
Current receivables		2 856	3 153	2 928
Inventories	5	57 935	57 078	59 331
Total current assets		64 893	66 942	69 299
Non-current assets				
Non-current receivables	6	3 199	35	216
Property, plant and equipment	7	7 783	7 101	7 128
Investment property	8	172 757	123 390	168 145
Intangible assets		340	309	324
Total non-current assets		184 079	130 835	175 813
TOTAL ASSETS	3	248 972	197 777	245 112
LIABILITIES AND EQUITY				
Current liabilities				
Current debt	9	39 788	9 319	10 328
Customer advances	10	4 932	5 070	5 707
Current payables		6 975	12 597	11 939
Tax liabilities		298	116	357
Short-term provisions		1 101	7	852
Total current liabilities		53 094	27 109	29 183
Non-current liabilities				
Long-term debt	9	92 360	79 273	112 009
Other non-current payables		1 118	3 738	1 039
Deferred income tax liabilities		1 827	2 003	2 004
Long-term provisions		111	150	139
Total non-current liabilities		95 416	85 164	115 191
TOTAL LIABILITIES	3	148 510	112 273	144 374
Equity attributable to owners of the Company				
Share capital in nominal value		11 338	11 338	11 338
Share premium		5 661	5 661	5 661
Statutory reserve		1 134	1 082	1 082
Revaluation reserve		3 262	3 262	3 262
Retained earnings		76 663	59 944	59 944
Profit/ Loss for the period		-129	2 870	16 827
Total equity attributable to owners of the Company		97 929	84 157	98 114
Non-controlling interest	4	2 533	1 347	2 624
TOTAL EQUITY		100 462	85 504	100 738
TOTAL LIABILITIES AND EQUITY		248 972	197 777	245 112

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

Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
CONTINUING OPERATIONS						
Operating income						
Revenue	10	22 512	15 065	12 140	8 267	27 991
Cost of goods sold	11	-14 333	-10 032	-8 103	-5 038	-18 415
Gross profit	12	8 179	5 033	4 037	3 229	9 576
Marketing expenses		-294	-459	-152	-280	-1 336
Administrative expenses	13	-2 775	-2 323	-1 422	-1 238	-5 427
Other income	14	50	2 210	23	2 034	18 839
Other expenses	14	-39	-32	-9	-3	-169
Operating profit		5 121	4 429	2 477	3 742	21 483
Financial income	15	2	2	1	1	4
Financial expense	15	-5 572	-1 661	-2 815	-802	-3 473
Profit/ loss before income tax		-449	2 770	-337	2 941	18 014
Income tax		173	52	174	-1	42
Profit/ loss for the period		-276	2 822	-163	2 940	18 056
Attributable to:						
Equity holders of the parent		-129	2 870	-86	2 966	16 827
Non-controlling interest	4	-147	-48	-77	-26	1 229
Total comprehensive income/ loss for the year		-276	2822	-163	2940	18 056
Attributable to:						
Equity holders of the parent		-129	2 870	-86	2 966	16 827
Non-controlling interest		-147	-48	-77	-26	1 229
Earnings per share for the period (EUR)	16	0.00	0.05	0.00	0.05	0.30

