AS Pro Kapital Grupp

CONSOLIDATED ANNUAL REPORT 2022

PROKAPITAL

Beginning of the financial year	1 January 2022
End of the financial year	31 December 2022
Company name	AS Pro Kapital Grupp)
Registration number	10278802
Form of Entity	Joint-Stock Company
Address	Sõjakooli 11 11316 Tallinn, Estonia
Phone	+372 614 4920
E-mail	prokapital@prokapital.ee
Website	www.prokapital.com
Fields of business activity	Activities of holding companies Purchase and sales of real estate Rent and operation of real estate Management of real estate Hotel operations
Auditor	Ernst & Young Baltic AS

Translation of the Company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is digitally signed and submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100006040/reports).

Mandatory elements of the basic taxonomy of the ESEF

Name of the reporting entity or other means of identification	AS Pro Kapital Grupp
Explanation of change in name of the reporting entity or other means of identification from end of previous reporting period	No changes
Domicile of entity	Sõjakooli 11, 11316 Tallinn, Republic of Estonia
Legal form of entity	Public Limited Company
Country of incorporation	Republic of Estonia
Address of entity's registered office	Sõjakooli 11, 11316 Tallinn, Republic of Estonia
Principal place of business	Republic of Estonia
Description of nature of entity's operations and principal activities	Activities of holding companies; Purchase and sales of real estate; Rent and operation of real estate; Management of real estate; Hotel operations
Name of parent entity	AS Pro Kapital Grupp
Name of ultimate parent of group	Preatoni Group (French entity)

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About AS Pro Kapital Grupp

AS Pro Kapital Grupp (hereafter also as the Group) is one of the oldest real estate development companies in the Baltic States. As we develop large residential and commercial districts, we have a significant impact on the formation of the image of a city, development and welfare of local communities and surrounding environment. Strategically sustainable and forward-looking style of management puts quality and responsibility into the focus of our business activities. That is the reason why we are closely related to all the developments from start to finish – this is the only way how we can create extraordinary living environments where people feel comfortable.

We are a real estate development company in the Baltic States which has simultaneously under development or projecting 8 long-term and large-scale projects in the best locations in Tallinn, Riga and Vilnius.

On 23 November 2012 AS Pro Kapital Grupp shares started trading on the secondary list of Tallinn's stock exchange and on 13 March 2014 on the Frankfurt's stock exchange (*Frankfurter Wertpapierbörse*) trading platform Quotation Board. Since 19 November 2018 the shares of the Company are traded in **the main list of Nasdaq Tallinn**.

Development projects

Project name	Type	Location	Ownership	Classification
Ülemiste 5	Commercial	Tallinn	100%	Investment property
Kristiine City*	Residential	Tallinn	100%	Inventories, investment property
Kalaranna District	Residential	Tallinn	100%	Inventories
City Oasis Quarter	Residential	Riga	100%	Investment property
Kliversala District*	Residential	Riga	100%	Inventories, investment property
Brivibas Business Quarter	Commercial	Riga	100%	Investment property
Šaltinių Namai	Residential	Vilnius	100%	Inventories
Naugarduko	Residential	Vilnius	100%	Inventories

**Due to large scale of the projects, part of the property is waiting for start of development and therefor is classified as investment property (Notes 9 and 12).*

Ülemiste 5 in Tallinn

Ülemiste 5 will be developed for commercial premises with gross leasable area of ca 18.5 thousand square meters.

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 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. 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 near the very centre or the city.

Kindrali Houses in Kristiine City

Located among the private houses and apple orchards of Kristiine district, the modern Kindrali Houses project has a warm and cosy heart. Kindrali Houses form a part of the Kristiine City district which is undergoing rapid development near the city centre and offering versatile opportunities for residents of all ages. The focus is on comfort, safety and living in harmony with environment. Contemporary and Nordic appearance of the buildings is complemented by carefully selected high-quality materials and details in interior design. There are both spacious five-room flats as well as ground floor studio apartments with separate entrances. Four-legged friends of the residents can enjoy a special washing room in the houses. The two first buildings have been completed in 2022. The third is being handed over. All apartments are sold with an exception of the one kept as a show room for the next stage of development.

Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the border of Tallinn's central city and old town. Kalaranna District, located at Kalaranna 8, will have twelve 4-5 storey buildings on nearly six hectares. The area is being developed in two stages. An integral part of the residential quarter is well-thought-out landscape architecture and a beach promenade that largely preserves the existing natural environment. During the first phase of construction, eight buildings have been completed with 239 apartments, commercial premises and an underground car park. The area includes the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. To date all buildings of the first stage are completed and handed over to customers, except one which serves as a showroom for the following stage. It is planned to start construction of the next stage this year.

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 it is thereby considered as a highly valuable territory.

Completion of River Breeze Residence represents the start of Kliversala Quarter development. Preparations to start the following phase of the area- Blue Marine- are ongoing.

Brivibas Business 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 building permit has been issued and we will start with construction when market conditions will be favourable.

City Oasis Quarter in Riga

City Oasis Quarter lies in Tallinas street 5/7 and is a unique residential area in the central city of Riga, where new buildings, modern loft-style apartment buildings and also restored historical buildings can be found to create an extraordinary atmosphere in the area. The development foresees business premises on the first floors of the buildings. The building permit has been issued and we will start with construction when market conditions will be favourable.

Šaltinių Namai in Vilnius

Šaltinių Namai is a prestigious living area, surrounded by the nature in the most tranquil part of the Old Town, located within the UNESCO protection area. Šaltinių Namai is inspired by the baroque spirit of Vilnius Old Town and the tradition of Italian architecture in Lithuania. Homebuyers can choose from thoroughly planned apartments with exceptional views to spacious town houses.

As an integral part of the landscape, this unique area has the first Italian courtyard garden in the city, designed by an Italian concept architect Gianmarco Cavagnino. In 2019 we completed five houses of the Šaltinių Namai | Attico project and are currently planning the following construction phase with city villas and commercial building.

Naugarduko in Vilnius

The promising property in the centre of Vilnius will complement our portfolio of high-class residential buildings with impressive panoramas of the old town of Vilnius from the hill of Naugarduko street. After reconstruction the building will blend in with the Šaltinių Namai | Attico quarter located nearby. The location with cultural attractions, educational and entertainment possibilities within a walking distance, makes the location particularly attractive both for homebuyers and businesses.

In addition to the development activities in the Baltic States, we own and operate a hotel in a small German resort town Bad Kreuznach, close to Frankfurt.

Our vision and mission

Vision

Pro Kapital develops timelessly distinctive buildings with an impeccable quality that anticipate people's needs and expectations.

Mission

We believe the real value of real estate lies in the experiences and well-being it brings to people.
We build better living environments where people feel good.

Our values

QUALITY

Savvy customers expect the highest quality from developments in the best locations and that is exactly what we aim to offer.
Every aspect of our developments is well thought through down to the smallest detail.

CUSTOMER RELATIONSHIP

Quality of the product and service is of the utmost importance to us when building a relationship with our customers.
We do our very best so that the customers could be certain of what they are investing into.

CHOICE

We develop for the people. People have needs, expectations, hopes and dreams. The environment where people live and spend their time should be filled with joy, excitement and satisfaction. We aspire to make people feel good and do our best so that they can live their lives to the fullest.

COHERENCE

With growing urbanisation, people expect coherence and comfort. People's time, needs and expectations are at the very centre of our developments. That is why we consider it important to create opportunities for interpersonal communication, well-being and connections to services that look further well-functioning infrastructure.

Results for 2022

Key financials

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	2022	2021
Revenue	65 654	43 095
Gross profit	16 965	10 576
EBITDA	18 063	39 804
Operating result	17 657	39 820
EBT	13 449	33 862
Profit/ loss after tax	13 452	33 872
Net result for shareholders (incl discontinued operations)	13 452	29 757

Gross profit margin	25.8%	24.5%
EBITDA margin	27.5%	92.4%
Operating margin	26.9%	92.4%
EBT margin	20.5%	78.6%
Net margin	20.5%	78.6%
Earnings per share (EPS)	0.24	0.52
Share closing price (Nasdaq Tallinn)	0.61	1.44
P/E ratio	2.57	2.74

The total revenue of the Group for 2022 was 65.7 million euros, which is an increase by 22.6 million euros (52%) in 2022 comparing to previous period (2021: 43.1 million euros). The real estate sales revenues are recorded at the point of time when legal title is transferred to the buyer. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. In 2022 the real estate revenue increased due to sales of completed houses of Kalaranna District and two buildings of Kindrali Houses development, both projects in Tallinn. Gross profit of the Group increased by 6.4 million euros.

The operating result of the Group reached 17.7 million euros, which is 22.2 million euros less than in 2021. 2021 result was influenced by loss of control over subsidiary AS Tallinna Moekombinaat on 2 June 2021 when the Group deconsolidated the subsidiary from its consolidated financial statements. Deconsolidation resulted in additional positive effect of 27.7 million euros for the Group's profit.

Consolidated statement of financial position

in thousands of euros	31.12.2022	31.12.2021
Total Assets	101 256	116 026
Current Assets	45 832	67 961
Non-Current Assets	55 424	48 065
Total Liabilities	45 933	73 183
Current Liabilities	6 574	25 527
Non-Current Liabilities	39 359	47 656
Equity	55 323	42 843

Decrease of current assets and total liabilities are influenced by completion of construction works in Kalaranna District and first buildings of Kindrali Houses – inventory has been sold, loans repaid and profit recorded.

Consolidated statement of cash flows

in thousands of euros	2022	2021
Cash flows from operating activities	17 971	13 290
Cash flows from investing activities	-455	1 165
Cash flows from financing activities	-16 553	-14 222
Net change in cash and cash equivalents	**963**	**233**

In 2022, the Group generated net cash in amount of 963 thousand euros (2021: cash generated 233 thousand euros). Cash flow generated by operating activities was 17.97 million euros (2021: 13.3 million euros). Cash flow used by investing activities was 455 thousand euros (2021: generated from investing 1.2 million euros). Financing activities used cash in the amount of 16.6 million euros (2021: 14.2 million euros). Loans were raised in amount of 14.4 million euros, repaid in amount of 26.6 million euros and 4 million euros interest payments were made during the period.

Financial Ratios

	31.12.2022	31.12.2021
Equity ratio	54.6%	36.9%
Debt to equity ratio	69.9%	52.8%
Net debt to capital	33.7%	23.3%
Debt to EBITDA ratio	2.1	1.9
Current Ratio	7.0	2.7
Return on assets	12.4%	23.0%
Return on equity	27.4%	113.5%

Alternative Performance Measures

Indicator	Formula	Definition
EBITDA	Operating profit + Depreciation and amortization (CSCF)	Earnings Before Interest, Tax, Depreciation and Amortization
EBT	Operating profit + Finance income – Finance Cost	Earnings Before Tax
Gross profit margin	Gross profit/revenue *100	Profitability ratio presenting Gross Profit as a percentage of revenue
EBITDA margin	EBITDA/revenue*100	Profitability ratio presenting EBITDA as a percentage of revenue.
Operating margin	Operating profit/revenue*100	Indicator for Efficiency to generate profit through its core operations
EBT margin	EBT/revenue*100	Ratio of Earnings Before Tax to sales revenue.
Net margin	Net profit/revenue*100	Indicator measures how much net profit is generated as a percentage of revenue.
Earnings per share (EPS)	Net profit/average number of shares (Note 27)	Figure describing net profit per outstanding share.
P/E ratio	Share Closing Price (p 36)/EPS	Indicator for valuing a company.
Equity ratio	Equity/total assets100	Leverage ratio, which shows the proportion of the total assets financed by equity.
Debt to equity ratio	Interest bearing liabilities/Equity*100	Indicator to compare company's liabilities to equity.
Net debt to capital	(Interest bearing liabilities-cash and cash equivalents)/ (interest bearing liabilities-cash and cash equivalents +equity)*100	Measurement of financial leverage.
Debt to EBITDA ratio	Interest bearing liabilities/EBITDA	Ratio measuring the income generated and available to pay down debt before interest and taxes.
Current Ratio	Current assets/Current liabilities	Liquidity ratio measuring ability to cover current financial obligations.
Return on assets (ROA)	Net profit/average total assets*100	Indicates how profitable the company is to its total assets.
Return on equity (ROE)	Net profit attributable to the owners/average equity*100	Indicates how profitable the company is to its total equity.

Interest bearing liabilities equal to loan and bond balance total (Note 17, Note 18)

Main events in 2022

In 2022 we continued with construction of first phase of Kalaranna District which is a unique sea-side residential quarter right at the heart of Tallinn. This area will be completed in two construction phases with the total of 12 houses, a city square, Kalaranna park, underground parking and renewed beach area. The construction of the first phase comprising of 8 buildings started in January 2020 and was completed in 2022. The presale of the second phase has started.

The next development project in Kristiine City- Kindrali Houses, was initiated in 2021 and is close to completion. First two buildings were handed over to customers in 2022. Premises of the third building are being handed over. The total of 195 apartments have been built within this development project.

We are also developing a residential quarter with a historical and unique location in Riga – Kliversala Quarter. The first building, River Breeze Residence is known for its unique appearance and impeccable quality and has received numerous architecture and construction awards. The sales of River Breeze Residence were ongoing in 2022. The next phase of the project- Blue Marine - received a building permit with the technical requirements and we will start construction as soon as possible. The new houses will be built as an integral area that binds together the feeling of a metropolitan, modern architecture and well considered living environment.

In 2022 the Group purchased a new property in Vilnius City Centre on the hill of Naugarduko street. The location with cultural attractions, educational and entertainment possibilities within a walking distance, makes the location particularly attractive both for homebuyers and businesses.

Chairman's summary

2022 has been a year to remember for AS Pro Kapital Grupp. The Estonian Chamber of Commerce awarded us the prize as the most competitive real estate company in Estonia.

