

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR IV QUARTER AND 12 MONTHS OF 2018
(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 in 2018 was 28.0 million euros, which is an increase of 99% compared to 12.1 million euros from continuing operations and 14.1 million euros including discontinued operations during the same period in 2017. The total revenue of the fourth quarter of 2018 was 6.9 million euros compared to 4.3 million euros during the same period of 2017. 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 2018 was influenced by the completion of the 4th, 5th and 6th apartment buildings in the Kristina Houses development in Tallinn, renovation works of Marsi 6 in Tallinn and River Breeze Residence in Riga, as presales realized in notarised sales transactions.

The gross profit of 2018 was 9.6 million euros, which is an increase of 78% compared to 4.6 million euros for continuing operations and 5.4 million euros including discontinued operations during the same period in 2017. The gross profit of the fourth quarter of 2018 was 2.7 million euros compared to 2.1 million euros during the same period in 2017.

The operating result of 2018 increased by 19.1 million euros, totalling to the operating profit of 21.5 million euros compared to profit of 1.8 million euros for continuing operations and profit of 2.4 million euros including discontinued operations during 12 months of 2017. The operating profit of the fourth quarter in 2018 was 16.7 million euros comparing to 1.2 million euros profit during the same period in 2017. Operating result includes profit from revaluation of investment properties. Total impact from revaluation in 2018 is 18.0 million euros (Note 7).

The net result of 2018 increased by 18.5 million euros, totalling to positive result of 18.0 million euros compared to the loss of 1.0 million euros for continuing operations and loss of 0.5 million euros including discontinued operations during 12 months of 2017. The net profit of the fourth quarter in 2018 was 15.8 million euros compared to 0.9 million euros profit during the same period in 2017.

Cash used in operating activities was -1.0 million euros in 2018 compared to -5.3 million euros during 2017. In the fourth quarter of 2018 cash used in operating activities was -4.5 million euros comparing to -2.2 million euros during same period in 2017.

Net assets per share on 31 December 2018 totalled to 1.80 euros compared to 1.46 euros on 31 December 2017.

Key performance indicators

	Continuing operations				Continuing and discontinued operations	
	2018 12M	2017 12M adjusted	2018 Q4	2017 Q4	2018 12M	2017 12M adjusted
Revenue, th EUR	27 991	12 077	6 948	4 281	27 991	14 098
Gross profit, th EUR	9 576	4 561	2 684	2 056	9 576	5 380
Gross profit, %	34%	38%	39%	48%	34%	38%
Operating result, th EUR	21 467	1 797	16 688	1155	21 467	2 385
Operating result, %	77%	15%	240%	27%	77%	17%
Net result, th EUR	18 040	-953	15 761	922	18 040	-518
Net result, %	64%	-8%	227%	22%	64%	-4%
Earnings per share, EUR	0.30	-0.02	0.26	0.02	0.30	-0.01
		31.12.2018	31.12.2017			
Total Assets, th EUR		245 105	175 158			
Total Liabilities, th EUR		144 383	92 476			
Total Equity, th EUR		100 722	82 682			
Debt / Equity *		1.43	1.12			
Return on Assets, % **		8.6%	-0.3%			
Return on Equity, % ***		19.7%	-0.6%			
Net asset value per share, EUR ****		1.78	1.46			

*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

2017 12M adjusted - comparative information from the annual audited report 2017.

- On 15 January 2018 the Parent distributed dividends to its shareholders in total amount of 850 319 euros, 0.015 euros per each share. The decision to pay dividends was taken on extraordinary shareholders' meeting held on 20 December 2017.
- On 22 January 2018 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2020.
- On 30 January 2018 Pro Kapital group company OÜ Marsi Elu notified Nordecon AS to start with the fourth building of second construction phase of Kristina Houses. A five-storey residential building with 31 apartments will be completed, which is the seventh building of Kristina Houses development. The planned completion of the works is April 2019 and the price of construction works is slightly over 2.8 million euros without VAT.
- On 9 March 2018 the Company informed its shareholders about the intention to reorganise its subsidiary Pro Halduse OÜ and reduce maintenance service business in Estonia. The goal of the maintenance services has been and also will be in the future, to provide good quality maintenance service to the buyers of the apartments, also to get feedback of any maintenance issues and to be able to use such information for improvements in future developments. Providing maintenance services to other properties under maintenance has not been the part of the core strategy of the group nor has it provided any significant profit for the group. Therefore it has been decided that the Company will concentrate on providing maintenance services only to the properties developed by Pro Kapital in recent years and to be developed in the future, all maintenance services to other properties will be terminated within the next few months. The influence of the reorganisation of the maintenance service business in Estonia for the group is as follows: based on 2017 financial results the group revenue will decrease by 1.352 million euros and gross profit by 155 thousand euros. The reorganization does not have material effect on profitability of the group.
- On 23 April 2018 the term of office of the Chairman of the Management Board of AS Pro Kapital Grupp, Paolo Vittorio Michelozzi was prolonged until 31 December 2021.
- On 7 May 2018 the Company announced the change in the Board of Pro Halduse OÜ. Allan Remmelkoo was recalled from the Board to enable him to focus on the opening T1 Mall of Tallinn shopping centre. New member of the Board Kati Rõuk has been working in the Company since 1999.
- On 29 June 2018 the Company announced establishment of a new subsidiary in Estonia. OÜ Dunte Arendus is owned 100% by AS Tondi Kvartal, a subsidiary of AS Pro Kapital Eesti. The purpose of establishment of the subsidiary is to transfer

Dunte premises located near Kristiine City in Tallinn to the subsidiary and commence the development of the project.

- On 17 July 2018 the Company announced establishment of a new subsidiary in Estonia. OÜ Kalaranna Kvartal is owned 100% by AS Pro Kapital Eesti. The purpose of establishment of the subsidiary is to transfer assets related to the Kalaranna Kvartal project located near the city centre of Tallinn to the subsidiary and to commence the development of the project.
- On 10 August 2018 the Company prolonged the redemption date of 838 984 PKG3 convertible bonds by 2 years. New redemption date is 10 August 2020. The Company is redeeming 1 200 PKG3 convertible bonds with the total issue price of 3 360 euros.
- On 21 August 2018 the Company announced the redemption of 64 non-convertible “AS Pro Kapital Grupp bond 08.2018” with the total value of 640 000 euros. The maturity date of 5% non-convertible bonds was 15 August 2018.
- On 10 September 2018 Pro Kapital group company OÜ Marsi Elu concluded a construction contract with Nordecon AS to start with the third construction phase of Kristina Houses. In the final phase, 3 residential buildings with 92 apartments will be completed in Sammu street. The planned completion of the works is the end of 2019 and the price of construction works is about 8 million euros without VAT.
- On 17 September 2018 the company prolonged the redemption date of 516 029 PKG4 convertible bonds by 2 years. New redemption date is 16 September 2020.
- On 02 October 2018 the Company announced that Estonia’s first new-generation shopping and entertainment centre T1 Mall of Tallinn holds an opening event on 8 November.
- On 21 November 2018 The Listing and Surveillance Committee of the Nasdaq Tallinn Stock Exchange approved the application submitted by AS Pro Kapital Grupp to terminate trading in the company’s shares on the Secondary List and to list the shares on the Main List starting from 19 November 2018.
- On 29 November 2018 the company prolonged the redemption date of 381 634 PKG5 convertible bonds by 2 years. New redemption date is 29 November 2020. The Company redeemed 2 000 PKG5 convertible bonds with the total issue price of 5 600 euros.