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Cash flows from operating activities						
Profit/loss for the period		-276	2 822	-163	2 940	18 056
Adjustments for:						
Depreciation, amortisation of non-current assets		194	104	100	52	214
Gain from disposal of property, plant, equipment		0	-4	0	14	-4
Gain from disposal of investment property		0	0	0	0	-418
Change in fair value of property, plant, equipment		0	0	0	0	-13
Change in fair value of investment property		0	-1 910	0	-1 910	-17 995
Finance income and costs	15	5 570	1 659	2 814	801	3 469
Changes in deferred tax assets and liabilities		-177	-55	-177	-2	-54
Other non-monetary changes (net amounts)		50	16 456	20	16 109	15 458
Changes in working capital:						
Trade receivables and prepayments		-959	1 736	-2 531	1 306	1781
Inventories		1 411	-19 054	1 993	-17 590	-21 307
Liabilities and prepayments		-5 368	1 528	-1 223	-1 322	-128
Provisions		24	-110	14	-129	-107
Net cash used/ generated in operating activities		469	3 172	847	269	-1 048
Cash flows from investing activities						
Payments for property, plant and equipment	7	-166	-90	-135	-33	-206
Payments for intangible assets		-25	0	-24	0	-24
Proceeds from disposal of property, plant, equipment		0	336	0	0	336
Payments for investment property		-4 637	-22 186	-1 104	-12 896	-47 786
Proceeds from disposal of investment property		0	0	0	0	1 000
Interests received	15	2	2	1	1	4
Net cash used in investing activities		-4 826	-21 938	-1 262	-12 928	-46 676
Cash flows from financing activities						
Dividend payment		0	-850	0	0	-850
Redemption of convertible bonds		0	0	0	0	-9
Redemption of non-convertible bonds		-300	0	-300	0	-640
Proceeds from borrowings		13 388	22 514	5 818	15 071	56 923
Repayment of borrowings		-7 576	-4 755	-3 733	-2 704	-7 496
Repayment of lease liabilities		-85	0	-49	0	0
Interests paid		-2 008	-1 749	-1 384	-1 222	-3 481
Deposited amount related to loan obligations	6	-2 000	0	-2 000	0	0
Net cash used/ generated by financing activities		1 419	15 160	-1 648	11 145	44 447
Net change in cash and cash equivalents		-2 938	-3 606	-2 063	-1 514	-3 277
Cash and cash equivalents at the beginning		7 040	10 317	6 165	8 225	10 317
Cash and cash equivalents at the end of the period		4 102	6 711	4 102	6 711	7 040

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

Consolidated interim statements of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non- controlling interests	Total equity
1 January 2017	10 854	1 816	1 082	9 462	55 191	78 405	1 799	80 204
Increase of share capital	484	3 845	0	0	0	4 329	0	4 329
Distribution of dividends	0	0	0	0	-850	-850	0	-850
Changes in revaluation reserve	0	0	0	-6 202	6 202	0	0	0
Comprehensive loss for the period	0	0	0	-4	-419	-423	-99	-522
31 December 2017	11 338	5 661	1 082	3 256	59 950	81 287	1 395	82 682
Changes in revaluation reserve	0	0	0	6	-6	0	0	0
Comprehensive profit for the period	0	0	0	0	2 870	2 870	-48	2 822
30 June 2018	11 338	5 661	1 082	3 262	62 814	84 157	1 347	85 504
Comprehensive profit for the period	0	0	0	0	13 957	13 957	1 277	15 234
31 December 2018	11 338	5 661	1 082	3 262	76 771	98 114	2 624	100 738
Changes in statutory reserve	0	0	52	0	-52	0	0	0
Changes in statutory reserve in non-controlling interests	0	0	0	0	-56	-56	56	0
Comprehensive loss for the period	0	0	0	0	-129	-129	-147	-276
30 June 2019	11 338	5 661	1 134	3 262	76 534	97 929	2 533	100 462

Notes to consolidated interim financial statements

Note 1. General information

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

Shareholder	Country of incorporation	Ownership 30.06.2019	Ownership 30.06.2018	Ownership 31.12.2018
Raiffeisen Bank International AG	Austria	48.52%	0.00%	49.44%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	19.50%	29.87%	18.42%
Nordea Bank Finland Plc Clients	Finland	11.66%	2.46%	10.87%
Svalbork Invest OÜ	Estonia	7.15%	10.60%	7.15%
Nordea Bank AB (Publ)/ Non-treaty Clients	Finland	0.00%	43.59%	0.00%

For the purpose of comparable financial figures of these interim financial statements as at 30 June 2019, AS Pro Kapital Grupp 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 the investors.

For the comparable period of six months of 2019, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Parent Company and its subsidiaries.

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 2018.

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 2018, except for application of the new standard IFRS 16.