The Competitiveness Ranking is a part of the largest entrepreneurship competition in Estonia, which is organised in cooperation of three organisations: Eesti Kaubandus-Tööstuskoda ((Estonian Chamber of Commerce and Industry), EAS (Enterprise Estonia) and Eesti Tööandjate Keskliit (Estonian Employers' Confederation). The Competitiveness Ranking calculations are based on the economic indicators of the participating companies. We are proud of this achievement, and we'll use it to motivate us to obtain even better results in our future.

In line with the Company's history, we will focus on the main areas of activities in real estate developments in the three Baltics capitals (Tallinn, Riga and Vilnius) and the hotel operations in Bad Kreuznach, Germany.

Real Estate Development

In Tallinn, we have completed and handed over the first phase of the Kalaranna project, where completion of eight buildings with the total of 239 apartments was achieved. On 20 October 2022 we made a grand inauguration and invited the major stakeholders of the project as well as local media. This development has been a great success, both in terms of sales (the first phase of the project is entirely sold out) and in terms of having created a vibrant community for all the Tallinn residents. We are grateful to the local authorities to have been helpful throughout the development process and we take pride in knowing that we are helping shape the landscape of this beautiful city.

In Kindrali houses in Kristiine City we are building 3 residential buildings for a total of 195 apartments. The project is entirely sold out (meaning reservations or pre-sales have been achieved for all the units), and the handover of the last building is confirmed by Q1 2023.

In Riga we are selling our luxury product River Breeze Residence which has been awarded the Baltics Prestige Award for its outstanding architecture.

We hold a building permit for City Oasis residential quarter, a project consisting of 326 apartments located in Tallinas street– a tranquil and green living environment in the city centre. We will be ready to proceed with construction activities as soon as the market situation becomes fit for such an ambitious and vast project.

Out of the three capitals (Tallinn, Riga, Vilnius), Riga seems to have the most challenges in terms of overall market conditions. However, our long-term outlook for the Latvian real estate sector remains bullish.

In 2019 we completed five buildings in Šaltinių Namai Attico project in Vilnius with 115 apartments. Today we have only 2 apartments unsold, out of which one is a model unit. We are preparing for the following phase with city villas (41 units) and a commercial building and plan to start the construction this year.

Vilnius market is extremely active, and we look forward to the next stage of our high-end development. The Company has also expanded its land portfolio in Vilnius, purchasing a school in Naugarduko street for the price of 6.25M euros. The school will be converted into a high-end residential property, consisting of circa 50 luxury apartments. An architectural competition has been held this year and the best design was chosen for the project. We continue with projecting works and plan to apply for construction permit in September.

Hotel operations

After two hard years, which clearly affected the global sector of tourism because of the pandemic, there seems to be a strong demand in the hotel industry. In Bad Kreuznach we have reached a substantial operational break even, despite the fact that a large portion of the rooms were not available to the public due to ongoing renovations. A few years ago, we renovated half of the rooms and part of the common areas. The renovations of the remaining rooms will be completed by the end of Q1 2023, after which we will be able to have newly renovated rooms on the market for a higher Average Daily Rate.

Conclusion

The Baltic real estate sector showed great resilience throughout the pandemic period as well as during the turbulent geopolitical period we live in, and we are confident that we will manage to develop our pipeline of projects in line with the market's expectations, thus continuing to provide a stream of high-quality properties to the local population. We are aware of the challenging historical times we live in; we will need to be fast to adapt to an ever-changing and fast paced world (especially in regards of the construction works and the related challenges to the supply chain and cost of materials), but we still have a very positive outlook on the Baltic region and thus far the market has been supporting our sentiment.

The economic outlook for the Baltic region is generally positive. The Baltic countries of Estonia, Latvia, and Lithuania have experienced steady economic growth in recent years, driven by a combination of factors such as increasing foreign investment, a growing service sector, and export-oriented manufacturing. The region has also benefited from its proximity to Northern Europe and its membership in the European Union, which has helped to boost trade and investment. All the positive indicators above will not disappear despite the challenges that are posed to the real estate sector by the global macroeconomic outlook and the geopolitical turmoil caused by the war in Ukraine.

As the CEO of a successful development company, I see the future of real estate being heavily impacted by technology and changing consumer preferences. Smart home technology, virtual and augmented reality, and online marketplaces are becoming increasingly popular and will continue to shape the way we buy, sell, and experience real estate. Additionally, there is a growing demand for sustainable and energy-efficient homes, as well as for flexible living spaces that can adapt to the changing needs of residents. Overall, the future of real estate is exciting and dynamic, and we are constantly looking for innovative ways to stay ahead of the curve and meet the evolving needs of our customers.

Edoardo Preatoni
CEO
AS Pro Kapital Grupp
31 March 2023

Management report

Management

Our operations are characterised by a long-term view and reliability which is primarily supported by a transparent management approach and the ability to understand the impact of activities in various aspects and manage it in a structured way. Honest, ethical and transparent management means that in our activities we comply with the laws and regulations in force in all operating markets, as a listed company also the requirements of Nasdaq Tallinn and Nasdaq Stockholm and the guidelines of Corporate Governance Recommendations (CGR).

Our management and operations are independent and are not involved in any political organizations. The companies and the key personnel of the Group have not supported the activities of any political organizations in 2022 nor earlier.

Our team is relevantly small therefore our operations are highly visible, both internally and externally. That is why we also emphasize the responsibility involved in the governance and we do not tolerate any abuse thereof. We work with several developments at a time in all the capital cities of the Baltic States and a number of people from different departments are involved in each project. The choice of constructors, suppliers and subcontractors is made in cooperation within the team and taking into account the best long-term practices, long-term experience, whereas the ability of any third parties to ensure a quality service, the reputation and practices thereof is given equal attention. In our opinion, such organisation of work excludes any conflicts of interest in practice. The Management Board is the connecting link between the offices in different states, various entities and the Supervisory Board. We are also working in the direction which allows us to ensure comprehensive internal communications across the entire Group.

In addition to the communication with the investor community, we are consciously and systematically developing Group communication and marketing which would raise the awareness of different stakeholders. The most important for us is the two-way communication with both: the employees as well as any external stakeholders, be it our customers, subcontractors or partners. We believe that a continuous dialogue allows us to do our work in the best way and shape the living environments which would exceed the people's expectations as to their quality, timeless design and well-considered solutions.

Our impact and responsibility

Due to our strategy to develop large integrated areas, our business activity is not just about development – we create new living environments and thereby have a significant impact on people’s quality of life, social development and economic environment. This impact is not only versatile but also long-term, therefore we recognise this as a responsibility and are extremely serious about it. Therefore, we take different aspects of the impact into consideration in our operations and we do more than is expected of us or required by regulations.

We design unique quarters and living environments together with infrastructure and public spaces in the areas which were historically industrial areas or which were unused. The

environments created in premium locations in all the three capital cities of the Baltic States are attractive both for our customers as well as the surrounding areas as we increase the value of the entire area with our development activities. This allows us to stay ahead of the market trends and shape them in a positive manner.

We have analysed the expectations and vision of our stakeholders and experts as regards our broader role and responsibilities in the society. We interviewed our customers, subcontractors, partners, representatives of local communities and local governments, financiers, regulators, construction and sustainability experts and discussed these issues with them. We got the confirmation that we are expected to provide responsible real estate development and customer communication, be honest and open in our daily work and ensure a pleasant working environment. Substantial and diverse feedback is a very important input to construe and constructively analyse our role in the society in order to plan and focus our operations in more conscious manner. We spotlighted these topics for us inside the Group and would like to be more specific in the management of our social responsibility – to continue to develop important aspects, set specific targets and performance indicators which would demonstrate and confirm development besides describing the principles.

The following list gives a TOP 5 priority list of focus areas of interest groups and our own employees showing highly prioritized matters among others.

1. Quality, safe and healthy buildings
2. Fair and ethical management
3. Fair marketing and communication
4. Healthy, safe and proper workplace
5. Customer relationship and experience

We bear significant responsibility for implementation of major projects both in construction operation as well as the ideology from which we proceed. An integral part of this responsibility involves courage to make forward-looking decisions based on global trends, ability to find a balance between the high expectations and the opportunities, and ability to be involved in the development in each aspect thereof, thereby ensuring first-class quality. We are aware of the impact of our operation on these areas that we develop. We take the local customs, architecture and aesthetics into consideration in each project. Designing of integral infrastructure is equally important, taking into account the natural environment and even the trend towards ever greener and healthier lifestyle.

We meet several of the above requirements already today but we see an opportunity to achieve much more in environmental aspects, for example. Today we implement environmentally friendly and resource-efficient solutions in a reasonable manner and in fair proportions to the expectations and needs of the market. Undoubtedly, changes in the consumer behaviour, the increasing energy efficiency expectations and the rapidly changing environment create preconditions for arranging our future activities somewhat differently than today.

We have not included our German hotel into the analysis described above, as hotel operations is not our core business. In spite of that, the principles of social corporate responsibility are implemented also in Germany.

Responsible real estate development

Through years, we've proven to remain ahead of the market trends and focus on long-term value we create for wider communities. Responsible real estate development means that our work has an impact on people's expectations of the environment in which they live, work and spend their time. Our intention is that positive effect is provided and stays long-lasting.

Simultaneous development of several major projects is unique at this market. We believe that our work creates long-time value and also demonstrates our strong position in the Baltic States. We develop large integrated residential quarters, thereby increasing the value of entire areas through well throughout infrastructure and landscape supporting the sense of community of people and their expectations to the quality of life.

We believe that real property is much more than just a physical space. Being residential or commercial real property, it should create emotions. Home is probably one of the most important investments in one's life. Home is the environment which creates a sense of warmth and security.

All commercial and residential real estate buildings completed in recent years or managed by us have convenient access by public transport (at least a distance of 500m) and there are parking spaces for bicycles near each building. All of the completed apartment buildings can be accessed by people with disabilities.

It is clear that the construction activities have an impact on the daily lives of neighbourhood residents. If possible, we plan the sequence of the development phases of residential real estate in such a way that the construction activities would not disturb the residents of existing buildings. We also expect our partners and subcontractors to comply with all the property maintenance rules and practices in order to minimize the disturbing of the neighbours.

We did not receive any substantiated complaints about any disturbing factors from the neighbourhood residents in 2022 in connection with the constructions works or operation of the buildings.

Quality

Our vision is to develop timelessly unique buildings of impeccable construction quality which antedate the expectations, needs and desires of people. This vision reflects our long-term experience and proactive business strategy. We believe that quality is the core of creating long-term values throughout our business. In particular quality is our responsibility to the clients for whom a real estate investment is an important step and decision influencing them for years. Quality begins with understanding the market needs and the ability to move ahead of the trends and anticipate these needs. The quality is reflected in the details starting from the fact that we know our customers and their actual user experience both in the living quarters as well as in the neighbourhood. This means well-weighed space planning and services, intelligently solved communication and ventilation systems, smart and practical landscape architecture and infrastructure which in turn fits into the timeless and high-quality design and interior decoration.

Our developments are born in collaboration with architects of repute in order to associate unique exterior and interior of the buildings with practicality through their experience and vision. We also appreciate the ability of experienced and reputable architectural firms to manage the design work until the issue of the building permit within a reasonable time period. We actively cooperate with architects during the design work stage and analyse in detail the best alternative uses of each square metre.

We are very demanding in our selection of the builder in order to ensure high construction quality. We only invite reliable and ethical companies to participate in tender and besides the price, the final choice will be based on the prior experience and ability to flawlessly carry out technically complex projects. The task of main contractors is to involve a suitable network of subcontractors.

In addition to strong partners, we also ensure our high construction quality by use of carefully selected building and interior decoration materials. The materials have to be durable, timeless and aesthetic, both inside and outside the buildings.

We analyse and wisely prepare the plans for electricity, lighting, heating and ventilation solutions and other automated technological systems which comply with actual utilisation needs and ensure efficiency. By proper maintenance, we ensure a longer service life of the buildings, which we manage ourselves.

Quality means to sense the needs of the market, intelligent design work, knowledgeable construction work in compliance with requirements and even management of the buildings in a manner which allows to offer comprehensive and positive customer experience. A well-considered, wisely planned and carefully conducted development process ensures durability of our buildings over time and reduces the need for repairs and necessity to spend additional resources. Thus, the long-term service life and timeless appearance of the buildings is our biggest contribution to environmental protection.

Preservation of environment

People are more and more aware of preservation of environment and their expectations on sustainable solutions increase together with this. Both, private and business customers tend to appreciate natural materials and energy efficiency more and more. People want their living and operating environment to be green, intelligently planned allowing movement and active lifestyle. Our operations upon meeting the environmental requirements comply with the regulations but environmentally friendly solutions are not yet at the core of the activities. There is a number of reasons for that and the most important one is there is a price and quality ratio of home or commercial spaces to be met. Our operations are focused on customers and their needs and expectations therefore we actively try to find the best and environmentally friendly solutions in a balanced way. However, it is very important for us to know the expectations of stakeholders with regard to environmentally conscious choices as the capability to appropriately address the environmental issues may significantly contribute to our competitiveness in the near future.

The principle on which our work is based is to avoid damage to the nature or excessive burdening thereof. We comply with all statutory environmental requirements both during the design and construction work as well as during subsequent operations. We refrain from damaging the soil, wildlife and biodiversity and we avoid excessive air pollution. We avoid any unjustified use of hazardous materials and we do not use any prohibited materials. We always try to find reasonable opportunities for efficient use of energy, water and other resources during the construction works and when operating completed buildings. This also means that we consider and test renewable energy solutions. An important part of our activities also includes waste treatment for which we always create proper facilities. We ensure that completed buildings comply with the environmental standards and do not endanger the surrounding environment.

In 2022, no environmental pollution or damage to protected nature occurred in connection with the buildings constructed or commercial real estate operated by us.

Safety and health

The charm of the property does not lie only in the property itself but in urban space that is created for people. Thus, the core value of our operations is well-being of people. Just as we want people to feel good in their homes and commercial premises built by us, we also want that both, our customers as well as our employees, would get home healthy every night and that our developments would be safe for them. For this purpose, we comply with the statutory requirements and we believe that this is sufficient to ensure safety in our buildings. We do not compromise over the construction quality. Thus, the durability and fire safety of the structures is elementary for us.