Chairman's summary

The year 2018 has been significant for Pro Kapital, with respect to reaching important milestones in the operations which in turn is demonstrated by financial performance of the Company. We have shown stable growth through our business and continue to focus on improving our results.

Pro Kapital aims to strengthen its position as one of the largest and strongest real-estate companies in the Baltics, with more than ever emphasis on all aspects of the business. I'm especially glad to highlight that in the fourth quarter of 2018, Pro Kapital opened a one of a kind shopping and entertainment centre T1 Mall of Tallinn, right at the heart of the future transportation centre of Tallinn. This new landmark will continue to grow and is expected to welcome a unique ferris wheel to be installed on the roof of the mall in early spring of 2019.

As of 19 November 2018, the Company's shares are traded on the Nasdaq Tallinn Stock Exchange Main List. We are more than ever dedicated in building new communities and aspire sharing our story with investors as equally as with the public.

Building new communities

Our business is not merely about building houses but establishing entire communities and improving the living environment. The Company has nearly 25 years of experience identifying upcoming opportunities and thereby add new value to the areas of development. One of the most significant ongoing developments in Tallinn, the Kristiine City area, allows to expect increase in real-estate price in the entire surrounding area. We develop in multiple phases and have completed six of ten Kristina Houses, in one of the ongoing phases of the whole area. We have sold 155 new homes in five apartment buildings and completed the sixth building in December 2018 with 8 flats yet to be sold. Development of the following four Kristina Houses is currently ongoing. With active presale being carried out simultaneously to construction works, altogether 43 apartments have been presold.

Pro Kapital is in progress with projecting works for a prestigious Kalaranna residential and commercial area, right at the border of Tallinn's old town. Kalaranna's unique location just by the bay of Tallinn is making it as one of the most exclusive development projects in town. As a result of increasing interest towards the project, we have started with initial reservations in July 2018. Although we have not yet started the construction

nor advertising, we have, to date, made 76 reservations to residential premises in Kalaranna.

In Riga, we are building Kliversala residential area which is a true sight to see in the city centre. The new living area is located right on the bank of the Daugava river on the shore of Agenskalna bay. We finished the construction works of the prestigious River Breeze Residence in spring 2018. We are currently proceeding with the sales of remaining 37 luxury apartments in the residence. Following the completion and ongoing sale of River Breeze Residence, we're proceeding with the following phase of Kliversala, but also other development projects. Tallinas residential quarter is a modern combination of new and restored historical buildings, for which the projecting works are ongoing. Another new area development Zvaigznes Quarter, for which the projecting is ongoing at this point in time, represents a commercial property for an office complex and be built on the site of a former factory.

In Vilnius, Pro Kapital is developing a Šaltinių Namai area, bordering with and offering a stunning view from the top-hill to the historic old town. The first phase of the development is completed and almost sold out. In 2017 the construction works for the second stage of residential buildings, Šaltinių Namai Attico, started and 77 preliminary agreements have been already signed. Four buildings of Šaltinių Namai Attico development are expected to be completed in the middle of 2019. The Company is looking into obtaining new attractive developments in the region, to start new projects after the completion of Šaltinių Namai.

Continuous improvement in the financial results

The completion of multiple development phases, that have proven to attract the market's interest, is clearly demonstrated by good financial results for the reporting period. At the end of 2018, the Company recorded net revenue of 28 million euros, an increase of 99% as compared to 14.1 million euros during the same period in 2017. Revenues have increased in real estate segment due to completion of 4 apartment buildings in Tallinn and 1 in Riga as the revenues are recorded at the moment notary deed of sale is concluded. The net profit was 18 million euros, which was 18.5 million euros improvement comparing to 0.5 million euros loss during the same period in 2017. The net result was significantly influenced by increased value of investment property due to completion and opening of T1 Mall of Tallinn.

We are continuously focused on improving the efficiency. The Company is exploring opportunities to reduce financial costs by refinancing current debt instruments. We foresee stable growth in revenues and operating results during the upcoming periods.

As at the end of 2018, the Company's overall loans from financial institutions were 83.3 million euros. The loans from the minority shareholders were 0.3 million euros. The Company had 10.2 million euros worth convertible bonds debt and 28.5 million euros worth non-convertible bonds debt.