IFRS 16 “Leases” was adopted by the EU on 31 October 2017 and became effective for annual periods beginning on or after 1 January 2019. The purpose of the new standard is to ease the comparability of the financial statements, presenting both financial and operating leases in the statement of financial position of the lessees, and providing corresponding information to the users of the financial statements about the risks associated with the agreements. The Group has decided to apply modified retrospective approach (with adjustment on initial application and with no restatement of 2018) and practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. The Group as a lessee recognises all leases as right-of-use assets (Note 7) and lease liabilities (Note 9) at their present value of the future payments in the statement of financial position. The Group has decided to apply the practical expedient, which allows leases not longer than twelve months and leases of low value assets to recognise as an expense. The Group considers the same depreciation principles as are used for the similar assets in the Group. Alternative incremental borrowing rate of 2.62% - 5% is applied depending on the class of asset.

Note 3. Segment reporting

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2019 6M							
Revenue	0	10 957	3 952	5 733	2 124	-254	22 512
<i>incl. sale of real estate</i>	<i>0</i>	<i>5 970</i>	<i>3 903</i>	<i>5 609</i>	<i>0</i>		<i>15 482</i>
<i>incl. rental income</i>	<i>0</i>	<i>4 937</i>	<i>35</i>	<i>35</i>	<i>0</i>		<i>5 007</i>
<i>incl. hotel operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2 124</i>	<i>-251</i>	<i>1 873</i>
<i>incl. maintenance services</i>	<i>0</i>	<i>22</i>	<i>0</i>	<i>72</i>	<i>0</i>		<i>94</i>
<i>incl. other revenue</i>	<i>0</i>	<i>28</i>	<i>14</i>	<i>17</i>	<i>0</i>	<i>-3</i>	<i>56</i>
Other operating income and expenses (net)	-1	7	13	-2	-6		11
Segment operating profit/loss	-1 001	3 686	1 336	1 112	-17	5	5 121
Financial income and expense (net)	-2 469	-2 673	-241	-109	-69	-9	-5 570
Profit/Loss before income tax	-3 470	1 013	1 095	1 003	-86	-4	-449
Income tax	0	0	0	174	-1		173
Non-controlling interest	0	-147	0	0	0		-147
Net profit/loss for the financial year attributable to equity holders of the parent	-3 470	1 160	1 095	1 177	-87		-129
30.06.2019							
Assets	59 353	263 401	31 159	27 703	6 914	-139 558	248 972
Liabilities	119 545	93 308	20 912	18 740	4 020	-108 015	148 510
Acquisition of non-current assets	1	79	2	2	107		191
Depreciation and amortisation	-3	-35	-27	-16	-113		-194

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2018 6M							
Revenue	0	8 699	3 939	555	2 122	-250	15 065
<i>incl. sale of real estate</i>	<i>0</i>	<i>8 095</i>	<i>3 841</i>	<i>403</i>			<i>12 339</i>
<i>incl. rental income</i>	<i>0</i>	<i>3</i>	<i>35</i>	<i>67</i>			<i>105</i>
<i>incl. hotel operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2 122</i>	<i>-247</i>	<i>1 875</i>
<i>incl. maintenance services</i>	<i>0</i>	<i>601</i>	<i>10</i>	<i>72</i>		<i>-1</i>	<i>682</i>
<i>incl. other revenue</i>	<i>0</i>	<i>0</i>	<i>53</i>	<i>13</i>		<i>-2</i>	<i>64</i>
Other operating income and expenses (net)	0	2 072	93	2	35	-24	2 178
Segment operating profit/loss	-842	3 799	1 550	-137	59		4 429
Financial income and expense (net)	689	1 045	-173	-126	-69	-3 025	-1 659
Profit/Loss before income tax	-153	4 844	1 377	-263	-10	-3 025	2 770
Income tax	0	0	-3	54	1		52
Non-controlling interest	0	-48	0	0	0		-48
Net profit/loss for the financial year attributable to equity holders of the parent	-153	4 892	1 374	-209	-9		2 870

30.06.2018

Assets	58 735	205 470	35 123	22 666	6 887	-131 104	197 777
Liabilities	112 277	56 927	23 910	14 735	3 990	-99 566	112 273
Acquisition of non-current assets	0	4	36	1	49		90
Disposal of non-current assets	0	-2	0	-366	0		-368
Depreciation and amortisation	-3	-18	-2	-7	-74		-104