Similar to the previous years, no accidents were reported to us in 2022 (due to our fault), in the apartment buildings operated or completed by us.

Both residential as well as commercial buildings are properly equipped for emergencies. We ensure timely maintenance of the technical systems in the buildings managed by us, repair of alarm systems, and we do our utmost to hedge any other elementary risks (such as slipperiness, darkness, icicles).

During the period of construction works, construction companies ensure safety at the site. We cooperate with respectable main contractors and the general order at construction sites is good. It is important for us that people visiting the site during the period of the construction works are aware of the safety requirements and comply with these requirements.

No major accidents have taken place at our construction sites in 2022.

In addition to safety, healthy environment is also very important. The factors which have an impact on how people feel themselves in our buildings include the suitable temperature, ventilated air, spaciousness, balanced lighting in combination of daylight and artificial light, avoidance of hazardous materials and noise level in public areas. In apartment houses green living environment, which gives an opportunity for movement and sports activities close to home, is important for us.

Team

AS Pro Kapital Grupp is a company with more than 25 years of experience, thus we are one of the oldest professional real estate development companies in the Baltic States. A big part of our team has been with the Group for almost half of its lifetime or even more. We believe that this demonstrates our ability to keep our team by offering them an environment which is in constant development, encouraging and supportive. We believe that every company has the face of its people and people shape it, therefore we highly appreciate our people.

At the end of 2022, the entire Group had 75 employees comparing to 67 at the end of 2021, among them 39 employees were involved in hotel and maintenance business (32 in 2021). 39 employees worked in the Baltic States (23 in Estonia, 8 in Latvia and 8 in Lithuania). 28.2% of people engaged in the principal activity of the Group i.e.in the real estate development, in the offices of the Baltic States are male and 71.8% are female; 3 of the managers of the Group and the Baltic companies are male and 1 is female. In Baltics our employee turnover was 13.7%, which is less than previous year (14.7%). In 2022 we recruited 7 new employees.

Ten keywords characterize us as an employer:
Trust and independence. We appreciate and value freedom to decide, initiative, ability and we do not over-emphasize excessive hierarchy in management.
Humane management. Every employee is valuable for the Group and their well-being is important. Rested people who are enthusiastic and whose lives are balanced are people who work well. Therefore, we try to be flexible and fair in our work.
Development opportunities. Our team is small but as our business is in constant change and evolvement, which allows us to offer our employees learning and development opportunities. We highly appreciate people who have worked for a long time in our team. We listen to them and we fully support them.
Creative work. Our job is exciting and evolving. We work with projects which are all very special. A number of them are unique in the whole Baltic region, thereby we are providing development and self-fulfilment opportunities which is almost impossible to find in other companies of this market. This brings challenges, change, excitement and ambition into our work.
Devotion to goal. We have a common goal, common interests towards which we are moving and working while supporting each other. Real results are created jointly and we contribute to the creation of the value through the development and design of new environments.
Friendly colleagues. The team and each person in it are important for us. In search of a new employee, we look more for a person who fits into the team, not only a professionally competent specialist. We find that the synergy between people adds value both to employees' well-being and their work results.
Equal opportunities. In recruitment process we do treat all candidates equally for all open positions, our choices are based on considering candidate's character, skills, experience and

recommendations, not their gender, nationality, race or religion. The same applies for positions which we fill internally.

We value good health. We strictly follow any safety requirements and we believe it is very important to preserve health of our people. In Estonia, when people fall ill, they can stay at home for up one week to get well without losing their pay for this time. In Latvia, we have enabled voluntary health insurance for all our employees. We consistently assess occupational safety risks and our employees undergo regular health checks.

Modern working environment. We consider it essential to feel good in work environment. Our modern and comfortable premises in Tallinn and Vilnius are located close to our development projects and easily accessible by public transport or car. Thus, we are almost in the midst of things and this allows us to constantly keep an eye on the activities and communicate with our customers. In Riga, we moved in 2018 to a newly renovated office in the centre of Riga.

Stable employer. We are an international publicly listed company which operates in several markets – a capable, stable and open real estate developer with transparent management. Many employees have been members of the Pro Kapital team for over 15 years.

In 2022:

- *We had no work accidents with our employees (the same in 2021);*
- *Our employees were absent from work due to medical reasons only 1.6% of the days with an average of less than two days per year (2.6% in 2021);*
- *Over 16% (32% in 2021) of our employees participated in professional training courses or seminars with an average of 8 hours per employee (5 hours per employee in 2021);*
- *We did not receive any official complaints about discrimination or unfair treatment (the same in 2021).*

We believe it is important to preserve our humane and direct organizational culture and to avoid unnecessary bureaucracy and formalism. However, we perceive that we are growing and changing, therefore we see the need to introduce a common approach to certain issues at the Group level.

Customer experience

Buying a home is usually one of the most important and significant transactions for people. Therefore, we bear even higher responsibility to all our customers. We are closely connected to all our developments from beginning to end because this is the only way we can ensure the quality. This gives us an opportunity to be in a constant dialogue with our customers, understand their needs and expectations. We have proven ourselves as a reliable long-term partner to our buyers and our customers can be confident what they invest in.

Undoubtedly, buying a home is an emotional deed and the way how quality is brought to people plays a major role here. Transparency and clarity must go hand in hand with a convincing and aesthetically appealing visual language – people must be able to understand what they invest in. Therefore, marketing communication has big and effective role to play in our work, every detail and the overall picture of the product specifications and visual elements must address a specific target group. Our promises correspond to reality, our plans and views are true and we are open in our communication which allows people to get acquainted both with the interior decoration materials as well as with the plans.

We believe that the quality label of our development activities is formed during the first contact with the customer. Like any other relationship, it grows and develops over time and that is why we do not use an aggressive style of selling or pressurize people to decide. We value each individual and we comply with the privacy requirements by means of collecting and retaining contact details in a proper manner. When we cooperate with real estate agents, we require that they also adhere to the same principles.

In 2022, we did not violate any requirements or principles relating to marketing ethics, consumer protection, customer privacy or data leakage.

A strong customer relationship is an integral part of our business. Each customer contact, regardless of the project, shapes our reputation and credibility and will also accompany us in the future. Customer experience and assessments of the quality of our work and service turn them into our main and maybe even the most important marketers. Pro Kapital has grown into a strong and valued brand, which is confirmed by the fact that in general we sell a significant number of apartments in a variety of projects already before the beginning of the construction works or even before the beginning of the marketing activities. A number of people who have earlier bought their homes from us purchase apartments even in our subsequent development projects.

Most of the apartments in Kalaranna District and Kindrali Houses were reserved prior to start of construction.

A binding principle for us is to be there for our customers even after the sales transaction. Our goal is to be in a constant dialogue with our customers which on one hand helps us to shape the living environment where people feel good, but to also solve any potential problems quickly and constructively. Therefore, we manage most of our apartment houses ourselves after they are completed. When finding maintenance partners for a house, we defend the interests of owners and help the apartment associations to make the choice. We believe that this way we help them to settle down in a smoother and more pleasant manner. Being close to users, we can identify any issues which need adjustments or changing in our future projects. Thereby we constantly improve our development sites and we ourselves grow together with them.

Our uniqueness also includes the real estate agents involved in our team. We believe that this allows us to offer better quality customer service as namely the administrative departments are the connection link in the customer relations between the builder and our development team, both upon transfer of the apartments as well as during the warranty period of two years, until the builder solves any warranty issues.

We believe that people do not buy just an apartment but make an investment in the living environment. That is why we are committed to our work as if we did it for ourselves and for our families. We analyse and consider carefully even the smallest details, we take into consideration different needs, habits and expectations in a manner which allows us to create a smart, well-considered, homely and considerate living environment. It is really important for us that people are happy in their new homes. This distinguishes us clearly and supports our growth and movement as a creator of trends towards high-quality and responsible real estate development.

Contribution to society

The biggest and the most positive contribution of AS Pro Kapital Grupp to society is the development of living environments and commercial districts based on an integrated and long-term strategy. Therefore, our business does not consist only of development – we create new districts and have a positive impact on the living environment of people. We support and participate in activities and projects which involve local community, promote youth education, improve awareness and support culture where we can add value.

Recognition in 2022

- A living environment is much more than just physical space. This is an environment, together with its people, their expectations, joys and sorrows. We are responsible to people, we shape their living space in various aspects thereof, we consider it important to direct and shape it in the manner which would be equally good. Kalaranna District was recognised within nominations of Tallinn City Entrepreneurship Awards in the category “Development Project 2022”.
- As part of the entrepreneurship competition organized by the Estonian Chamber of Commerce and Industry, the Enterprise Estonia and the Estonian Employers’ Confederation, AS Pro Kapital Grupp was recognized as the Most Competitive Real Estate Company 2022.

Risk management

As part of the business of a responsible company is to identify and minimise any related risks.

Market risk

Focusing on the long duration of our business model allows us to mitigate potential market fluctuations. Based on our long-term strategy, we acquire a real estate property when the market is in recession, and we develop and sell it at the height of the market. This gives us an opportunity to take advantage of market opportunities and to hedge and manage the market risks.

Liquidity risk

We manage the liquidity risk on ongoing basis, taking into account the working capital developments and the needs. We monitor cash balances on weekly basis, also model short-term and long-term cash flows to spot any potential problems and to find timely solutions. Careful cash planning, monitoring of cash flows of our development projects and flexibility in everyday money matters effectively contribute to management of the liquidity risk.

Funding risk

The funding risk may extend the development process of the projects of the Group and slow down the realization of the real estate portfolio. The risk is managed by flexible ensuring of sustainable funding by means of overdrafts, loans, bonds and other debt instruments as well as expansion of the investor base and raising of additional capital in case of need.

Property risks
Property risks are covered by insurance contracts.

Safety and security risks
As we develop buildings where people live, work and which they visit on a daily basis, we must ensure their safety and security. This means strict control and compliance with these principles throughout our activities. Both in our residential as well as commercial real estate projects we comply with all the design, construction work and safety requirements, we cooperate with only competent and reliable construction companies and their subcontractors, and we use high quality building materials and construction techniques. We equip the buildings managed by us with the required safety equipment and ensure adopting of security measures in case of any emergencies, we carry our regular risk analyses and training exercises. As building managers, we monitor that the risks arising from the general order of the real property and the surroundings thereof would not endanger people.

Community risks
In general, construction works have a temporary disturbing impact on the people living and working nearby. We will make every effort to minimize any inconveniences and we expect our partners to do the same. In case of any problems, we are open to communication in order to prevent aggravation of disagreements and we aim to promptly find solutions that are suitable for all parties. We understand that involvement of the public and local community is becoming an important part of any development activities. This is evidenced by the ever-growing social interest in the suitability of major infrastructure and industrial investments in the communities and the natural environment.

Environmental risks
Our activities do not involve any high-impact risks that could occur unexpectedly. We manage the most important risks to wildlife, soil and the surrounding environment by the selection of locations, proper design and construction work and by making previous analyses. A large proportion or our real estate developments is located in areas which are not yet used, often in industrial areas where the environmental damage arising from previous use of the area may be a problem. In this case we eliminate the pollution or other environmental damage, if necessary.

Our choice of partners is inter alia based on that the partner would be able to ensure proper compliance with the requirements and aspects related to the environment. Our activities involve significant energy consumption and waste generation, so we comply with all the energy efficiency and waste management requirements related to the buildings as well as other significant environmental impacts. In the light of increasingly stringent environmental regulations and growing market expectations, we have to be able not only to respond to them but also find ways to do more than is expected and required.

Employee-related risks
The jobs of our employees are not related to any important risk factors as most of the time is spent in the offices. At the same time, it is extremely important that our subcontractors would ensure the use of proper work techniques during the construction works of our developments and safety of people in the construction area. Therefore, these expectations are taken into consideration already in the selection of construction companies and in our mutual

agreements. We cooperate with competent and reliable building companies that properly follow the safety rules. When our employees and representatives of other partners visit the constructions sites, we ensure that they follow the safety rules.

We estimate that labour shortage is not a direct risk for the Group as we are quite a small team which stays relatively stable in time. Recruitment of new employees is based on the need.

However, we are very much aware of the significantly changed work habits and heightened expectations of the working life. Employers of different areas of activity also contribute to the well-being and satisfaction of their employees and this creates a growing need even for us to keep pace with these changes. Therefore, we need to pay more attention in the future to the overall strengthening of the reputation and image of AS Pro Kapital Grupp which would contribute to a strong employer brand. A good employer brand allows to also attract the attention of talented employees in the future. Like many other companies which have operated for a long time and whose key personnel has been with the Group for more than 10 years, we need to see to that people feel good in our team. We must pay particular attention to our long-term employees whose quitting of their jobs could have an unexpected impact on the competence and continuity of the entire Group.

In the turbulence of recent years, we have had to adapt to a rapidly changing environment. Although we have been indirectly affected by the shortage of materials and the increase in prices that have hit the construction market, we have so far managed those risks with fixed prices and flexibility in the schedule. Rapidly growing real estate prices have had a positive effect on us, and with the cool down in the market, we have no trouble with illiquid assets. As of the end of 2022, the group has no obligations related to Euribor. The following years will be characterized by a new approach to construction contracts in development activities. The purchasing power of home buyers has shrunk due to rapid inflation and rising loan interest rates. Therefore, we start with the development of those projects in which we find that the risks for the company are lower. The banks are still willing to cooperate and there have been no significant changes to the conditions. However, we have to take into account the rising interest cost.

Financial risks related to the group are described in more details in the Note 29.

Strategy and objectives for 2023

Our most important goal is to focus on developing high-quality properties. We aim to continue the long history of Pro Kapital in handing over great properties where people live, work, and spend their free time.