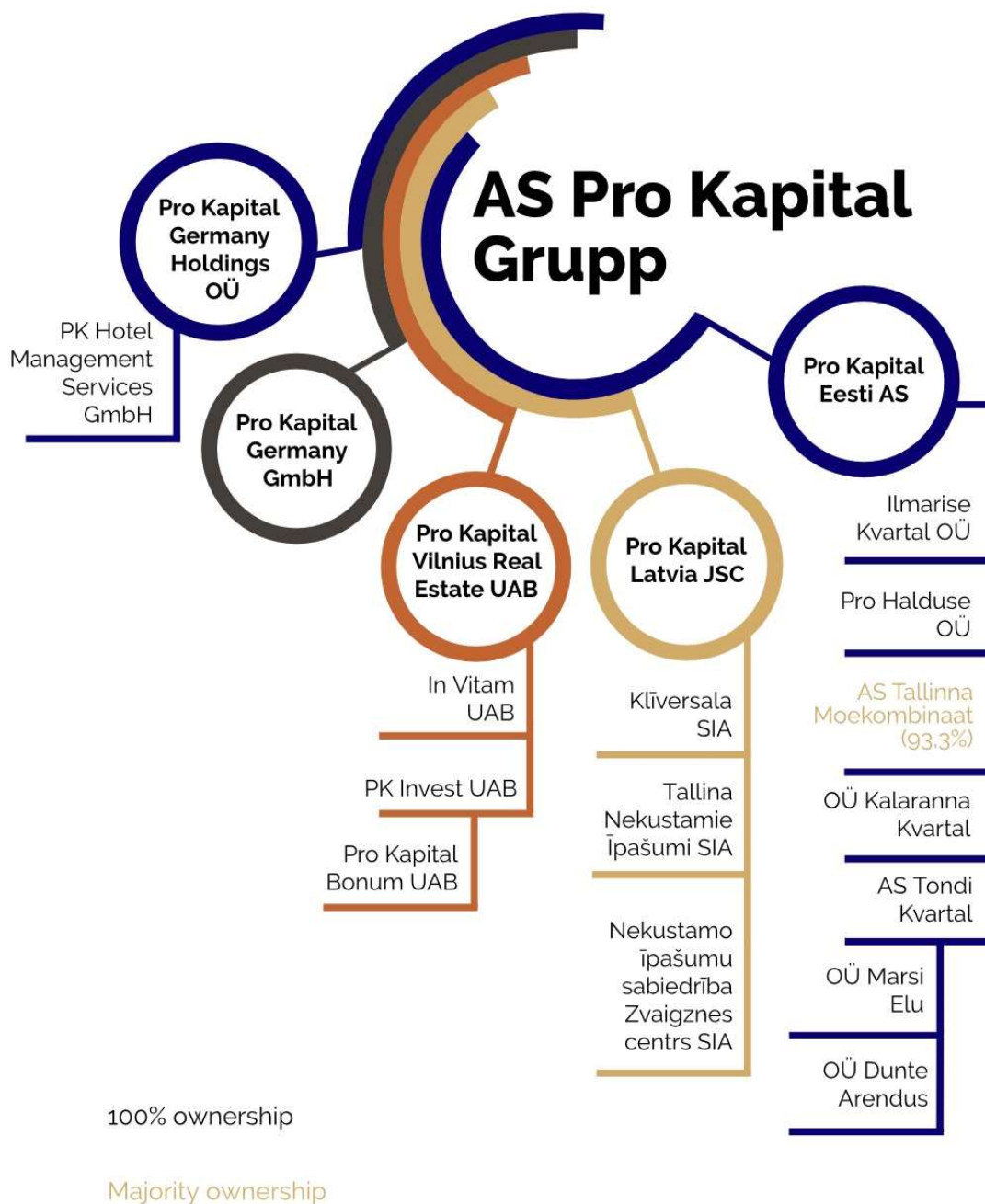
As at 31 December 2018, there were 89 employees working in the Company, 40 of them were employed by the hotel and property maintenance business.



Paolo Michelozzi
CEO
AS Pro Kapital Grupp
29 January 2019

Group structure

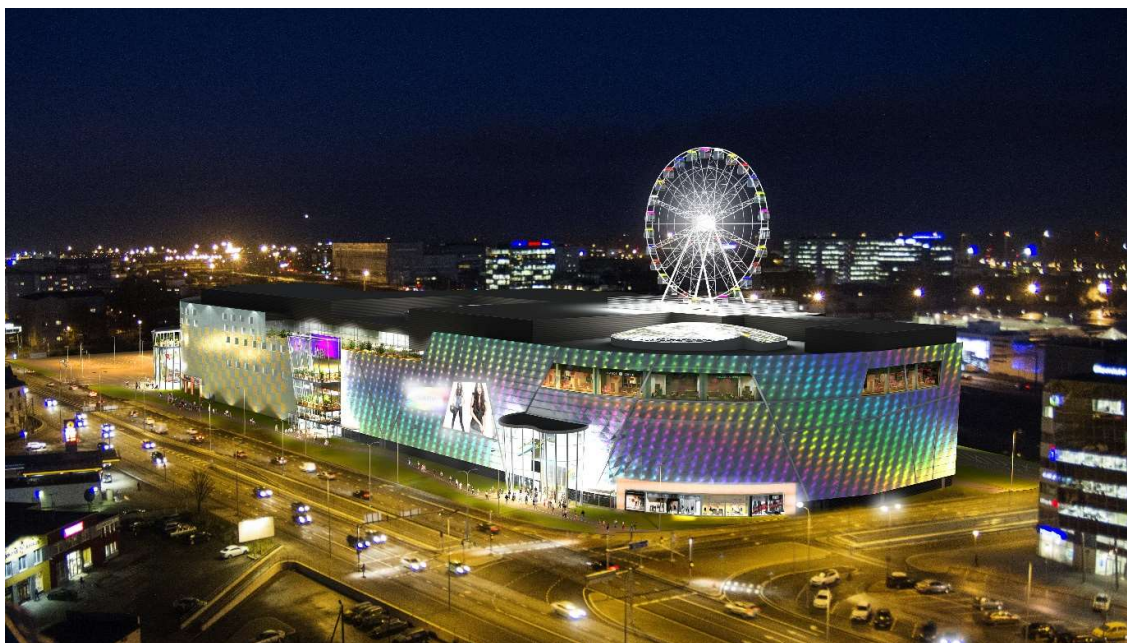
As at 31 December 2018



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 heart of 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.

Marsi 6 in Kristiine City

The reconstruction of historical building with special design loft apartments has been completed at the beginning of 2018. The Company has successfully carried out the sales of the apartments with all of them sold to date.



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 six apartment buildings. The construction and presale of the final four buildings have started. Seventh building will be completed in spring 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 at the heart of 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 Klīversala 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 for 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 Attico is a prestigious new quarter surrounded by the nature in the most peaceful part of the Old Town of Vilnius. All four apartment buildings, currently under construction, will be built ensuring the highest standards of energy efficiency.

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.



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. The Company has exited Tallinn hotel operations in July 2017 and Riga hotel operations in August 2017. Comparative information below here includes discontinued operations.

Revenue structure of twelve months in 2018 including discontinued operations, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	12M	12M	12M	12M	12M	12M	12M	12M	12M	12M
Real estate	13 289	5 067	5 616	0	2 553	1 554	0	0	21 458	6 621
Rent	1 266	19	69	69	118	87	0	0	1 453	175
Hotels	0	1 020	0	996	0	0	3 935	3 538	3 935	5 554
Maintenance	643	1 483	10	100	141	137	0	0	794	1 720
Other	265	0	70	22	16	6	0	0	351	28
Total	15 463	7 589	5 765	1 187	2 828	1 784	3 935	3 538	27 991	14 098

Revenue structure, 1 October – 31 December 2018, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4
Real estate	3 408	2 591	38	0	808	117	0	0	4 254	2 708
Rent	1 256	2	17	19	22	21	0	0	1 295	42
Hotels	0	0	0	0	0	0	1 082	1 026	1 082	1 026
Maintenance	8	426	0	35	36	36	0	0	44	497
Other	265	0	6	7	2	1	0	0	273	8
Total	4 937	3 019	61	61	868	175	1 082	1 026	6 948	4 281

During reporting period, the Company's operations in **Estonia** consisted of the development and sales of apartments and business premises, rental revenue and maintenance of residential and business premises. Revenue from rent and maintenance services of T1 Mall of Tallinn is included in the rent revenue starting from November 2018. The Company operated PK Ilmarine Hotel in Tallinn until July 2017 during comparable period.