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2018 12M							
Revenue	705	15 464	5 771	2 828	4 457	-1 234	27 991
<i>incl. sale of real estate</i>	<i>0</i>	<i>13 284</i>	<i>5 616</i>	<i>2 553</i>	<i>0</i>		<i>21 453</i>
<i>incl. rental income</i>	<i>0</i>	<i>1 271</i>	<i>69</i>	<i>118</i>	<i>0</i>		<i>1 458</i>
<i>incl. hotel operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4 457</i>		<i>4 457</i>
<i>incl. maintenance services</i>	<i>0</i>	<i>644</i>	<i>10</i>	<i>141</i>	<i>0</i>		<i>795</i>
<i>incl. other revenue</i>	<i>705</i>	<i>265</i>	<i>76</i>	<i>16</i>	<i>0</i>		<i>1 062</i>
Other operating income and expenses (net)	-1	20 599	-1 934	0	6		18 670
Segment operating profit/loss	-1 592	23 294	-300	-136	217		21 483
Financial income and expense (net)	-1 741	2 086	-383	-265	-140	-3 026	-3 469
Profit/Loss before income tax	-3 333	25 380	-683	-401	77	-3 026	18 014
Income tax	0	0	-3	48	-3		42
Non-controlling interest	0	1 229	0	0	0		1 229
Net profit/loss for the financial year attributable to equity holders of the parent	-3 333	24 151	-686	-353	74		16 827

31.12.2018

Assets	60 057	255 324	32 409	27 156	7 034	-136 868	245 112
Liabilities	116 780	86 244	23 258	19 369	4 052	-105 329	144 374
Acquisition of non-current assets	0	56	40	2	132		230
Disposal of non-current assets	0	0	0	-358	0		-358
Depreciation and amortisation	-5	-39	-7	-11	-152		-214

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 1 January 2018	6.65%
Minority (%) as at 30 June 2018	6.65%
Minority (%) as at 31 December 2018	6.65%
Minority (%) as at 30 June 2019	6.65%

in thousands of euros

Non-controlling interest as at 1 January 2018	1 395
Loss for the reporting period	-48
Non-controlling interest as at 30 June 2018	1 347
Profit for the reporting period	1 277
Non-controlling interest as at 31 December 2018	2 624
Loss for the reporting period	-147
Changes in statutory reserve in non-controlling interests	56
Non-controlling interest as at 30 June 2019	2 533

Note 5. Inventories

Property held for resale include completed real estate stock in Tallinn, Riga and Vilnius. Works in progress include properties being under development in Tallinn and Vilnius or waiting for development in the nearest future.

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Property held for resale	28 039	19 838	16 604
<i>incl. Kristina Houses, Tallinn</i>	297	1 833	1 242
<i>incl. River Breeze, Riga</i>	10 362	13 459	12 513
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	17 115	2 345	2 115
<i>incl. other properties</i>	265	2 201	734
Works in progress	29 804	37 103	42 665
<i>incl. Kristina Houses, Tallinn</i>	7 753	4 164	4 917
<i>incl. Kalaranna Quarter, Tallinn</i>	16 099	15 260	15 681
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	5 952	17 679	22 067
Goods bought for resale	52	49	58
Prepayments for inventories	40	88	4
Total	57 935	57 078	59 331

Five buildings in the second stage of Šaltinių Namai development project in Vilnius were completed in June and the process of handing over apartments to the new owners is continuing in the third quarter. Residential buildings in Sammu street in Tallinn, which are part of Kristina Houses project are expected to be completed in autumn of 2019.

Note 6. Non-current receivables

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Deposited cash on the bank account	2 000	0	5
Accrued income (rental income)	1 161	0	176
Finance leases	32	35	34
Other non-current receivables	6	0	1
Total	3 199	35	216

AS Tallinna Moekombinaat has transferred 2.0 million euros to a separate bank account to guarantee loan repayments as per loan agreement with Lintgen Adjacent Investments.

Accrued income has increased 1.0 million euros due to the changes in estimation of rental income according to IFRS 15.

Note 7. Property, plant and equipment

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

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Acquisition value	10 994	10 213	10 154
Accumulated depreciation	-3 211	-3 112	-3 026
Residual value	7 783	7 101	7 128

On 30 June 2019 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn.