We develop new residential and commercial areas in the best locations in Tallinn, Riga and Vilnius. We take the long-term perspective into consideration and intentionally remain ahead of the market trends. In this regard, we feel like the focus on sustainability that recently caught the attention of the markets was long-due, and we intend to be frontrunners in the exciting prospect of developing communities with a strong focus on the health and well-being of the people who live in it, as well as the urban environment itself. In addition to the development of our already existing sizeable real estate portfolio, we constantly also assess our opportunities to extend and strengthen it.

Our long-term experience as one of the oldest professional real estate development companies in the region supports our conservative borrowing principles and we are going to continue this in the future, too. We ensure optimal financing solutions for the development of our new projects, combining loans from financial institutions, extension of the investor base or by attracting private capital.

In Kalaranna District we plan to start construction of the second phase in the first half of 2023. In Vilnius we are finalising the tender for construction of last phase of Saltiniu Namai and start projecting of the newly obtained property Naugarduko to go on with construction works before the end of this year. Our new developments depend on changes in the construction market which is facing lack of construction materials, increase in prices, problems with the deliveries. In spite of that we are positive in regards of continuous demand for residential premises and we plan to go on with development activities.

Our hotel line of activity has been influenced by the pandemic of the latest years and renovation works. We expect to reach the occupancy to pre-pandemic level after renovation works are completed.

Goal for 2023:

To continue construction of our ongoing development projects and prepare to launch new development projects. To monitor carefully the impact of the worldwide pandemic and ongoing war in Ukraine and to adjust the strategy and plans of the Group accordingly, also ensuring the health and safety of employees, clients and partners.

Segments

The Group's operations are spread across four geographical segments: Estonia, Latvia, Lithuania and Germany.

Key financial data of the segments, in thousands of euros

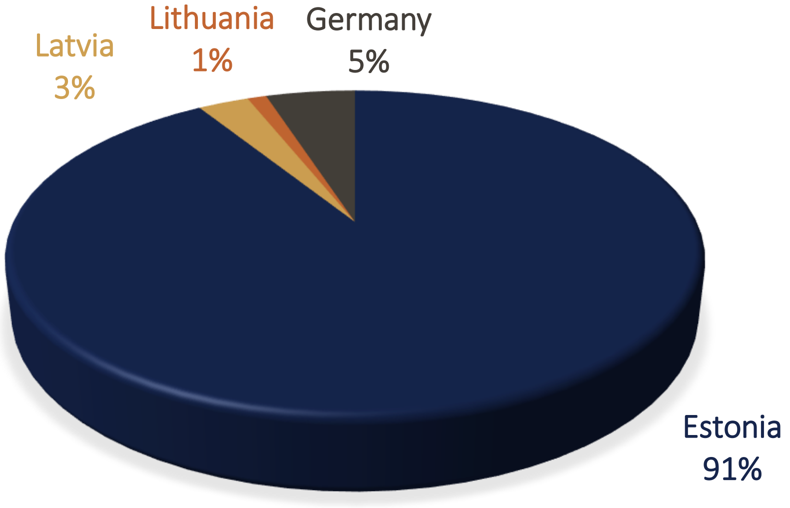
	Revenue			Gross profit			Profit/loss before income tax		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
Estonia	59 819	37 101	61%	15 706	9 193	71%	14 461	34 114*	-56%
Latvia	1 867	2 404	-22%	726	773	-6%	-476	308	-255%
Lithuania	698	1 639	-57%	312	456	-32%	-257	-60	-329%
Germany	3 270	1 951	68%	221	154	44%	-279	642	-143%
Total	65 654	43 095	52%	16 965	10 576	60%	13 449	35 004	-62%

	Gross margin		Net margin	
	2022	2021	2022	2021
Estonia	26.3%	24.8%	24.2%	91.9%*
Latvia	38.9%	32.1%	-25.5%	12.8%
Lithuania	44.7%	27.8%	-36.7%	-2.7%
Germany	6.8%	7.9%	-8.5%	32.6%

**Profit includes gain from recording loss of control of the subsidiary (Note 24)*

Internal transactions are eliminated in key financial data provided above. Estonian segment includes separate financial data of the Company.

2022 revenue by geographical segments, %



The general market situation in Baltic capitals has had an upward trend in 2021-2022 with real estate prices growing, especially rapidly in Estonia. The booming prices in Estonia have now slowed down due the war in Europe and interests increase in financing sector in the second half of 2022. The prices of real estate will decrease mostly in the secondary market. The interest towards residential real estate remains high in spite of the restless situation in the world and the prices for new premises are not expected to drop mainly due to increase in demand, as many developers has paused construction of new projects and the cost of construction has increased significantly. Lithuanian market is also welcoming new projects, but in Latvia the prices have grown in a slower pace and the general environment is not supporting higher end residential premises sales.

Estonia

The Group's operations in Estonia mainly consist of the development and sales of apartments in middle and premium residential real estate properties, development, and lease of retail and office premises, management of real estate properties. Kalaranna District and Kristiine City in Tondi are being developed by the Group.

The share of the Estonian segment as a percentage of total revenues of the Group during the reporting period amounted to 91% compared to 86% of the comparable period last year.

Revenue from Estonia

in thousands of euros	2022	2021	Change
Real Estate	59 676	36 971	61%
Rent	1	3	-67%
Other	142	127	12%
Total	**59 819**	**37 101**	**61%**

Revenues in real estate segment increased rapidly due to completion of Kalaranna District and Kindrali Houses. Sales revenues are recorded upon signing final notarised sales agreement and handing over the premises to the buyers. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. During 2022 the total of 243 apartments, 262 parking lots, 20 business premises and 188 storage rooms (2021: 164 apartments, 239 parking lots and 84 storage rooms and 5 business premises) were sold. At the end of the reporting period the stock consisting of 2 apartments, 29 storage rooms and 84 parking lots were available for sale in Tallinn. However, we do not have any apartments available for sale as the remaining two are used as showrooms for the following stages of the projects.

Other revenues consist mainly of maintenance services provided. Other services revenue increased by 12% mainly due to the increase in the clients' base.

Latvia

The Group's operations in Latvia mainly consist of the development and sales of apartments in premium residential real estate properties, development of commercial properties.
The River Breeze Residence with 47 exclusive apartments was completed in Kliversala development in Riga in 2018 and sales were ongoing in 2022. The projecting works of the rest of Kliversala area as well as of the City Oasis Quarter and Brivibas Business Quarter continued.

The share of the Latvian segment as a percentage of total revenues of the Group during the reporting period was 3% compared to 6% in the comparable period last year.

Revenue from Latvia

in thousands of euros	2022	2021	Change
Real Estate	1 673	2 314	-28%
Rent	177	78	127%
Other	17	12	44%
Total	1 867	2 404	-22%

During 2022 the total of 6 apartments, 7 parking lots and 6 storage rooms (2021: 6 apartments, 6 parking lots and 4 storage rooms) were sold. At the end of the reporting period 18 luxury apartments, several storage rooms and parking lots were available for sale in Latvia.

The Group temporarily rents out some of the premises available for sale. In 2022 rental revenues increased by 127%.

Other revenue makes a minor contribution to overall segment's revenue. The Group provides maintenance services mainly to its tenants and therefor maintenance revenue is correlated to the rental area.

Lithuania

The Group's operations in Lithuania mainly consist of the development and sales of apartments in premium residential real estate properties.

The share of the Lithuanian segment as a percentage of total revenues of the Group during the reporting period amounted to 1% compared to 4% last year.

Revenue from Lithuania

in thousands of euros	2022	2021	Change
Real Estate	359	1 331	-73%
Rent	39	18	116%
Other	300	290	4%
Total	698	1 639	-57%

Real estate sales decreased by 73% in 2022 comparing to last year. During the reporting period 1 apartment, 5 storage rooms and 4 parking lots were sold in Lithuania (2021: 5 apartments, 9 storage rooms and 10 parking lots). There were 4 apartments, 1 business premise, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

The Group temporarily rents out some of the premises available for sale. In 2022 rental revenues increased by 116%.

The Group provides maintenance and other services to its sold and rented out apartments. In 2022 the revenue from maintenance activities has increased by 6% as a result of sales of new premises.

Germany

The Group's operations in Germany consist of the 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 Group during the reporting period amounted 5% compared to 4% of the comparable period last year.

Revenue from Germany

in thousands of euros	2022	2021	Change
Hotels	3 270	1 951	68%

The occupancy rate of PK Parkhotel Kurhaus hotel has decreased by 14% constituting the average of 48.4% for the year. The lower occupancy rate in 2022 was influenced by ongoing renovation works at the hotel, which hindered its operating in full capacity. However, total revenues increased by 68% due to higher rates. Net result for 2022 was 435 thousand euros loss (2021: 637 thousand euros profit). The positive result of the hotel in comparative period was related to the support provided to the hotel by the German government as the hotel was closed due to global pandemic.

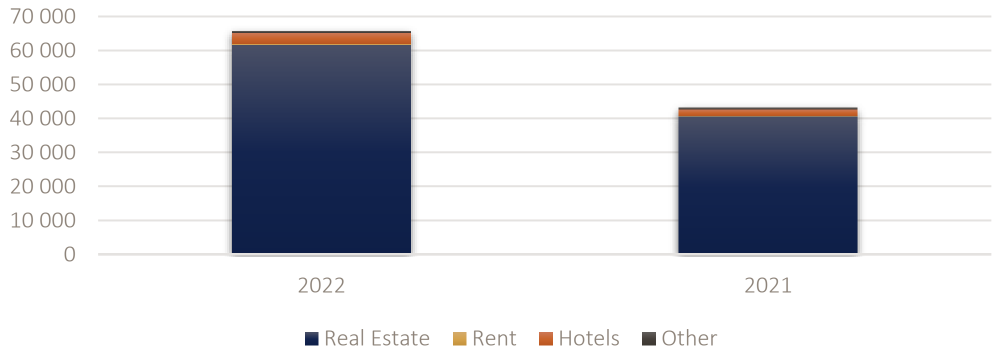
Occupancy rates, %

	2022	2021	Change
PK Parkhotel Kurhaus, Bad Kreuznach	48.4%	56.2%	-14%

Business lines

In addition to geographical segments, the Group also monitors its operations by business lines.

Revenue by business lines, in thousands of euros



Revenue by business lines

in thousands of euros	2022	2021	Change
Real Estate	61 708	40 616	52%
Rent	217	99	119%
Hotels	3 270	1 951	68%
Other	460	429	7%
Total	**65 654**	**43 095**	**52%**

Revenue in real estate business line has increased due to new completed developments in Kalaranna District and Kristiine City. Average price per m^2 sold in 2022 was 2 881 euros/m^2 (2021: 3 121 euros/m^2), prices are given without VAT. The average price in our projects in Estonia decreased by 9% and increased in Lithuania by 63% and Latvia by 10%. Lower price in Estonia is related to sales of mid-class premises in 2022 while compared to high-class premises sold in 2021. The total of 20 263 m^2 of residential premises were sold in 2022 (2021: 11 087 m^2) altogether in all three countries.

The Group is focusing on development of existing land plots, which will expand its sellable asset base. In 2023 the Group plans to complete Kindrali Houses current stage and to start the next phase of Kalaranna District next to continuing with sales of current stock in Kliversala in Riga and Šaltinių Namai | Attico residential complex in Vilnius. Simultaneously preparations to start the following projects are ongoing.

In 2022 the Group operated PK Parkhotel Kurhaus in Bad Kreuznach, in Germany. Due to renovation works the hotel was only partially operating during the year. The renovation was finalised at the end of 2022 and from the beginning of 2023 all rooms are available for bookings.

Maintenance business line is dependent on the rental spaces maintained by the Group. Space under maintenance in 2022 has increased by 1.7% and was 70 022m^2 as at 31 December 2022 (31 December 2021: 68 836m^2). Gross profit of the segment and overall profitability has remained the same compared to the last year.

Financing sources and policies

Pro Kapital Grupp pursues conservative financing policy. The Group's goal is to use external financing in the way, which allows to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. In general, the Group seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Group's credit standing. The Group's subsidiaries use local bank financing for specific development projects. To manage possible risks, projects are kept in separate subsidiaries and usually no guarantees are provided for liabilities of another group company. Loans for specific projects are predominantly of middle-term duration, maturing within one to three years. Loans' repayment schedule is of mixed nature, consisting mainly of floating payments in dependence on sales volumes and to some extent fixed payments.

During 2022 the Group has repaid 26.6 million euros of its loans and has raised 14.4 million euros of loans. The Group has 62.5 thousand euros of loans to be repaid in 2023.

In 2022 the Group has repaid 196 thousand euros of convertible bonds. (Note 18).

As at 31 December 2022 the Group had issued 28.5 million euros of secured bonds with redemption date in February 2024 and 9.7 million euros of unsecured bonds with redemption date in October 2024. The bonds carry an effective annual interest rate of 8%.