The share of the Estonian segment as a percentage of total revenues of the Company for the twelve months amounted to 55.2% compared to 53.8% during the same period last year. The increase is influenced by real estate sales and rental income from T1 Mall of Tallinn.

During the reporting period, the total of 112 apartments, 1 business premise, 111 parking lots and 54 storage rooms were sold (2017 12M: 18 apartments, 24 parking lots and 17 storage rooms). Six apartment buildings have been completed in Kristina Houses development project of ten buildings. Five of them are completely sold. At the moment of issuing the current report 23 apartments out of 31 have been handed over to the owners in the 6th building. 43 presales agreements have been signed for the last four houses. Marsi 6 construction was completed in January 2018 of the current year and all 45 apartments are sold. At the end of the reporting period the stock consisting of 13 apartments and 1 business premises, also several parking spaces and storage rooms were available for sale in Tallinn.

During the reporting period, the Company's operations in **Latvia** mainly consisted of development and sale of apartments in premium residential real estate property. On the comparable period, the Company operated PK Riga Hotel in Riga, the hotel business was sold in August 2017.

The share of the Latvian segment as a percentage of total revenues of the Company for the twelve months amounted to 20.6% comparing to 8.4% in the same period last year. The increase results from completion of the River Breeze Residence in Kliversala and start of sales. At the moment of issuing the current report, 7 apartments, 8 storage rooms and 18 parking lots have been handed over to the buyers. 3 preliminary agreements have been signed and there are 37 apartments available for sale.

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 twelve months amounted to 10.1% comparing to 12.7% during the same period last year. Most of the first stage of Šaltinių Namai completed project has been sold. In 2017, the construction works of the second stage started and four apartment buildings should be completed in the middle of 2019. At the moment of issuing the current report 77 preliminary agreements have been signed for the 2nd stage in Šaltinių Namai project.

As there are limited number of inventories for sale in Lithuania, the Company purchased during reporting period 12 flats and 7 parking lots at a competitive price for further resale. 10 of the flats and 4 parking lots have been already sold by this date.

During the reporting period 10 apartments, 1 cottage, 1 business premises and 6 parking lots were sold in Lithuania (2017 12M: 4 apartments, 3 business premises, 8 parking lots, 2 storage room). There were 6 apartments, 3 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 twelve months amounted to 14.1% comparing to 25.1% last year. The decrease in German segment is resulting from growing real estate sale segment in Estonia and Latvia and opening of T1 Mall of Tallinn. The occupancy of PK Parkhotel Kurhaus 66.0% shows 3.6% increase comparing to 63.7% for the same period in 2017. Gross operating profit has increased 55.9% and amounted to 800 thousand euros comparing to 513 thousand in 2017. Net result improved by 168% comparing to the same period last year.

Other operative data of twelve months in 2018

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	12M	12M	12M	12M	12M	12M	12M	12M	12M	12M
M2 sold*	6 673	2 762	1 508	0	959	564	0	0	9 140	3 326
Average price, m2/EUR*	1 860	1 682	3 470	0	2 558	2 532	0	0	2 199	1 826
M2 under maintenance	18 864	61 869	0	15 038	17 642	17 546	0	0	36 506	94 453
Occupancy rate %, hotels**	N/A	76.3%	N/A	75.5%	N/A	N/A	66.0%	63.7%	66.0%	69.7%

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

** EST, LV and Total hotel occupancy is presented until the hotel sale transaction dates

Other operative data, 1 October – 31 December 2018

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4
M2 sold*	1 622	1 355	0	0	321	56	0	0	1 943	1 411
Average price, m2/EUR*	1 965	1 777	0	0	2 417	2 041	0	0	2 039	1 788
M2 under maintenance	18 864	61 869	0	15 038	17 642	17 546	0	0	36 506	94 453
Occupancy rate %, hotels**	N/A	N/A	N/A	N/A	N/A	N/A	60.2%	68.7%	60.2%	68.7%

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

** EST, LV and Total hotel occupancy is presented until the hotel sale transaction dates

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 and loan covenant 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 43.4 million euros from Lintgen Adjacent Investments, 2.3 million euros from Swedbank Latvia, 1.5 million euros from Luminor Bank, 4.3 million euros from AB Luminor Bankas (Lithuania) and 3.9 million euros from LHV Bank. The Company has repaid 7.5 million euros of the bank loans during 2018. As at 31 December 2018, the total amount borrowed from the banks was 83.3 million euros. 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 others.

As at 31 December 2018 the Company had 10.1 million euros convertible bonds (current portion: 4.3 million euros; long term portion: 5.8 million euros), 0.6 million euros non-convertible bonds (current portion: 0.6 million euros) and 29.3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020 of which 1.4 million euros worth bonds are held by Pro Kapital.

Shares and shareholders

As at 31 December 2018 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 31 December 2018 there were 143 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 31 December 2018 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	28 028 013	49.44%
Clearstream Banking Luxembourg S.A. Clients	10 442 952	18.42%
Nordea Bank AB (Publ)/ Non-treaty Clients	6 159 496	10.87%
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 31.12.2018 Ernesto Preatoni and his affiliates control 37.97% 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 such 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.
- 12 165 491 shares representing 21.46% 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 31 December 2018 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%
Pertti Huuskonen	Council Member	26 000	0.05%