On comparable date 31 December 2018, property, plant and equipment did not include right-of-use assets. On 1 January 2019 the Group recognised leases in total amount of 674 thousand euros as right-of-use assets using modified retrospective approach.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Right-of-use assets	Prepay-ments	Total
Acquisition value 01.01.2018	9 267	880	344	0	9	10 500
Additions:						
Acquired	0	16	44	0	33	93
Reclassification	0	0	-3	0	-9	-12
Disposals:						
Sold	-358	0	0	0	0	-358
Written off	0	0	-10		0	-10
Acquisition value 30.06.2018	8 909	896	375	0	33	10 213
Additions:						
Acquired	94	22	30	0	-42	104
Reclassification	-45	0	-120	0	9	-156
Changes in fair value	-2	0	0	0	0	-2
Disposals:						
Written off	0	0	-5	0	0	-5
Acquisition value 31.12.2018	8 956	918	280	0	0	10 154
Initial application of IFRS 16 (Note 2)	0	0	0	674	0	674
Adjusted acquisition value 01.01.2019	8 956	918	280	674	0	10 828
Additions:						
Acquired	0	22	59	0	85	166
Acquisition value 30.06.2019	8 956	940	339	674	85	10 994

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Right-of-use assets	Prepay-ments	Total
Accumulated depreciation 01.01.2018	1 934	843	288	0	0	3 065
Additions:						
Depreciation charge for the period	74	9	14	0	0	97
Disposals and write offs:						
Sold	-40	0	0	0	0	-40
Written off	0	0	-10	0	0	-10
Accumulated depreciation 30.06.2018	1 968	852	292	0	0	3 112
Additions:						
Depreciation charge for the period	73	12	16	0	0	101
Reclassification	-44	0	-123	0	0	-167
Changes in fair value	-15	0	0	0	0	-15
Disposals and write offs:						
Written off	0	0	-5	0	0	-5
Accumulated depreciation 31.12.2018	1 982	864	180	0	0	3 026
Additions:						
Depreciation charge for the period	74	11	23	77	0	185
Accumulated depreciation 30.06.2019	2 056	875	203	77	0	3 211

Note 8. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
Balance at 01.01.2018	114 140	0	114 140
Additions:			
Investments	22 581	0	22 581
Capitalised interests	2 437	0	2 437
Changes in fair value:			
Profit from change in fair value (Note 14)	1 910	0	1 910
Reclassified into inventories	-17 678	0	-17 678
Balance at 30.06.2018	123 390	0	123 390
Additions:			
Investments	27 619	0	27 619
Capitalised interests	1 633	0	1 633
Changes in fair value:			
Profit from change in fair value	16 085	0	16 085
Disposals:			
Sold	-582		-582
Start of operating lease	-129 200	129 200	0
Balance at 31.12.2018	38 945	129 200	168 145
Additions:			
Investments	660	3 952	4 612
Balance at 30.06.2019	39 605	133 152	172 757

The fair values of the Group's investment property at 31 December 2018 have been derived on the basis of valuations carried out by Colliers International, an independent valuator not related to the Group. The valuations were performed by reference to recent market information. Mainly discounted cash flow method was used due to low number of comparable market transactions.

Investments into property during reporting period include mainly construction costs of AS Tallinna Moekombinaat in amount of ca 3.9 million euros.

Note 9. Current and non-current debt

Current debt

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Bank loans and overdrafts	7 436	2 203	5 397
Convertible bonds	4 077	6 176	4 331
Non-convertible bonds	28 115	940	600
Lease liabilities (Note 2)	160	0	0
Total	39 788	9 319	10 328

Non-current debt

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Bank loans and overdrafts	85 255	46 720	77 970
Convertible bonds	6 063	4 086	5 802
Non-convertible bonds	0	28 012	27 763
Payables to non-controlling interest	492	455	474
Lease liabilities (Note 2)	550	0	0
Total	92 360	79 273	112 009

On comparable date 31 December 2018, current and non-current debt didn't include lease liabilities which are related to right-of-use assets (Note 2). On 1 January 2019, the Group recognised these leases in amount of 673 thousand euros. The total balance as at 30 June 2019 is 710 thousand euros.