Shares and shareholders

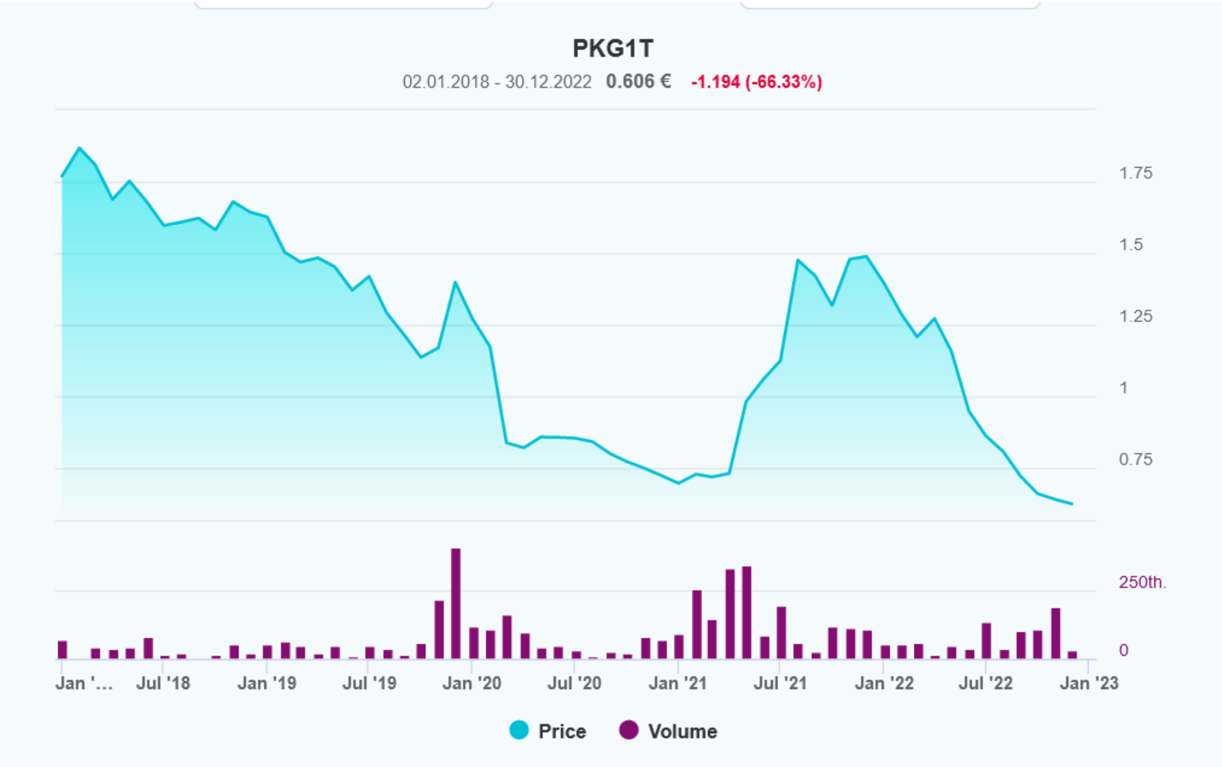
As at 31 December 2022 AS Pro Kapital Grupp had 56 687 954 shares with the nominal value 0.20 euros. The registered share capital of the Company is 11 337 590.80 euros.

Composition of share capital

	31.12.2022	31.12.2021
Number of shares (pcs)	56 687 954	56 687 954
Nominal value (euros)	0.20	0.20
Share capital (euros)	11 337 590.80	11 337 590.80

On 23 November 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange with an ISIN EE3100006040. On 19 November 2018 Company's shares were listed on the Main List of Tallinn's stock exchange. During the period 1 January – 31 December 2022 the shares were trading at the price range 0.61 – 1.45 euros, with the closing price of 0.61 euros per share on 31 December 2022. During the period 0.9 million of the Company's shares were traded with their turnover amounting to 0.8 million euros.

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January 2018- 31 December 2022, NASDAQ Baltic Main List*

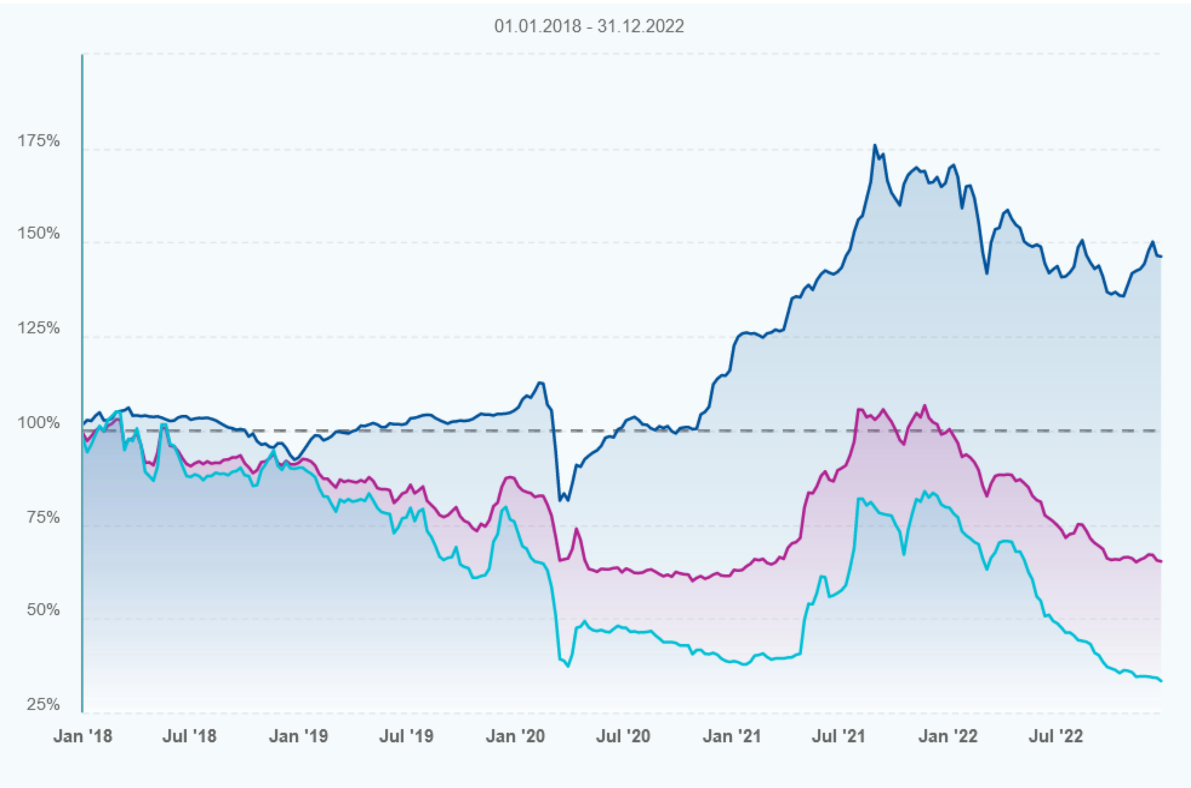


Source: www.nasdaqbaltic.com

Trade statistics in euros*	31.12.2022	31.12.2021	31.12.2020
High price	1.45	1.56	1.39
Low price	0.61	0.68	0.68
Last price	0.61	1.44	0.70
Average price	0.96	1.10	0.88
Traded volume (pcs)	876 547	1 883 042	832 989
Turnover (million)	0.76	1.85	0.77
Capitalisation (million)	34.58	81.63	39.68

**Source: www.nasdaqbaltic.com*

Baltic market indexes 1 January 2018- 31 December 2022*



**Source: www.nasdaqbaltic.com*

Index/ Equity	31.12.2022	31.12.2021	Change
OMX Baltic Benchmark GI	1 384.42	1 568.82	-11.75%
B35PI Real Estate / B8600PI Real Estate	274.95	419.63	-34.48%
PKG1T (euros)	0.61	1.44	-57.64%

**Source: www.nasdaqbaltic.com*

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 2022 the shares were trading at the price range of 0.54 – 1.41 euros, with the closing price 0.61 euros per share on

31 December 2022. During the period 1.4 thousand of the Company's shares were traded with their turnover amounting to 634 euros.

Shareholders

As at 31 December 2022 there were 976 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

Shareholders holding over 5% of the shares:

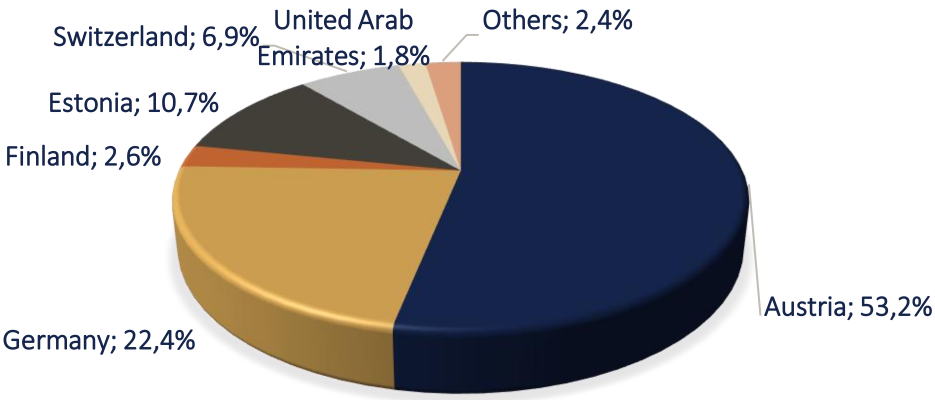
	31.12.2022		31.12.2021	
Shareholders	Number of shares	Participation in %	Number of shares	Participation in %
Raiffeisen Bank International AG	30 134 778	53.16%	29 150 898	51.42%
Clearstream Banking AG	12 687 054	22.38%	12 474 534	22.01%
Svalbork Invest OÜ	5 590 639	9.86%	5 590 639	9.86%
Six Sis Ltd	3 914 931	6.91%	4 920 031	8.68%

Shareholders split by holders:

	31.12.2022		31.12.2021	
Shareholders	Number of shares	Participation in %	Number of shares	Participation in %
Financial institutions	50 415 419	88.93%	50 399 093	88.91%
Companies	5 815 844	10.26%	5 877 489	10.37%
Private persons	456 691	0.81%	411 372	0.73%

Shareholders geographical split by residence as at 31 December 2022:

Shareholders	Number of shares	Participation in %
Austria	30 134 778	53.2%
Germany	12 687 814	22.4%
Estonia	6 052 565	10.7%
Switzerland	3 919 891	6.9%
Finland	1 499 736	2.6%
United Arab Emirates	1 035 348	1.8%
Others	1 357 822	2.4%



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 December 2022 Ernesto Preatoni and his affiliates hold 49.63% (31 December 2021: 49.59%) of the shares of AS Pro Kapital Grupp. The following shares are considered as being held 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 5 590 639 shares representing 9.86% of the total shares of the Company.
- 19 788 439 shares representing 34.93% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 2 734 623 shares representing 4.82% of the total shares of the Company held though a nominee account by Clearstream Bank.
- 12 220 shares representing 0.02% of the total shares of the Company held through a nominee account opened by Nordea.

The major shareholder has informed the Company that he is making a contribution in kind into a French company with 49.62% of his holding. Being a major shareholder in that French entity, Ernesto Preatoni remains still as a final beneficiary of the shares. Although the holding in AS Pro Kapital Grupp is less than 50%, the French company – Preatoni Group – will consolidate the reporting group and is to be considered an ultimate parent for AS Pro Kapital Grupp.

Participation the Management Board and the Supervisory Council as at 31 December 2022:

Name	Position	Number of shares	Participation in %
Edoardo Preatoni	Board member	0	0.00%
Emanuele Bozzone	Chairman of the Council	0	0.00%
Petri Olkinuora	Council Member	30 000	0.05%
Oscar Crameri	Council Member	0	0.00%

As at 31 December 2022 Emanuele Bozzone, with his affiliates, is holding 357 000 unsecured, fixed rate non-convertible bonds of the Company with the nominal value of 999 600 euros in total.

Earnings per share (EPS), P/E ratio

Earnings per share for year 2022 were 0.24 euro/share (2021: 0.52 euro per share). P/E ratio for year 2022 was 2.57 (2021: 2.74).

Group structure

As at 31 December 2022

Corporate governance report

Overview

The system of principles for the management of the Company are regulated by law, the Articles of Association, the internal rules of the Company and since 1 January 2006, the companies listed on the NASDAQ OMX Tallinn Stock Exchange are recommended to follow the "Corporate Governance Recommendations" (CGR) issued by the Financial Supervision Authority.

The Company complies for the most part with the CGR guidelines, despite the indicative nature of the CGR, except to the extent of non-compliance as described and explained below.

The Group's decision- making and governance structure as at 31 December 2022 was as follows:

1. GENERAL MEETING OF SHAREHOLDERS

The Company is a public limited company and has regular General Meetings of Shareholders, a Supervisory Council and a Management Board as the management bodies. The General Meeting of Shareholders is the highest directing body.

1.1. Exercise of shareholders rights

1.1.1. Every shareholder has the right to participate in the general meeting. An ordinary General Meeting is held once a year, Extraordinary General Meetings may be convened by the Management Board in the cases prescribed by law. The General Meeting is competent to amend the articles of association and the share capital, to elect the members of the supervisory board and decide on their remuneration, to appoint the auditor, to approve the annual reports and the distribution of profits and to decide on other matters provided for in the articles of association and by law.

In the AGM notice it is clearly stated where the shareholders or their representatives can direct their questions before the meeting (email and phone number) and that should there be such questions, there will be answered and disclosed on the Company website. At the start of the general meetings, the Chairman of the meeting always makes it clear that questions can be asked throughout and before the meeting is adjourned, once more participants are given the opportunity to voice their questions. During 2022, only one annual general meeting of shareholders was held and no questions as to the topics of the agenda of the meeting were presented to the Company before the general meeting.

1.1.2. Company's Articles of Association do not allow granting different types of shares with rights which would result in unequal treatment of shareholders in voting. Only one type of shares has been issued, giving all shareholders exactly the same rights related to the shares.

1.1.3. Company facilitates the personal participation of shareholders at the General Meeting. When calling the shareholders' meeting a notice period of at least 3 weeks is given for both general and extraordinary shareholders' meetings. In the notice the exact place, date and time of the meeting are stated. Representatives of the Company always participate at the General Meeting and are accessible to the shareholders during the holding of the General Meeting.

1.2. Calling of a General Meeting and information to be published

1.2.1. The Company published the notice of the convening of the General Meeting via the NASDAQ OMX Tallinn Stock Exchange system and on its website on 25 May 2022 and on 26 May 2022 in the daily national newspaper, page 9. The Company allowed the shareholders to submit questions on the topics mentioned in the agenda both at the e-mail address given in the notice and by telephone and to examine the annual report, the auditor's opinion, the principles of remuneration of the Management Board on its website and at the Company's location Sõjakooli 11, Tallinn.

1.2.2. The General Meeting was held on 21 June 2022 at 13.00 in Tallinn, at the Sokos Hotel Viru conference centre, Andante, Viru väljak 4. The resolutions adopted at the General Meeting are publicly available on the NASDAQ OMX Tallinn Stock Exchange system and on the Company's website.