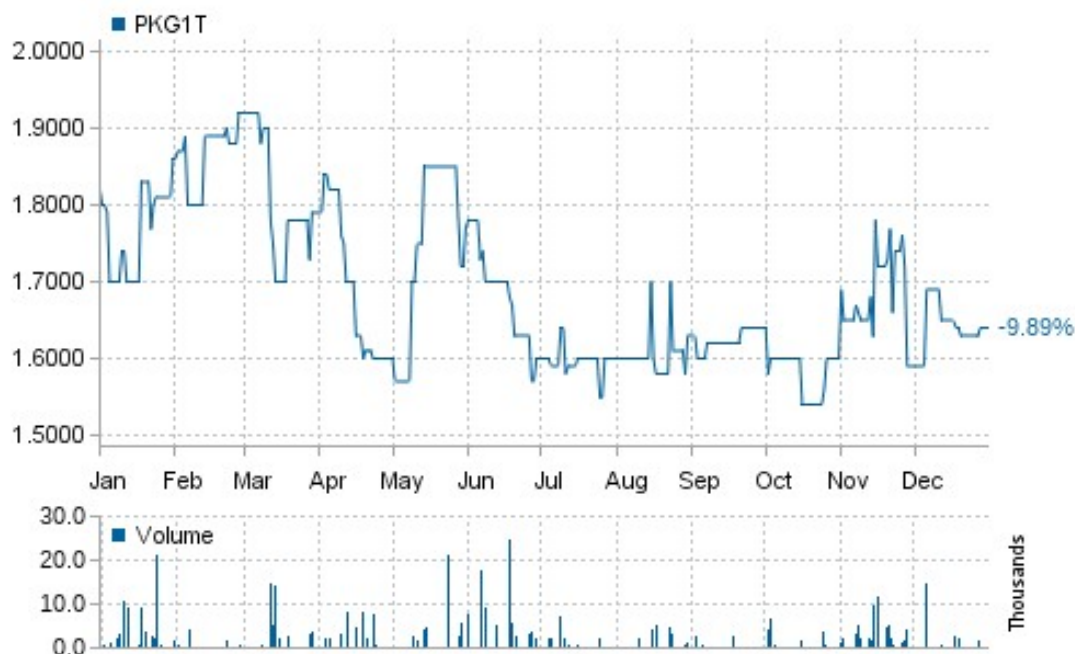
Paolo Vittorio Michelozzi is holding 3 secured, callable, fixed rate bonds of the Company with the nominal value of 300 000 euros.

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 twelve months of 2018 were 0.30 euros (2017 12M: -0.02 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 31 December 2018, 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 – 31 December 2018 the shares were trading at the price range 1.54 - 1.99 euros, with the closing price of 1.63 euros per share on 28 December 2018. During the period 415 thousand of the Company's shares were traded with their turnover amounting to 710 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 2018 the shares were trading at the price range of 1.45 - 1.97 euros, with the closing price 1.61 euros per share on 28 December 2018. During the period 214 thousand of the Company's shares were traded with the total turnover of 358 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 31 December 2018 the Company employed 89 people compared to 88 people on 31 December 2017. 40 of them were engaged in hotel and property maintenance services (48 on 31 December 2017). 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. The long-term business approach enables the Company to mitigate the risks of possible market fluctuation. The Company is further pursuing long-term strategic approach, allowing 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 risks.

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 flexibility through the use of bank overdrafts, bank loans, bonds and other debentures as well as expanding its investor base and attracting additional private equity.

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	29 January 2019
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	29 January 2019
Edoardo Preatoni	Member of the Management Board	29 January 2019

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	31.12.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents		7 040	10 317
Current receivables		2 937	4 888
Inventories	5	59 331	38 024
Total current assets		69 308	53 229
Non-current assets			
Non-current receivables		216	37
Property, plant and equipment	6	7 128	7 435
Investment property	7	168 129	114 140
Intangible assets		324	317
Total non-current assets		175 797	121 929
TOTAL ASSETS	3	245 105	175 158
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	8	10 328	6 738
Customer advances		5 716	7 224
Current payables		11 939	10 091
Tax liabilities		357	132
Short-term provisions		852	170
Total current liabilities		29 192	24 355
Non-current liabilities			
Long-term debt	8	112 009	62 527
Other non-current payables		1 039	3 437
Deferred income tax liabilities		2 004	2 058
Long-term provisions		139	99
Total non-current liabilities		115 191	68 121
TOTAL LIABILITIES	3	144 383	92 476
Equity attributable to owners of the Company			
Share capital in nominal value		11 338	11 338
Share premium		5 661	5 661
Statutory reserve		1 082	1 082
Revaluation reserve		3 262	3 256
Retained earnings		59 944	60 369
Profit/ Loss for the period		16 811	-419
Total equity attributable to owners of the Company		98 098	81 287
Non-controlling interest	4	2 624	1 395
TOTAL EQUITY		100 722	82 682
TOTAL LIABILITIES AND EQUITY		245 105	175 158

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

Consolidated interim statements of comprehensive income

in thousands of euros		2017 12M			
	Notes	2018 12M	adjusted	2018 Q4	2017 Q4
CONTINUING OPERATIONS					
Operating income					
Revenue	9	27 991	12 077	6 948	4 281
Cost of goods sold	10	-18 415	-7 516	-4 264	-2 210
Gross profit	11	9 576	4 561	2 684	2 071
Marketing expenses		-1 336	-822	-630	-186
Administrative expenses	12	-5 427	-5 256	-1 390	-1 478
Other income	13	18 823	4 114	16 144	748
Other expenses	13	-169	-800	-120	0
Operating profit		21 467	1 797	16 688	1 155
Financial income	14	4	6	1	3
Financial expense	14	-3 473	-3 352	-925	-817
Profit/ loss before income tax		17 998	-1 549	15 764	341
Income tax		42	596	-3	582
Profit/ loss from continuing operations		18 040	-953	15 761	923
Profit from discontinued operations		0	435	0	0
Profit/ loss for the period		18 040	-518	15 761	923
Attributable to:					
Equity holders of the parent		16 811	-419	14 491	955
Non-controlling interest	4	1 229	-99	1 270	-32
Other comprehensive income, net of income tax					
Income that will not be reclassified subsequently to profit					
Net change in properties revaluation reserve		0	-4	0	3
Total comprehensive income for the year		18 040	-522	15 761	926
Attributable to:					
Equity holders of the parent		16 811	-419	14 491	955
Non-controlling interest		1 229	-99	1 270	-32
Earnings per share from continuing operations (EUR)	15	0.30	-0.02	0.26	0.02
Earnings per share for the period (EUR)	15	0.30	-0.01	0.26	0.02

2017 12M adjusted - comparative information from the annual audited report 2017.