Creditors

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Luminor Bank AS (EE)	431	460	446
LHV Bank AS (EE)	11 119	0	3 855
AS Swedbank (LV)	2 851	5 680	4 494
AS DNB Bankas (LT)	4 555	0	4 347
Lintgen Adjacent Investments (Agent) incl long-term interests	73 734	42 783	70 222
Fiducaria Emiliana S.r.l including long-term interests	318	294	306
Anndare Limited including long-term interests	174	161	168
Convertible bonds, various investors	10 140	10 261	10 133
Non-convertible bonds, various investors	300	1 240	600
Secured bonds, various investors	27 815	27 713	27 763
Lease agreements	710	0	0
Swedbank (EE), credit cards	1	0	3
Total	132 148	88 592	122 337

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 15) for the reporting period was 5.6 million euros (2018 6M: 1.7 million euros).

Convertible bonds

The Company has issued convertible bonds with issue price of 2.80 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%. Remaining balance sheet value is 10.1 million euros and redemption value 10.2 million euros. The balance value includes 112 thousand euros of prolongation fees that are discounted over the effective period of convertible bonds.

On 8 March 2019 the company prolonged the redemption date of 382 778 PKG6 convertible bonds by 2 years. New redemption date is 8 March 2021.

On 25 May 2019 the company prolonged the redemption date of 82 950 PKG7 convertible bonds by 2 years. New redemption date is 25 May 2021.

All other conditions for convertible bonds have remained unchanged.

Unsecured non-convertible bonds

The company has issued non-convertible bonds with issue price 10 000 euros.

On 24 April 2019 the Company announced the redemption of 30 non-convertible “AS Pro Kapital Grupp bond 04.2019” with the total value of 300 000 euros. The maturity date of 5% non-convertible bonds was 23 April 2019.

On the reporting date the remaining balance of non-convertible unsecured bonds is 30 bonds with total value of 300 000 euros.

Secured non-convertible bonds

On 2 April 2015 the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the Company. The Management Board of the Company was authorized to issue the bonds in several tranches, maximum up to 50 million euros. As at 30 June 2019 the Company has issued 293 bonds with the total value of 29.3 million euros with redemption date on 1 June 2020 and with a fixed rate of 8%. At the end of the reporting period 14 bonds were held by the Company itself and the liability on the balance sheet has been reduced by 1.4 million euros. The last emission of the bonds was issued with a discount, therefor 150 bonds are accounted for at a discounted rate. The total value of the bonds on the balance sheet on 30 June 2019 was 27.8 million euros.

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

Pledged assets in balance sheet value

in thousands of euros

Beneficiary	Collateral description	30.06.2019	30.06.2018	31.12.2018
Bank accounts				
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	35	37	37
Lintgen Adjacent Investments	AS Swedbank	2 000	0	919
Inventory				
Luminor Bank	Sõjakooli 12, 12a, 12b, 12c, Tallinn	297	3 228	3 176
Luminor Bank	Sammu 6, 6a, 6b, Tallinn	7 523	2 418	2 807
LHV Bank AS	Kalaranna 5, 7, 8, 22, Tallinn	16 099	N/A	15 681
AS Swedbanka (Latvia)	Trijadibas St.5, Riga	23 860	27 864	25 956
AB DNB Bankas (Lithuania)	Aguonu 8 & 10, Vilnius	14 025	N/A	12 916
Property, plant and equipment				
Nordea Bank Finland Estonian branch	Sõjakooli 11, Tallinn	730	732	730
Investment property				
Lintgen Adjacent Investments	AS Tallinna Moekombinaat	133 152	83 710	129 200

Share pledges to Nordic Trustee & Agency AB (NTA) related to secured callable fixed rate bonds:

NTA	Pro Kapital Germany Holdings OÜ	11	11	10
NTA	Pro Kapital Germany GmbH	25	25	25
NTA	PK Hotel Management Services GmbH	116	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3	3
NTA	Pro Halduse OÜ	26	26	26
NTA	AS Tondi Kvartal	160	160	160
NTA	OÜ Marsi Elu	20	20	20
NTA	AS Tallinna Moekombinaat	11 795	11 975	11 795
NTA	Kalaranna Kvartal OÜ	3	N/A	0
NTA	Dunte Arendus OÜ	3	N/A	0
NTA	Pro Kapital Latvia JSC	9 960	9 960	9 960
NTA	Kliversala SIA	14 531	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	4 700	4 000	4 000
NTA	Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	2 500	2 500	2 500
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335	1 335
NTA	In Vitam UAB	3	3	3
NTA	PK Invest UAB	823	823	823
NTA	Pro Kapital Bonum UAB	800	800	800

Note 10. Revenue

Segment revenue

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Revenue from contracts with customers					
Revenue from sale of real estate	15 482	12 339	8 585	7 084	21 453
Hotel operating revenue	1 873	1 875	1 009	977	3 935
Revenue from maintenance and other services	150	745	77	144	1 145
Total revenue from contracts with customers	17 505	14 959	9 671	8 205	26 533
Rental income	5 007	106	2 469	62	1 458
Total	22 512	15 065	12 140	8 267	27 991

Timing of revenue recognition

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
At a point in time					
Revenue from sale of real estate	15 482	12 339	8 585	7 084	21 453
Hotel operating revenue	1 873	1 875	1 009	977	3 935
Revenue from other services	56	63	29	30	351
Total revenue recognised at a point in time	17 411	14 277	9 623	8 091	25 739
Over time					
Rental income	5 007	106	2 469	62	1 458
Revenue from maintenance fees	94	682	48	114	794
Total	22 512	15 065	12 140	8 267	27 991

Rental income has increased significantly by 4.9 million euros compared to the same period in the last year due to the rental revenues of T1 Mall of Tallinn, which was opened in November 2018.

Customer advances decrease when real right agreements are signed and real estate have been handed over to the customer and is the point in time when the Group is entitled for consideration and revenue from sale of real estate is recognised. Customer advances have decreased for 775 thousand euros compared to the end of 2018.

Note 11. Cost of sales

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Cost of real estate sold	10 351	7 893	6 113	4 159	14 021
Cost of providing rental services	2 484	65	1 249	31	782
Cost of hotel operations	1 435	1 437	703	701	2 889
Cost of maintenance services	51	597	27	142	664
Cost of other services	12	40	11	5	59
Total	14 333	10 032	8 103	5 038	18 415

Note 12. Gross profit

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Real estate	5 131	4 446	2 472	2 925	7 432
Rental revenue	2 524	41	1 220	31	676
Hotel operating	438	439	306	276	1 046
Maintenance services	43	84	21	-28	130
Other services	43	23	18	25	292
Total	8 179	5 033	4 037	3 229	9 576

Note 13. Administration expenses

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Staff costs	1 397	1 353	702	693	2 814
Land and real estate taxes	196	246	108	149	450
Depreciation charge	67	31	34	14	63
Amortisation charge	0	1	0	0	0
Other	1 115	693	578	382	2 100
Total	2 775	2 323	1 422	1 238	5 427

Note 14. Other income and expenses

Other income

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Fines collected	26	271	19	121	348
Profit from sale of non-current assets	0	4	0	0	4
Profit from sale of investment property	0	0	0	0	418
Gain from fair value adjustments of non-current assets	0	0	0	0	13
Gain from fair value adjustments of investment property (Note 8)	0	1 910	0	1 910	17 995
Other	24	25	4	3	61
Total	50	2 210	23	2 034	18 839

Other expenses

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Fines paid	3	3	0	1	92
Loss from fair value adjustments of non-current assets	0	14	0	0	0
Other	36	15	9	2	77
Total	39	32	9	3	169

Note 15. Finance income and cost

Finance income

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Interest income	2	2	1	1	4
Total	2	2	1	1	4

Finance cost

in thousands of euros	2019 6M	2018 6M	2019 Q2	2018 Q2	2018 12M
Interest expenses	5 448	1 588	2 772	729	3 260
Other financial expenses	124	73	43	73	213
Total	5 572	1 661	2 815	802	3 473

AS Tallinna Moekombinaat finished capitalisation of interest expenses on 31 December 2018 due to the completion of T1 Mall of Tallinn shopping centre. The effect from the change in recognition of the finance cost is 3.5 million euros for the six months and 1.7 for the second quarter.