1.3. Procedure of the General Meeting

1.3.1. During 2022 the Company held 1 (one) shareholders' meeting. The Annual General Meeting of the shareholders took place on 21 June 2022. At the 2022 Annual General Meeting of the shareholders partner and attorney at law at Sorainen law firm, Karin Madisson, was elected as the Chairman of the Meeting.

1.3.2. The Annual General Meeting of the shareholders took place on 21 June, 2022. Present was member of the Supervisory Council Petri Olkinuora, Chairman of the Supervisory Council Emanuele Bozzone and Supervisory Council member Oscar Crameri were unable to participate. Other participants were: the Members of the Management Board Edoardo Axel Preatoni and Angelika Annus.

1.3.3. Issuers should make participation in the General Meeting possible by means of communication equipment (Internet), if the technical equipment is available and doing so is not too cost prohibitive for the Issuer.
Company has not followed this recommendation and does not plan to follow the recommendation and making participation in the General Meeting possible by means of communication equipment (Internet). The reason for not following the recommendation is that there is no good and cost-efficient technical solution to verify the identities of foreign shareholders, who form the majority of the Company's shareholders. Therefore, allowing the participation of the shareholders by means of communication equipment poses legal risks to the Company, in verifying the list of participants of the shareholders' meeting. In the notice of calling the general meeting, the Company clearly indicates that shareholder or their representatives are expected to participate in person. Thus, while proxy voting or voting in absentia is not prohibited, it is not enabled. Since international shareholders can and do engage local representation, which is the common practice in Estonia, the Company has not made it unduly difficult or expensive to cast votes at general meetings and, thus, has followed the OECD 2015 CGR.

1.3.4. As per the recommendation the profit distribution (or covering the loss) has been considered in General Meeting as a separate agenda topic and a separate resolution has been passed regarding it.

In the light of the above descriptions of the General Meeting held in 2022, the Company has complied in 2022 with the recommendations of the CGR in exercising shareholders' rights, informing, convening and conducting the General Meeting.

2. MANAGEMENT BOARD

2.1. Duties

2.1.1. The Management Board is the governing body of the Company, making independent day-to-day decisions without favouring personal and/or controlling shareholders' interests. Pursuant to articles of association of AS Pro Kapital Grupp the Management Board consists of at least 1 (one) to maximum 5 (five) members. In accordance with the Commercial Code, the member(s) of the Management Board shall be elected by the Supervisory Board. According to the Articles of Association, a member of the Management Board is elected for a term of up to three years.

2.2. Composition and charge

2.2.1. As at 31 December 2022, the Management Board of the Company had one Management Board member: Edoardo Axel Preatoni. The term of office of Angelika Annus, Member of the Management Board, expired on 1 June 2022. Management Board Members are selected by the Supervisory Council of the Company based on their expertise in the sector the Company is operating in, in addition candidates' leadership and management experience is taken into account as well as their integrity and their commitment to the Company.

Name	Citizen-ship	Year of birth	Member since	Position	Current term expires/ expired	Number of shares of the Company
Angelika Annus	Estonian	1971	01.09.2021	Member	1.06.2022	0
Edoardo Axel Preatoni	Italian	1987	01.03.2016	Member	31.12.2024	0

Mr. Edoardo Axel Preatoni holds a diploma in classical studies from Instituto De Amicis, Milano Italy. Mr. Preatoni has experience in hotel and real estate development business and he is the founder & CEO of Preatoni Real Estate Development LLC in Dubai, UAE. Since 2022 Mr. Preatoni is the CEO of AS Pro Kapital Grupp, from 1 June 2022 sole member of the Management Board. Mr. Preatoni does not own any Company shares or bonds.

Mrs. Angelika Annus holds a degree in Business Administration from Estonian Business School. Mrs. Annus has been employed in the Company since 1998, as a CFO since 2014 and was also a member of the Management Board of other group companies (AS Pro Kapital Eesti, AS Tondi Kvartal, OÜ Marsi Elu, OÜ Kalaranna Kvartal, OÜ Dunte Arendus and OÜ Pro Kapital Germany Holdings) since 1 September 2021. As a member of the Management Board of AS Pro Kapital Grupp she was responsible for managing and organising the daily business of the Company. Mrs Angelika Annus does not own any Company shares or bonds. The term office of Mrs Annus as a member of the Management Board of the Company and as a member of the Management Board of the Company's subsidiaries ended on 1 June 2022, she continues working in the Company as CFO.

The Supervisory Council has established an area of responsibility for each member of the Management Board, defining their duties and powers. The principles for co-operation between members of the Management Board and between the Management and Council have also been established.

Since 1 January 2022 Edoardo Axel Preatoni has a Management Board contract with AS Pro Kapital Grupp. Angelika Annus has concluded a management board member authorisation agreement with AS Pro Kapital Grupp since 1 September 2021 until 31 May 2022.

Contrary to the recommendation contained in section 2.2.1. of the CGR, the Management Board consist of one member as of 1 June 2022. In addition to the member of the Management Board, the management of the Company also includes the CFO and the CEO´s of the Company's subsidiaries. All important decisions are taken by the Management Board and the management of the Company in cooperation with the Supervisory Board. The management of the Company is also closely coordinated with the CEO´s of the Company's subsidiaries and the persons responsible for the respective areas. This governance structure best protects the interests of shareholders and ensures the sustainability of the Company.

2.2.3. As per the recommendation the bases for Management Board remuneration should be clear and transparent. The Supervisory Council should discuss and review regularly the bases for Management Board remuneration. Upon determination of the Management Board remuneration, the Supervisory Council is guided by evaluation of the work of the Management Board members. Upon evaluation of the work of the Management Board members, the Supervisory Council is taking into consideration the duties of each member of the Management Board, their activities, the activities of the entire Management Board, the economic condition of the Issuer, the actual state and future prediction and direction of the business in comparison with the same indicators of companies in the same economic sector. Remuneration of members of the Management Board, including bonus schemes, should be such that they motivate the member to act in the best interest of the Issuer and refrain from acting in their own or another person's interest.

Monthly remuneration of the Management Board Member Edoardo Preatoni is agreed in the service contract concluded with the Company and any additional remuneration was determined by the Supervisory Council of the Company as per the assessment of Edoardo Axel Preatoni having achieved set annual targets. Monthly remuneration and semi-annual bonuses of the Management Board Member Angelika Annus were agreed in the agreement concluded with AS Pro Kapital Grupp and any additional remuneration determined by the Supervisory Council of AS Pro Kapital Grupp as per the assessment of Angelika Annus having achieved set annual targets.

2.2.4. As per the recommendation, the use of long-term bonus systems (for example options, pension programs) should be connected with the activities of the Management Board member and should be based on explicit and comparable pre-determined factors. The factors, which are the basis for determining the bonus scheme, should not be changed retroactively.

Bonus systems with all Management Board Members have been agreed in their service contracts, they are performance-related and based on explicit and pre-determined targets being achieved.

2.2.5. As per the recommendation, the bonus scheme of a Management Board member that is connected with the securities of the Issuer, as well as changes in such bonus schemes should be approved at the General Meeting of the Issuer. The exercise date for share option should be determined at the General Meeting of the Issuer. When granting share options, the Issuer should comply with the rules and regulations of the Tallinn Stock Exchange.

2.2.6. As per the recommendation severance packages of a Management Board member are connected with their prior work performance and should not be payable if doing so would harm the interests of the Issuer.

All Members of the Management Board have severance packages agreed in their service contracts. Severance compensation is not payable in case the Management Board member is recalled due to the breach of his obligations.

2.2.7. As per the recommendation basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member as well as their essential features (incl. features based on comparison, incentives and risk) should be published in clear and unambiguous form on website of the Issuer and in the Corporate Governance Recommendations Report.

2.3. Conflict of interests

2.3.1. Members of the Management Board avoid conflicts of interests in their activity. Member of the Management Board do not make decisions on the basis of their own interests or use business offers addressed to the Company in their own interests. No conflict of interest had occurred during the financial year of 2022.

2.3.2. As per the Commercial Code the Supervisory Council has to approve the transactions between the Company and a member of its Management Board.
As per the OECD 2015 Corporate Governance recommendations, the Supervisory Council of the Company as well as Supervisory Councils of subsidiaries approve and conduct related-party transactions in a manner that ensures proper management of conflict of interest and protects the interests of the Company.
During 2022 there were no new transactions with member of the Management Board Edoardo Axel Preatoni.
During 2022 there were no new transactions with member of the Management Board Angelika Annus.

2.3.3. Interest of members of the Management Board in other companies who are Company's business partners, suppliers, clients and other related companies:
Mr. Edoardo Axel Preatoni does not have any interests in companies who are Company's business partners, suppliers, clients and other related companies.
Mrs. Angelika Annus does not have any interests in companies who are Company's business partners, suppliers, clients and other related companies.

3. SUPERVISORY COUNCIL

3.1. Duties

3.1.1 The duty of the Supervisory Council is to manage internal control of the Management Board activities. The Supervisory Council participates in making important decisions relating to the activities of the Company. The Supervisory Council acts independently and in the best interests of the Company and all shareholders. The Supervisory Council determines and regularly reviews the Company's strategy, general plan of action, principles of risk management and annual budget. The Supervisory Council together with the Management Board ensures the long-term planning of the Company's activity.

3.1.2. The Company's Supervisory Council meets at least once per quarter, before publication of the Company's quarterly reports and reviews the quarterly report and the Management Board's report of its activities performed during the quarter.

The Company publishes important information, including publications of quarterly interim reports and annual reports, to the public and its shareholders via the Tallinn Stock Exchange system. The Company made 23 announcements in 2022, all available on the website: https://www.prokapital.com/info-from-nasdaq/.

The Supervisory Council has established an Audit committee comprising from 29 July 2019 onwards of Emanuele Bozzone and Petri Olkinuora. The Company has published on its website the existence, duties, membership and position in the organisation of the audit committee members. The Audit committee is an advisory body of the Supervisory Council in matters involving accounting, auditing, risk management, internal control and audit, exercising of oversight and budget preparation and legality of the activities of the Company.

In 2022, the Audit Committee met one time:

- to discuss the auditor's report and main findings and the approve the audited 2021 annual report of the Company.

The Company does not have an internal auditor as the Financial Controller performs this function as well. The Company would like to assure that its external auditors have never performed internal audit duties for the Company.

The Supervisory Council has established a Remuneration Committee from 8 July 2020 onwards comprising of Emanuele Bozzone and Oscar Crameri, both Supervisory Council Members. The Remuneration Committee is an advisory body of the Supervisory Council in matters involving remuneration of the Management Board of the Company. The committee has been established to safeguard that the Management Board's remuneration and company performance are linked when they annually assess the results of management of the Company.
In 2022, the Remuneration Committee has not met.

3.2. Composition and charge

3.2.1. Pursuant to articles of association of AS Pro Kapital Grupp the Supervisory Council consists of at least 3 (three) to maximum 7 (seven) members. There are currently three Supervisory Council members. Mr. Emanuele Bozzone is the Chairman of the Supervisory Council of the Company.

Information about the members of the Supervisory Council:

Name	Citizen-ship	Year of birth	Member since	Position	Current term expires	Number of shares of the Company
Emanuele Bozzone	Swiss	1964	05.07.2010	Chairman	05.07.2023	0
Petri Olkinuora	Finnish	1957	13.04.2012	Member	05.07.2023	30 000
Oscar Crameri	Swiss	1961	27.05.2020	Member	05.07.2023	0

Mr. Emanuele Bozzone holds a degree in economics and trade. Mr. Bozzone has a vast experience in finance. He has been a manager and independent consultant in the finance field since 1999. Mr. Bozzone is a Swiss licensed fiduciary. From 2010 Mr. Bozzone is a director, wealth manager and partner in Regis Invest SA in Lugano, Switzerland. Additionally, he is a sole director, founder and partner in EBCO Fiduciaria SA in Chiasso, Switzerland.

Mr. Petri Olkinuora holds M.Sc. (construction engineering) and MBA degrees. Former CEO of listed shopping centre company Citycon Oyj (2002-2011), he is a senior advisor and professional board member of several companies.

Mr. Oscar Crameri has law and banking background, specialising in compliance, corporate and tax law. In the last 10 years he has worked as an executive for a tax and legal consulting firms. Previously he has worked as an executive member and Head of Legal and Compliance for an investment bank (for 4 years); before he held a position as Head of Tax and Legal departments for major audit firms (for 6 years first in Arthur Andersen and then in Deloitte). Mr. Crameri has also been a Board member of the Federation of the Ticino Raiffeisen Banks and a Chairman of a local Raiffeisen Bank as well as a member and Chairman of the Board of the notary Public Association of Canton Ticino. He is also an attorney-at-law in the Canton of Ticino (Switzerland).

The nature of the Supervisory Council's and the Company's activities, the risks of conflict of interests and the age of Supervisory Council members have been taken into account when proposing to elect them to the Supervisory Council.

3.2.2. Mr. Emanuele Bozzone – the Chairman of the Supervisory Council is not considered an independent member of the Council due to the formality of him being also the Chairman of the Supervisory Council of Pro Kapital Latvia JSC and the Member of the Council of the following group companies: AS Tondi Kvartal and AS Pro Kapital Eesti.

Mr. Oscar Crameri is not considered an independent member of the Council due to him serving on the boards of the following group subsidiaries: AS Pro Kapital Eesti and AS Tondi Kvartal.

Mr Petri Olkinuora is considered an independent Council member, having been elected on 13 April 2012 and the Annex of the NASDAQ OMX Corporate Governance recommendations allowing 10 years of tenure until 12 April 2022. While minority shareholders are not given a seat on the Supervisory Council with the Articles of Association of the Company, the function of independent Supervisory Council members is to safeguard the rights of minority shareholders and minority shareholders always have the right to propose new Supervisory Council members to be elected at a general meeting.

The above-mentioned persons do not fully meet the criteria for independence set out in the CGR of the Financial Supervision Authority, but the Company values the contribution of the Council members and their knowledge of the field. In the opinion of the Company, the long-term membership of the Council does not affect their independence, but rather enhances their competence.