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2018 12M	2017 12M adjusted	2018 Q4	2017 Q4
Cash flows from operating activities					
Profit/loss for the period		18 040	-518	15 762	923
Adjustments for:					
Depreciation, amortisation of non-current assets		214	455	56	-20
Gain from disposal of property, plant, equipment		-4	-3 045	0	0
Gain from disposal of investment property		-418	0	0	0
Change in fair value of property, plant, equipment		-13	-26	-13	-26
Change in fair value of investment property	7	-17 979	-530	-16 069	-530
Loss from disposal of shares of subsidiaries		0	346	0	0
Finance income and costs	14	3 468	3 460	923	815
Other non-monetary changes (net amounts)		15 345	12 410	-1 428	-683
Changes in working capital:					
Trade receivables and prepayments		1 773	-408	931	-833
Inventories		-21 248	-23 880	-2 611	-4 221
Liabilities and prepayments		-119	6 556	-1 420	2 367
Provisions		-107	-101	-609	23
Net cash used in operating activities		-1 048	-5 281	-4 478	-2 186
Cash flows from investing activities					
Payments for property, plant and equipment		-206	-281	-40	-127
Payments for intangible assets		-24	-52	-17	-22
Proceeds from disposal of property, plant, equipment		336	6 651	0	0
Payments for investment property		-47 786	-24 772	-16 702	-7 424
Proceeds from disposal of investment property		1 000	0	1 000	0
Net cash from disposal of shares of subsidiaries		0	6 249	0	0
Interests received	14	4	6	1	2
Net cash used in by investing activities		-46 676	-12 199	-15 758	-7 571
Cash flows from financing activities					
Proceeds from increase of share capital		0	4 328	0	4 328
Dividend payment		-850	0	0	0
Net changes related to non-controlling interests		0	-480	0	0
Proceeds from bonds		0	1 446	0	0
Redemption of convertible bonds		-649	-773	-6	0
Proceeds from borrowings		56 923	28 260	23 449	8 984
Repayment of borrowings		-7 496	-7 048	-1 987	-909
Interests paid		-3 481	-3 318	-1 259	-1 122
Net cash generated by financing activities		44 447	22 415	20 197	11 281
Net change in cash and cash equivalents		-3 277	4 935	-39	1 524
Cash and cash equivalents at the beginning of the period		10 317	5 382	7 079	8 793
Cash and cash equivalents at the end of the period		7 040	10 317	7 040	10 317

2017 12M adjusted - comparative information from the annual audited report 2017.

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 2016	10 841	1 669	1 082	9 462	58 743	81 797	1 635	83 432
Increase of share capital	13	147	0	0	0	160	0	160
Changes in non-controlling interests	0	0	0	0	361	361	276	637
Comprehensive loss for the period	0	0	0	0	-3 913	-3 913	-112	-4 025
31 December 2016	10 854	1 816	1 082	9 462	55 191	78 405	1 799	80 204
Changes in non-controlling interests	0	0	0	0	-174	-174	-305	-479
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	16 811	16 811	1 229	18 040
31 December 2018	11 338	5 661	1 082	3 262	76 755	98 098	2 624	100 722

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 31.12.2018	Ownership 31.12.2017
Raiffeisen Bank International AG	Austria	49.44%	0.00%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	18.42%	8.21%
Nordea Bank Finland Plc Clients	Finland	10.87%	55.80%
Svalbork Invest OÜ	Estonia	7.15%	10.60%
Eurofiduciaria S.R.L.	Italy	0.00%	11.71%

For the purpose of comparable financial figures of these interim financial statements as at 31 December 2018, 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 twelve months of 2018, 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 2017.

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 2017.

Note 3. Segment reporting

in thousands of euros

(including discontinued operations)	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2018 12M							
Revenue	0	15 464	5 771	2 827	3 970	-41	27 991
Other operating income and expenses (net)	-1	20 583	-1 934	0	6		18 654
Segment operating profit/loss	-1 592	23 278	-300	-136	217		21 467
Financial income and expense (net)	-1 741	2 086	-383	-265	-140	-3 026	-3 469
Profit/Loss before income tax	-3 333	25 364	-683	-401	77	-3 026	17 998
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	24 135	-686	-353	74		16 811

31.12.2018

Assets	60 057	255 316	32 409	27 156	7 034	-136 867	245 105
Liabilities	116 780	86 253	23 258	19 369	4 052	-105 329	144 383
Acquisition of non-current assets	0	56	40	2	132		230
Disposal of non-current assets	0	-2	0	-371	0		-373
Depreciation and amortisation	-5	-39	-7	-11	-152		-214

in thousands of euros

(including discontinued operations)	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2017 12M							
Revenue	607	7 591	1 194	1 784	3 974	-1 052	14 098
Other operating income and expenses (net)	0	1 572	186	-16	230	-80	1 892
Segment operating profit (loss)	-1 471	2 903	-400	-90	-9	0	933
Financial income and expense (net)	-4 634	2 078	951	-239	-164	0	-2 008
Profit/Loss before income tax	-6 105	4 981	551	-329	-173	0	-1 075
Income tax	0	0	578	-21	0	0	557
Non-controlling interest	0	-99	0	0	0	0	-99
Net profit/loss for the financial year attributable to equity holders of the parent	-6 105	5 080	1 129	-350	-173	0	-419

31.12.2017

Assets	58 292	179 472	37 551	19 171	7 029	-126 357	175 158
Liabilities	111 680	35 772	24 687	11 031	4 123	-94 817	92 476
Acquisition of non-current assets	25	46	12	11	239	0	333
Disposal of non-current assets	0	-6 267	-7 562	0	0	0	-13 829
Depreciation and amortisation	-1	-114	-139	-28	-173	0	-455

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 1 January 2017	8.05%
Repurchase of shares	-1.40%
Minority (%) as at 31 December 2017	6.65%
Minority (%) as at 31 December 2018	6.65%

in thousands of euros

Non-controlling interest as at 1 January 2017	1 799
Net change in non-controlling interest	-305
Loss for the reporting period	-99
Non-controlling interest as at 31 December 2017	1 395
Loss for the reporting period	1 229
Non-controlling interest as at 31 December 2018	2 624

Note 5. Inventories

in thousands of euros	31.12.2018	31.12.2017
Property held for resale	16 604	4 894
Works in progress	42 665	33 062
Goods bought for resale	58	59
Prepayments for inventories	4	9
Total	59 331	38 024

Property held for resale include completed real estate stock in Tallinn, Riga and Vilnius and has significantly increased due to completion of the River Breeze Residence in Riga during reporting period, which is an exclusive residential building.

Works in progress include properties being under development in Tallinn and in Vilnius or waiting for development in the nearest future. During the reporting period Kalaranna and Sammu street properties in Tallinn were reclassified from investment property into inventories in the total amount of 17.7 million euros (note 7). Changes into the group structure have been made accordingly: for Kalaranna project a subsidiary has been established; Sammu street property for the following three apartment buildings in Kristina Houses project has been transferred into the relevant development company. Sammu street development has started in autumn 2018 and Kalaranna project will start in 2019.