Note 16. Earnings per share

Earnings per share are calculated by dividing the net profit (loss) for the period which is attributable to the equity holders of the Parent with the weighted average number of the shares for the period.

Average number of shares:

For the period	01.01.2019-30.06.2019	(56 687 954x 181/181)	= 56 687 954
For the period	01.01.2018-30.06.2018	(56 687 954x181/181)	= 56 687 954
For the period	01.04.2019-30.06.2019	(56 687 954x 91/91)	= 56 687 954
For the period	01.04.2018-30.06.2018	(56 687 954x 91/91)	= 56 687 954
For the period	01.01.2018-31.12.2018	(56 687 954x365/365)	= 56 687 954

Indicative earnings per share:

For the period	01.01.2019-30.06.2019	-129 thousand euros/ 56 687 954 = 0.00 euros
For the period	01.01.2018-30.06.2018	2 870 thousand euros/ 56 687 954 = 0.05 euros
For the period	01.04.2019-30.06.2019	-86 thousand euros/ 56 687 954 = 0.00 euros
For the period	01.04.2018-30.06.2018	2 966 thousand euros/ 56 687 954 = 0.05 euros
For the period	01.01.2018-31.12.2018	16 827 thousand euros/ 56 687 954 = 0.30 euros

The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2018, therefore they have not been included in the calculation of the diluted net profit (loss) per share and diluted net profit (loss) per share equals the net profit (loss) per share indicator.

Note 17. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place on 23 May 2019. Six shareholders were present at the meeting and represented 56.96% of all votes. The main decisions adopted at the meeting were as follows:

1. The audited annual report of the Company for the financial year of 2018 was approved.
2. It was decided to transfer 51 627.58 euros of the profit to the statutory reserve and 18 005 279.42 euros of the profit to the retained earnings of previous periods.
3. It was decided to recall Pertti Pellervo Huuskonen from the Supervisory Council of the Company from 23 May 2019 and elect Ernesto Achille Preatoni to the Supervisory Council of the Company for the term of one year until 22 May 2020.
4. It was decided to elect AS Deloitte Audit Eesti as the auditor of the Company for the financial year of 2019.
5. It was decided to give the Supervisory board (Council) the right to increase the share capital of the Company by up to 1 200 000 euros within 3 years. The shares issued by the Council may be paid for by monetary contributions and/or by non-monetary contributions.

Minutes of the annual shareholders meeting have been published on AS Pro Kapital Grupp web page www.prokapital.com.

Note 18. 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 companies in which they hold majority interest or have significant influence.

Transactions with related parties

in thousands of euros	2019 6M	2018 6M	2018 12M
Significant owners and owner related companies			
Revenues	178	38	62
Administrative expenses	1	7	8
Purchase of real estate	0	1 978	1 978
Payment for real estate	0	1 240	1 776
Dividend payment	0	0	851
Minority shareholders			
Interest expenses	18	18	37
Other shareholders/ bondholders			
Interest expenses	356	356	718
Redemption of convertible bonds	0	0	9
Redemption of non- convertible bonds	300	0	640
Interest payments	718	718	718
Members of the Management Board and Council			
Salaries and bonuses paid to management	451	365	974
Administrative expenses	11	3	18

Receivables from related parties

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Short-term receivables			
From significant owners and owner related companies	2	1	2
Total	2	1	2

Payables to related parties

in thousands of euros	30.06.2019	30.06.2018	31.12.2018
Long-term payables			
To significant owner related company	0	739	203
To minority shareholders	492	455	474
To Members of the Management Board and Council	3	0	0
Total	495	1 194	677

Shareholding in the Company %

	30.06.2019	30.06.2018	31.12.2018
Members of the Council and individuals related them	41.22%	0.10%	0.10%
Members of the Board and individuals related them	0.50%	0.50%	0.50%

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

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for the six months and the second quarter of 2019.

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

Paolo Michelozzi	Chairman of the Management Board	29 July 2019
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Allan Remmelkoor	Member of the Management Board	29 July 2019
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Edoardo Preatoni	Member of the Management Board	29 July 2019
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