3.2.3. The amount and procedure of payment of remuneration of a member of the Supervisory Council was decided by the Annual General Meeting of the shareholders which took place on 17 June 2016.

Council members are paid 25 000 euros per year (gross). Chairman of the Council is paid 27 500 euros per year (gross). In addition, a fee of 600 euros (gross) is paid to the Council member for each attended meeting. Council members are reimbursed their travel, accommodation and postal expenses relating to participation in the Council meetings and in the meetings of the committees. Supervisory Council members are not entitled to any compensation for termination.

No other remuneration or bonuses are paid to members of the Supervisory Council.

3.2.4. During 2022, in total 9 meetings of the Supervisory Council were held out of which 1 was minuted as resolution made in writing without convening a meeting. All Supervisory Council Members attended all 9 meetings of the Supervisory Council.

3.3. Conflict of interests

3.3.1. Members of the Supervisory Council should prevent conflict of interests from arising through their activities. Members of the Supervisory Council should give preference to interests of the Company over their own or those of a third party upon his word as a member of the Supervisory Council. Members of the Supervisory Council should not use business offers addressed to the Issuer for their personal interests. The Supervisory Council should operate in the best interests of the Issuer and all shareholders. No conflict of interest had occurred during the financial year of 2022.

3.3.2. Interest of members of the Supervisory Council in other companies which are Company's business partners, suppliers, clients and other related companies.

Except for owning 357 000 unsecured, fixed rate nonconvertible bonds of the Company (total nominal value of 999 600 euros as at 31 December 2022), Mr. Emanuele Bozzone does not have any interests in companies which are Company's business partners, suppliers, clients and other related companies.

Mr. Oscar Crameri does not have any interests in companies which are Company's business partners, suppliers, clients and other related companies.

Mr. Petri Olkinuora is a sole owner of company Forbia OY, which as of 31 December 2022 holds 30 000 shares (0.05%) of the Company as a beneficiary holder through SEB Bank.

4. CO-OPERATION OF MANAGEMENT BOARD AND SUPERVISORY COUNCIL

4.1. Management Board and Supervisory Council co-operate closely for the purpose of better protection of Company's interests. The basis of this co-operation is first of all the open exchange of ideas between and within the Management Board and Supervisory Board. The Management Board and Supervisory Council jointly develop plans and principles of activities and strategy of the Company. The Management Board operates under strategic guidelines provided by the Supervisory Council and discusses its strategic management questions with the Supervisory Council regularly. The Company follows this recommendation.

The Management Board and Supervisory Council division of tasks are regulated in the Articles of Association of the Company. The Supervisory Council is a directing body of the Company which plans the activities of the Company, organizes the management of the Company and supervises the activities of the Management Board.

4.2. The Management Board and the Supervisory Council ensure that the mutual exchange of data should be adequate and efficient. The Management Board informs the Supervisory Council regularly of all material circumstances, which pertain to planning of the Company's activities, business activities, risks connected with its activities and management of those risks. The Management Board should separately call attention to such changes in the business activities of the Company deviating from plans and purposes set formerly and indicate the reasons of such changes. The information should be delivered promptly and should cover all material circumstances. The Supervisory Council has specified the conditions for the delivery of information by the Management Board and its content. The Management Board sends data necessary for the Supervisory Council decision making, including the annual accounts, the annual accounts of the consolidation group and the auditor's report to the Supervisory Council in sufficient time before the Supervisory Council meeting. The Company follows this recommendation.

4.3. The Members of the Management Board and Supervisory Council observe the rules of confidentiality upon organization of the mutual exchange of data ensuring above all the control over the transfer of price sensitive information. The Company follows this recommendation. The Management Board has ensured the observance of the rules of confidentiality by employees of the Company, who access such information. Management Board has established rules on handling insider information, established the circle of permanent insiders as well as temporary insiders and persons discharging managerial responsibilities along with persons closely associated with them and rules for submitting insider declarations to the Company and appointed a responsible person to handle the insiders register on an ongoing basis. As of the end of 2018 the company also notifies its persons discharging managerial responsibilities after the 30-day prohibition (to trade in Company shares and other securities) period ends and before another prohibition period begins to make sure the prohibition to trade is observed and exceptions to trade are acknowledged.

5. PUBLICATION OF INFORMATION

5.1. The Company treats all shareholders equally and notifies all shareholders equally of material circumstances. Upon notification of shareholders and investors the Issuer shall use proper information channels, including its own web site. The equal treatment of shareholders principle shall not affect the Issuer's right to delay publication of inside information and to deliver the unpublished inside information to persons entitled to receive it.

As of listing of the Company's shares on the NASDAQ OMX Tallinn Stock Exchange the Company uses NASDAQ OMX Tallinn Stock Exchange to communicate with the shareholders in Estonian and English and uploads the information to the Company's website upon notification of shareholders and investors through the stock exchange.

On its website (About the Company, Contacts) the Company has clearly stated that the CFO, Angelika Annus, is the Investor Relations contact and indicated her contact information (phone number and email) so that investors would be able to directly communicate with a relevant responsible Company representative.

As per the OECD 2015 CGR, the Company's process to ensure *ad hoc* disclosure of important matters is as follows: (i) the concept of 'material information' and 'insider information' is understood by managers and Management Board as well as Supervisory Council members; (ii) whenever there is a resolution of governing bodies or business decisions that fulfil the material information criteria, the persons responsible for Investor Relations and Insider information are consulted as to whether and if, then when a disclosure to the public needs to be made; (iii) if a disclosure needs to be made, it is made immediately, but not later than 3 business days from the time the need for disclosure became known.

Also, as per the OECD 2015 CGR, the Company encourages direct contact and dialogue with its Management Board and the Managing Directors of its key subsidiaries and has stated the relevant contacts (phone numbers and emails) under the subheading 'Management' in the section 'About the Company'.

5.2. The web site of the Issuer shall be clear in structure and published information shall be easy to find. Published information shall also be available in English. The Issuer shall publish the disclosure dates of information subject to disclosure throughout a year (including the annual report, interim reports and notice calling a general meeting) at the beginning of the fiscal year in a separate notice, called financial calendar. The Issuer shall also publish this notice on its web site.

The web-site of the Company has an 'About the Company' section with an overview of its management, Supervisory Council and its committees and news. In addition, the Company has a separate Investors' section with subheadings of 'Shareholders', 'Info from Nasdaq', 'Structure', 'Financial reports' and 'Presentation'.

Information on the website is published in Estonian, English, Latvian, Lithuanian and Russian, with important documents being in Estonian and English only.

5.3. As per the recommendation on the Issuers web-site the following should be accessible to the shareholders:

-report on Corporate Governance Recommendations;

-date, place, and agenda of the General Meeting and other information related to the General Meeting;
-articles of association;
-general strategy directions of the Issuer as approved by Supervisory Council;
-membership of the Management Board and Supervisory Council;
-information regarding the auditor;
-annual report;
-interim reports;
-agreements between shareholders concerning concerted exercise of shareholders rights (if those are concluded and known to the Issuer);
-other information, published on the basis of these Corporate Governance Recommendations.

5.4. As per the recommendation, the Management Board and the Supervisory Council should describe the management practices of the Issuer including their compliance with these CGR in the annual report presented to the General Meeting. If the management of the Issuer deviates from the management structure described in these CGR the Management Board and Supervisory Council should justify the deviation. The Management Board and the Supervisory Council should also describe in the report presented at the General Meeting any circumstances required under these CGR. CGR shall be presented as separate chapter of management report.

The Company is following this recommendation and is including in the annual report the overview of compliance with the CGR as a separate chapter.

5.5. As per the recommendation, if the Issuer notifies financial analysts or other persons of facts or estimates related to the Issuer, it should also publish this information to shareholders on the Issuer’s web-site. Inside information disclosed at the General Meeting in response to questions presented by shareholders or other means and which has not been formerly disclosed should be published by the Issuer immediately after holding of the General Meeting.

The Company has not notified financial analysts of any estimates which have not been made public during the listing of the Company’s shares or thereafter. The Company also publishes a respective Stock Exchange notice as well as the detailed minutes of its General Meetings either on the day of the date when the meeting was held or on the following day, thus disclosing any information discussed at such General Meetings.

From time to time the Company discloses sensitive information to persons with whom the Company is holding business negotiations. As per the Requirements for Issuers of NASDAQ OMX Tallinn Stock Exchange an Issuer does not need to disclose information about the progress of business negotiations. An Issuer may give undisclosed information confidentially to persons with whom it is holding or intends to hold business negotiations. In such cases the Company always signs a non-disclosure confidentiality agreement and notifies the party to the negotiations of the fact that any inside information can’t be used for insider trading. The Company registers such persons as temporary insiders in the insiders’ register.

5.6. As per the recommendation the Issuer should organize the exchange of information with journalists and analyst after a careful consideration. The Issuer should refrain from compromising the independence of the analyst or the Issuer’s independence from analyst when communicating with analysts. The Issuer should disclose the dates and places of meetings with analysts and presentations and press conferences organized for

analysts, investors or institutional investors on its website. The Issuer should not arrange meetings with analysts and presentations organized for investors directly before dates of publishing a financial report (interim reports, annual report).
According to the belief of the Management Board of the Company this recommendation is followed. In 2022, when organising investor conference webinars, the Company has always timed them after publishing the interim and annual reports.

6. FINANCIAL REPORTING AND AUDIT

6.1. Reporting

6.1.1. As per the recommendation, Issuers should publish annually its annual report and within a fiscal year its interim reports. The Management Board should draw up annual accounts, which should be audited by the auditor and the Supervisory Council. On meeting of the Supervisory Council, where the annual account is reviewed, the auditor of the Issuer should participate upon invitation of the Supervisory Council. Members of the Management Board of the Issuer and other persons belonging to management should leave the meeting during the auditor reports the most material conclusions of audit. The shareholders should be presented with the annual report signed by members of the Management Board and the Supervisory Council for examination. Together with annual report, the Supervisory Council should make available to shareholders the written report concerning the annual report specified in § 333 subsection 1 of Commercial Code.

6.1.2. As per the recommendation, the Issuer should publish an annex of the annual accounts including a list of companies not belonging to the Issuer's group, in which the holding of Issuer has significant importance to the Issuer. The Issuer should disclose the business name, location, and size of the holding, area of activity, amount of share capital, and net profit or loss during the previous financial year of this Company.
There are no companies in which the Company has participation, which do not belong to the group.

6.1.3. As per the recommendation, the annexes to the annual accounts should contain information regarding the connections of the Issuer with shareholders which are deemed to be connected persons pursuant to standards of international financial reporting provided for in sub section 17 (2) of the Accounting Act.
The Company is following this recommendation.

6.2. Election of the Auditor and Auditing of the Annual Accounts.

6.2.1. Upon the recommendation of the Audit Committee and the Supervisory Council Ernst&Young Baltic AS was elected as the auditor of the Company for the financial years of 2022, which was confirmed at the Company's AGM of 21 June 2022. The fee payable to the auditor for the audit of the Company and its subsidiaries for the financial year of 2022 in the offer was 135 570 euros (net of VAT). In 2022, besides provision of audit services Ernst & Young Baltic AS has not rendered any advisory or other services to the Company. The agreement with the auditor complies with the requirements of the CGR.

7. HUMAN RESOURCE POLICY

7.1. The aim of the Company's human resource policy is to ensure the implementation of the strategic goals of the Company by all employees and ensuring the reputation of valued employer. Company uses both internal and external hiring processes, and persons already working for the Company are preferred for filling the vacant positions. Human resource policy regulates the management techniques and practices, group communication and fundamental work principles. Training and remuneration policy support the learning organization with the aim to remain competitive as an employer. The Company has a well-established induction policy, including regarding health and safety matters, for all new employees, new appointments to the Supervisory Council and the Management Board. Company's human resource policy is constantly evolving.

8. DIVIDEND POLICY

8.1. The declaration and payment by the Company of dividends and their amount depend on the Company's results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed by the Management to be relevant at the time of making a dividend payment proposal. The Supervisory Board has the right to amend such proposal by the Management Board and the proposal is ultimately to be approved by the General Meeting of Shareholders.

In 2022, the Company did not distribute any dividends as profit to the shareholders.

Management remuneration report

According to Estonian Securities Market Act the Company has to publish remuneration paid to the management. The remuneration principles of the Company will be presented to the shareholders on the next General meeting and after approval will be published and available on Company's website.

In the context of the Estonian Securities Market Act the management of the Company during the reporting year included Management Board Members: Edoardo Axel Preatoni and Angelika Annus.

Management Board Members are selected by the Supervisory Council of the Company based on their expertise in the sector the Company is operating, in addition to candidate's leadership and management experience is taken into account as well as their integrity and their commitment to the Company.

Management Board members are paid monthly remuneration set in their contracts, which are approved by Supervisory Council. Performance fees if applicable are related to achieving targets and strategic objectives set by Supervisory Council and paid annually according to approval of the Supervisory Council. No share options are offered to the management. Management Board members can use general benefits available for all employees of the Company (free parking, coffee/tea in the office etc).

Remuneration information in tables below is stated **in thousands of euros**. All variances have been calculated as follows: (reporting year's records – previous year's records)/previous year's records.

Mr. Edoardo Axel Preatoni has been the Member of the Management Board of the Company since 1 March 2016 and from the end of 2019 he was holding a position of Head of Development. From 1 January 2022 the Supervisory Board appointed Mr. Preatoni as CEO of the Company. Mr. Preatoni has been paid monthly remuneration based on his agreements with group companies. Performance fees have been related to turnover of Estonian group real estate sales and have been paid on quarterly basis.