Note 6. Property, plant and equipment

Land and buildings held for providing services or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less subsequent accumulated depreciation and 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	31.12.2018	31.12.2017
Acquisition value	10 154	10 500
Accumulated depreciation	-3 026	-3 065
Residual value	7 128	7 435

On comparable date 31 December 2017, land and buildings included 1 hotel properties in Bad Kreuznach and administrative premises in Tallinn and Vilnius. In January 2018 the office in Vilnius was sold.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	Total
Acquisition value 01.01.2017	20 066	1 686	1 216	1 118	24 086
Additions:					
Acquired	1 351	7	27	-1 104	281
Changes in fair value	26	0	0	0	26
Disposals:					
Sold	-6 100	0	-9	0	-6 109
Sold through disposal of subsidiary	-6 076	-804	-835	-5	-7 720
Written off	0	-9	-55	0	-64
Acquisition value 30.12.2017	9 267	880	344	9	10 500
Additions:					
Acquired	94	38	74	-9	197
Changes in fair value	-2	0	0	0	-2
Disposals:					
Sold	-358	0	0	0	-358
Written off	0	0	-15	0	-15
Acquisition value 31.12.2018	8 956	918	280	0	10 154

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	Total
Accumulated depreciation 01.01.2017	3 103	1 560	1 087	0	5 750
Additions:					
Depreciation charge for the period	327	83	35	0	445
Disposals:					
Sold	-696	0	-8	0	-704
Sold through disposal of subsidiary	-800	-791	-771	0	-2 362
Written off	0	-9	-55	0	-64
Accumulated depreciation 31.12.2017	1 934	843	288	0	3 065
Additions:					
Depreciation charge for the period	147	21	30	0	198
Changes in fair value	-15	0	0	0	-15
Disposals:					
Sold	-40	0	0	0	-40
Written off	0	0	-15	0	-15
Accumulated depreciation 31.12.2018	1 982	864	180	0	3 026

Note 7. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
Balance at 01.01.2017	99 660	0	99 660
Additions:			
Investments	25 893	0	25 893
Capitalised interests	947	0	947
Changes in fair value:			
Profit from change in fair value	530	0	530
Reclassified into inventories	-12 890	0	-12 890
Balance at 31.12.2017	114 140	0	114 140
Additions:			
Investments	50 200	0	50 200
Capitalised interests	4 070	0	4 070
Changes in fair value:			
Profit from change in fair value	17 979	0	17 979
Disposals:			
Sold	-582	0	-582
Start of operating lease	-129 200	129 200	0
Reclassified into inventories	-17 678	0	-17 678
Balance at 31.12.2018	38 929	129 200	168 129

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 48.6 million euros.

During the reporting period Kalaranna and Sammu street properties in Tallinn were reclassified from investment property into inventories in the total amount of 17.7 million euros, as the Company will start the development of the properties in the nearest future. Changes into the group structure have been made accordingly: for Kalaranna project a subsidiary has been established; Sammu street property for the following three apartment buildings in Kristina Houses project has been transferred into the relevant development company.

Note 8. Current and non-current debt

Current debt

in thousands of euros	31.12.2018	31.12.2017
Bank loans and overdrafts	5 397	168
Convertible bonds	4 331	5 930
Non-convertible bonds	600	640
Total	10 328	6 738

Non-current debt

in thousands of euros	31.12.2018	31.12.2017
Bank loans and overdrafts	77 970	29 498
Convertible bonds	5 802	4 331
Non-convertible bonds	27 763	28 261
Payables to non-controlling interest	474	437
Total	112 009	62 527

Creditors

in thousands of euros	31.12.2018	31.12.2017
Luminor Bank AS (EE)	446	474
Luminor Bank AS (EE)	0	1 663
LHV Bank AS (EE)	3 855	0
AS Swedbank (LV)	4 494	4 999
AS DNB Bankas (LT)	4 347	0
Lintgen Adjacent Investments (Agent) incl long-term interests	70 222	22 530
Fiducaria Emiliana S.r.l including long-term interests	306	283
Anndare Limited including long-term interests	168	154
Convertible bonds, various investors	10 133	10 261
Non-convertible bonds, various investors	600	1 240
Secured bonds, various investors	27 763	27 661
Swedbank (EE), overdraft	3	0
Total	122 337	69 265

All agreements and liabilities are fixed in euros. The total interest and other financial cost for the reporting period was 3.5 million euros (2017 12M: 3.4 million euros total for continuing operations).

Convertible bonds

The Company has issued convertible bonds with issue price 2.80 euros and remaining balance sheet value is 10.3 million 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 22 January 2018 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2020.

On 10 August 2018 the Company prolonged the redemption date of 838 984 PKG3 convertible bonds by 2 years. New redemption date is 10 August 2020. The Company redeemed 1 200 PKG3 convertible bonds with the total issue price of 3 360 euros.

On 17 September 2018 the company prolonged the redemption date of 516 029 PKG4 convertible bonds by 2 years. New redemption date is 16 September 2020.

On 29 November 2018 the company prolonged the redemption date of 381 634 PKG5 convertible bonds by 2 years. New redemption date is 29 November 2020. The

Company redeemed 2 000 PKG5 convertible bonds with the total issue price of 5 600 euros.

All other conditions for convertible bonds have remained unchanged.

Non-convertible unsecured bonds

The company has issued non-convertible bonds with issue price 10 000 euros. On the reporting date the remaining balance of non-convertible unsecured bonds is 60 bonds with total value of 600 000 euros.

On 21 August 2018 the Company announced the redemption of 64 non-convertible “AS Pro Kapital Grupp bond 08.2018” with the total value of 640 000 euros. The maturity date of 5% non-convertible bonds was 15 August 2018.

Non-convertible secured bonds

On 2 April 2015 the Supervisory Council of AS Pro Kapital Grupp decided to approve the issue of secured, callable, fixed rate bonds of the Company. The Management Board of the Company was authorized to issue the bonds in several tranches, maximum up to 50 million euros. As at 31 December 2018 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 31 December 2018 was 27.8 million euros.

Secured, callable, fixed rate bonds of the Company are secured with the shares of all subsidiaries of the Group as at 31 December 2018. 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	31.12.2018	31.12.2017
LHV Pank AS (Estonia)	Sõjakooli St 12, 12a, 12b, 12c, Tallinn	3 104	5 612
LHV Pank AS (Estonia)	Sammu St 6, 6a, 6b, Tallinn	2 807	2 355
Luminor Bank AS (Estonia)	Marsi 6, Tallinn	N/A	2 653
Luminor Bank AS (Estonia)	Sõjakooli 11, Tallinn	730	732
LHV Pank AS (Estonia)	Kalaranna St 5,7, 8, 22, Tallinn	15 681	N/A
Lintgen Adjacent Investments	Peterburi 2, Tallinn	129 200	59 450
AS Swedbanka (Latvia)	Trijadibas St 5, Riga	25 956	27 701
AB DNB Banka (Lithuania)	Aguonu 8 & 10, Vilnius	12 916	N/A

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

NTA	Pro Kapital Germany Holdings OÜ	11	10
NTA	Pro Kapital Germany GmbH	25	25
NTA	PK Hotel Management Services GmbH	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3
NTA	Pro Halduse OÜ	26	26
NTA	AS Tondi Kvartal	160	160
NTA	OÜ Marsi Elu	20	20
NTA	AS Tallinna Moekombinaat	11 795	11 795
NTA	Kalaranna Kvartal OÜ	3	0
NTA	Dunte Arendus OÜ	3	0
NTA	Pro Kapital Latvia JSC	9 960	9 960
NTA	Kliversala SIA	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	4 000	4 000
NTA	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	2 500	2 500
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335
NTA	In Vitam UAB	3	3
NTA	PK Invest UAB	823	823
NTA	Pro Kapital Bonum UAB	800	800
NTA	bank accounts with Nordea Bank AB (SE)	37	374

Note 9. Revenue

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Revenue from sale of real estate	21 458	6 621	4 254	2 708
Rental revenue	1 453	175	1 295	42
Hotel operating revenue	3 935	3 533	1 082	1 025
Revenue from maintenance services	794	1 720	44	497
Other services	351	28	273	9
Total	27 991	12 077	6 948	4 281

Revenue of the comparable period does not include discontinued hotel operations, which form 2.0 million euros for the full year of 2017.

Note 10. Cost of sales

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Cost of real estate sold	14 021	3 303	2 775	1 083
Cost of providing rental services	782	182	679	35
Cost of hotel operations	2 889	2 516	779	649
Cost of maintenance	664	1 467	23	411
Cost of other services	59	48	8	30
Total	18 415	7 516	4 264	2 208

Cost of sales of the comparable period does not include discontinued hotel operations, which form 1.2 million euros for the full year of 2017.

Note 11. Gross profit

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Real estate	7 437	3 318	1 479	1 625
Rental revenue	671	-7	616	7
Hotel operating	1 046	1 017	303	376
Maintenance services	130	253	21	86
Other services	292	-20	265	-21
Total	9 576	4 561	2 684	2 073

Gross profit of the comparable period does not include discontinued hotel operations, which form 0.8 million euros for the full year of 2017.

Note 12. Administration expenses

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Staff costs	2 814	2 593	817	703
Land and real estate taxes	450	488	106	127
Depreciation charge	63	95	15	29
Amortisation charge	0	2	0	1
Other	2 100	2 078	452	619
Total	5 427	5 256	1 390	1 479

Administration expenses of the comparable period do not include discontinued hotel operations, which form 0.2 million euros for the full year of 2017.

Note 13. Other income and expenses

Other income

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Fines collected	348	200	37	0
Profit from sale of non-current assets	4	3 045	0	0
Profit from sale of investment property	418	0	0	0
Gain from fair value adjustments of non-current assets	12	26	12	0
Gain from fair value adjustments of investment property	17 979	530	16 069	530
Other	62	313	26	218
Total	18 823	4 114	16 144	748

Other income of the comparable period does not include discontinued hotel operations, which form 0.03 million euros for the full year of 2017.

Other expenses

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Fines paid	92	17	87	0
Loss from disposal of hotel business	0	346	0	0
Other	77	437	33	0
Total	169	800	120	0

Note 14. Finance income and cost

Finance income

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Interest income	4	6	1	2
Total	4	6	1	2

Finance cost

in thousands of euros	2018 12M	Continuing 2017 12M	2018 Q4	2017 Q4
Interest expenses	3 260	3 148	848	781
Other financial expenses	213	204	77	36
Total	3 473	3 352	925	817

Finance cost of the comparable period does not include discontinued hotel operations, which form 0.1 million euros for the full year of 2017.

Note 15. 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	01.01.2018-31.12.2018	(56 687 954x365/365)	= 56 687 954
For the period	01.10.2018-31.12.2018	(56 687 954x92/92)	= 56 687 954
For the period	01.01.2017-31.12.2017	(54 271 722x292/365 + 56 687 954x73/365)	= 54 754 968
For the period	01.10.2017-31.12.2017	(54 271 722x19/92) + 56 687 954x73/92)	= 56 188 950

Indicative earnings per share from continuing operations:

01.01.2018-31.12.2018	16 811 thousand euros/ 56 687 954 = 0.30 euros
01.10.2018-31.12.2018	14 491 thousand euros/ 56 687 954 = 0.26 euros
01.01.2017-31.12.2017	-854 thousand euros/ 54 754 968 = -0.02 euros
01.10.2017-31.12.2017	923 thousand euros/ 56 188 950 = 0.02 euros

Indicative earnings per share for the period including discontinued operations:

01.01.2017-31.12.2017	-419 thousand euros/ 54 754 968 = -0.01 euros
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The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2018 and 2017, 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 16. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place on 26 June 2018. Four shareholders were present at the meeting, who represented 59.63% 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 2017 was approved.
2. It was decided to cover the net loss for the financial year 2017 in amount of 419 thousand euros with retained earnings of previous periods.
3. It was decided not to distribute profit to the shareholders at this point of time.
4. It was decided to elect AS Deloitte Audit Eesti as the auditor of the Company for the financial year of 2018.

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

Note 17. 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	2018 12M	2017 12M
Significant owners and owner related companies		
Revenues	62	69
Administrative expenses	8	7
Purchase of minority shares	0	480
Payment for minority shares	0	480
Purchase of real estate	1 978	0
Payment for real estate	1 776	0
Minority shareholders		
Interest expenses	37	37
Other shareholders/ bondholders		
Interest expenses	718	797
Redemption of convertible bonds	9	733
Interest payments	718	825
Members of the Management Board and Council		
Salaries and bonuses paid to management	941	802
Administrative expenses	18	7

Receivables from related parties

in thousands of euros	31.12.2018	31.12.2017
Short-term receivables		
From significant owners and owner related companies	0	2
Total	0	2

Payables to related parties

in thousands of euros	31.12.2018	31.12.2017
Short-term payables		
To shareholders	0	851
To significant owner related company	203	0
Long-term payables		
To minority shareholders	474	437
Total	677	1 288

Shareholding in the Company %	31.12.2018	31.12.2017
Members of the Council and individuals related them	0.10%	0.10%
Members of the Board and individuals related them	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 twelve months and the fourth quarter of 2018.

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 January 2019
Allan Remmelkoor	Member of the Management Board	29 January 2019
Edoardo Preatoni	Member of the Management Board	29 January 2019