Edoardo Axel Preatoni	2018	2019	2020	2021	2022
Annual remuneration*	N/A	34.75	95.49	154.13	350.62
Basic annual remuneration to additional allowances	N/A	90%	98%	72%	100%
Annual remuneration variance	N/A	100%	175%	61%	127%
Average employee salary variance	16%	4%	1%	-1%	-22%
Gross profit margin variance	-4%	-6%	2%	-6%	1%

Mrs. Angelika Annus has been employed by the Company from 1998-2007 and again since 2008. She holds the position of CFO since 2014. Mrs. Annus was nominated by the Supervisory Council as a Member of the Management Board from September 2021 and released from the duties in the Board starting 1 June 2022. She has been paid monthly remuneration based on her agreement with the Company. Performance fees are set within agreement and are related to turnover of Estonian group real estate sales, payable semi-annually starting from January 2022.

Angelika Annus	2018	2019	2020	2021	2022
Annual remuneration*	N/A	N/A	N/A	35.49	55.54
Basic annual remuneration to additional allowances	N/A	N/A	N/A	64%	52%
Annual remuneration variance	N/A	N/A	N/A	100%	57%
Average employee salary variance	16%	4%	1%	-1%	-22%
Gross profit margin variance	-4%	-6%	2%	-6%	1%

**Annual remuneration includes gross total Member of the Board remuneration from all group companies.*

Management declaration

The Management Board declares and confirms that according to their best knowledge, the year 2022 consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by European Union, present a true and fair view of consolidated assets, liabilities, financial situation and loss or profit of AS Pro Kapital Grupp and the undertakings involved in the consolidation as a whole, and the management report gives a true and fair view of the development and results of the business activities and financial status of AS Pro Kapital Grupp and the undertakings involved in the consolidation as a whole and contains a description of the main risks and estimates.

Edoardo Preatoni *"/digitally signed/"*
Chief Operating Officer
Member of the Management Board

Consolidated financial statements

Consolidated statement of financial position

in thousands of euros	Notes	31.12.2022	31.12.2021
ASSETS			
Current assets			
Cash and cash equivalents	7	10 589	9 626
Current receivables	8	955	680
Prepaid expenses		64	122
Inventories	9	34 224	57 533
Total current assets		**45 832**	**67 961**
Non-current assets			
Non-current receivables	10	2 016	21
Property, plant and equipment	11	7 294	6 754
Right-of-use assets	11	195	202
Investment property	12	45 575	40 734
Goodwill		262	262
Intangible assets		82	92
Total non-current assets		**55 424**	**48 065**
TOTAL ASSETS		**101 256**	**116 026**
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	13	173	3 955
Customer advances	16	1 659	12 419
Current payables	14	4 626	7 998
Tax liabilities		111	1 143
Short-term provisions		5	12
Total current liabilities		**6 574**	**25 527**
Non-current liabilities			
Non-current debt	15	38 184	46 455
Other non-current payables		0	20
Deferred income tax liabilities	26	1 130	1 133
Long-term provisions		45	48
Total non-current liabilities		**39 359**	**47 656**
TOTAL LIABILITIES		**45 933**	**73 183**
Equity			
Share capital in nominal value	20	11 338	11 338
Share premium	20	5 661	1 748
Statutory reserve	20	1 134	0
Revaluation surplus	20	2 012	2 984
Retained earnings		35 178	26 773
TOTAL EQUITY		**55 323**	**42 843**
TOTAL LIABILITIES AND EQUITY		**101 256**	**116 026**

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

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Notes	2022	2021
CONTINUING OPERATIONS			
Operating income			
Revenue	21	65 654	43 095
Cost of sales	22	-48 689	-32 519
Gross profit		**16 965**	**10 576**
Marketing expenses	23	-498	-502
Administration expenses	23	-4 946	-5 592
Other operating income	24	6 278	35 615
Incl. net result from fair value adjustments of investment properties	*12*	*6 170*	*5 484*
Other operating expenses	24	-142	-277
Operating profit		**17 657**	**39 820**
Finance income	25	3	6
Finance cost	25	-4 211	-5 964
Profit before income tax		**13 449**	**33 862**
Income tax	26	3	10
Profit from continuing operations		**13 452**	**33 872**
Loss from discontinued operations	32	0	-4 115
Net profit for the period		**13 452**	**29 757**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Net change in asset revaluation reserve	11	-972	0
Total comprehensive profit for the year		**12 480**	**29 757**
Earnings per share			
From continuing operations			
Basic (euros per share)	27	0.24	0.60
Diluted (euros per share)	27	0.24	0.60
From discontinued operations			
Basic (euros per share)	27	0	-0.07
Diluted (euros per share)	27	0	-0.07

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

Consolidated statement of cash flows

in thousands of euros	Note	2022	2021
Cash flows from operating activities			
Profit from continuing operations		13 452	33 872
Loss from discontinued operations	32	0	-4 115
Profit for the year		13 452	29 757
Adjustments for:			
Depreciation and amortisation of PPE, ROU and intangible assets		406	374
Gain from disposal of investment property	24	-2 329	-1 092
Change in fair value of property, plant and equipment	24	13	-56
Change in fair value of investment property	12	-3 841	-5 484
Gain from loss of control of subsidiary	24	0	-27 748
Finance income and costs	25	4 207	10 380
Change in deferred tax assets and liabilities	26	-3	-37
Other non-monetary changes (net amounts)		1	1 537
Movements in working capital:			
Change in receivables and prepayments		-2 212	4 492
Change in inventories	9	23 310	818
Change in liabilities and prepayments		-12 106	477
Change in provisions		-2 927	-127
Net cash flows generated by/used in operating activities		**17 971**	**13 291**
Cash flows from investing activities			
Payments for property, plant and equipment		-1 777	-178
Payments for intangible assets		-16	-20
Payments for investment property	12	-1 000	-459
Proceeds from disposal of property, plant and equipment		8	0
Proceeds from disposal of investment property	12	2 329	2 000
Less cash balances of disposed subsidiaries		0	-182
Interests received		1	3
Net cash flows generated by/used in investing activities		**-455**	**1 164**
Cash flows from financing activities			
Redemption of convertible bonds	18	-196	-337
Proceeds from borrowings	13,15	14 427	22 340
Repayment of borrowings	13,15	-26 641	-30 581
Repayment of lease liabilities		-147	-163
Interests paid		-3 996	-5 481
Net cash flows used in/ generated by financing activities		**-16 553**	**-14 222**
Net change in cash and cash equivalents		**963**	**233**
Cash and cash equivalents at the beginning of the period		9 626	9 393
Cash and cash equivalents at the end of the period	7	10 589	9 626

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

Consolidated statement 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
01.01.2021	11 338	5 661	1 134	2 984	-8 031	13 086	-3 515	9 571
Net profit for the period	0	0	0	0	29 757	29 757	0	29 757
Total comprehensive income of the period	0	0	0	0	29 757	29 757	0	29 757
Allocation of previous periods loss	0	-3 913	-1 134	0	5 047	0	0	0
Changes in non-controlling interest due to loss of control of subsidiary	0	0	0	0	0	0	3 515	3 515
31.12.2021	11 338	1 748	0	2 984	26 773	42 843	0	42 843
Net profit for the period	0	0	0	0	13 452	13 452	0	13 452
Comprehensive loss for the period	0	0	0	-972	0	-972	0	-972
Total comprehensive income for the period	0	0	0	-972	13 452	12 480	0	12 480
Allocation of previous periods profit	0	3 913	1 134	0	-5 047	0	0	0
31.12.2022	11 338	5 661	1 134	2 012	35 178	55 323	0	55 323

Changes in revaluation reserve are described in Note 20.

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

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements of AS Pro Kapital Grupp (hereinafter the Company) and its subsidiaries (hereinafter the Group) for the financial year ended 31 December 2022 were signed by the Management Board at 31 March 2023.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board and which also includes the consolidated financial statements shall be approved at the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and presented by the Management Board and require preparation of a new annual report.

AS Pro Kapital Grupp is a public limited company incorporated in the Republic of Estonia and it operates in Estonia, Latvia, Lithuania and Germany and operates in a field of holding companies, purchase and sales of real estate, rent and operation of real estate, management of real estate and hotel operations.

Since 23 November 2012, the shares of AS Pro Kapital Grupp have been listed on NASDAQ OMX Tallinn (Nasdaq Baltic) Stock Exchange secondary list, since 19 November 2018 in the main list. Starting from 13 March 2014, the shares of AS Pro Kapital Grupp have been traded on the Quotation Board of Frankfurt Stock Exchange, part of the Open Market segment at Frankfurt Stock Exchange (Frankfurter Wertpapierbörse). On 9 July 2020 the secured non-convertible bonds were listed on Nasdaq Stockholm Stock Exchange.

At the end of reporting period the main shareholders of the Company are the following:

Shareholder	Country of incorporation	Ownership 31.12.2022	Ownership 31.12.2021
Raiffeisen Bank International AG	Austria	53.16%	51.42%
Clearstream Banking AG	Germany	22.38%	22.01%
OÜ Svalbork Invest	Estonia	9.86%	9.86%
Six Sis Ltd	Switzerland	6.91%	8.68%

The principal place of business of the Company is at its registered address Sõjakooli 11, Tallinn, 11316 Estonia. The principal activities and the structure of the Group are described in Note 5.

Note 2. Application of new and revised International Financial Reporting Standards

2.1 Amendments to IFRSs affecting amounts reported in the financial statements

Accounting policies applied in the year 2022 are consistent with those followed in the preparation of the Group`s annual financial statements for the year ended 31 December 2021, except for the changes outlined below.

Amendments to the existing standards and new standards and interpretation effective for current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted in EU are effective for the current reporting period:

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.
- **IFRS 16 Leases - Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

New standards and amendments to the existing standards issued by IASB but not yet effective and not early adopted

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU.
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law,

whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU.

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The company/group does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the company's/group's financial performance, financial position or cash flows.

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations have no material impact on the financial statements of the Group in the period of initial application.

Note 3. Significant accounting policies

3.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in European Union.

The consolidated financial statements have been prepared on the historical cost basis except for property, plant and equipment, and investment properties, as explained in the accounting policies below. Cost is usually considered to be the fair value which equals to the value paid for the asset.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except where otherwise indicated.

The significant accounting policies are set out below.

3.2. Going concern

The Management Board has, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from issuance date. Thus, we continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the parent:
- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee;
- has the ability to use its power to affect its return.

The parent re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of subsidiary begins when the parent obtains control over the subsidiary and ceases when the parent loses control of the subsidiary. The financial statements of the parent and its subsidiaries are consolidated line-by-line basis and all transactions, balances and unrealized profits/losses which have arisen as a result of transactions between the parent and its subsidiaries are eliminated. Specifically, income and expenses of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.
When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests and other components of equity. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards).

3.4. Held for sale classification

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount (except for investment properties, which are measured at fair value) and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Investments into subsidiaries are recorded at cost in separate financial statements of the parent and are tested for impairment.

3.5. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group

in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.
Goodwill is measured as the excess of the sum of the consideration transferred, the amount recognized for any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3.6. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.5 above) less accumulated impairment losses, if any.

Goodwill is not amortised but a cash-generating unit to which goodwill has been allocated is tested for impairment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergy of the combination.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit of loss on disposal, being measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.7. Foreign currencies

The functional currency of the Company and its subsidiaries is EUR. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions, quoted by European Central Bank. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, quoted by European Central Banks.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

3.8. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realised or intended to be sold or consumed in the normal operating cycle;
• Held primarily for the purpose of trading;
• Expected to be realised within twelve months after the reporting period;
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
All other assets are classified as non-current.

A liability is current when:
• It is expected to be settled in the normal operating cycle;
• It is held primarily for the purpose of trading;
• It is due to be settled within twelve months after the reporting period;
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.9. Fair Value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming, that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External valuers are involved for valuation of real estate properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.10. Cash and cash equivalents

Cash on the statement of financial position and statement of cash flows comprises cash on hand, bank accounts, and short-term bank deposits (with an initial maturity of three months or less).

3.11. Inventories

In Group's financial statements the projects that are under development are recognised as inventories.

Inventories are initially recognised at cost which includes direct purchase costs and other costs directly attributable to the acquisition of the inventories incurred in bringing the inventories to their present location and condition. The principles of recognition of borrowing cost are described in 3.24 "Expenses" (*Borrowing cost*).

Inventories are subsequently measured at the lower of cost and net realisable value. For Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, the weighted average cost method is used. Net realisable value represents the estimated selling price in the ordinary course of business based on market prices at the reporting period for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories regarding real estate developments are recognised in two categories: completed property ready to be sold and works in progress. Transfers to inventory from investment property is made when there is evidence of a change in use.

Inventories regarding real estate developments are derecognised when the property is sold and changes ownership (i.e notarial real right agreement is signed).

The carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

3.12. Property, plant and equipment

An item of property, plant and equipment is an asset for production, provision of services or administrative with useful life of over one year and it is probable that future economic benefits attributable to them will flow to the Group.

Land and buildings held for supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed after every five years or more often when there are significant indications on possible change in value.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity under revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties' revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Right of use assets are stated at cost less accumulated depreciation and accumulated impairment losses. Right of use assets are depreciated on a straight-line basis over the shorter of lease term and estimated useful life of the assets.

The annual depreciation rates for groups of property, plant and equipment are as follows:
- Buildings in use 2 to 5% per annum;
- Machinery and equipment 8 to 20% per annum;
- Other fixtures 20 to 50% per annum.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The

estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.
Subsequent expenditure incurred for items of property, plant and equipment are added to the carrying value if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Replaced parts are derecognised. Other repair and maintenance costs are recognised as expenses at the time they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.13. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including land plots and properties for future developments). Land and buildings, which are planned to be held for a longer period of time and which have different possibilities to be used are reported also as investment property.

In case of change in the usage purpose of the investment property, the asset is reclassified and since the reclassification date the accounting principles of the new class of asset are applied. When development of a part or entire investment property starts with the aim to sell developed product, this part or entire investment property is reclassified as inventory when the developed product enters active development phase.

The Group considers the start of active development phase when one or several of the following events occur:

- signing reservation agreements with customers;
- applying for construction permit from local municipality;
- signing of development loan agreement;
- signing construction agreement.

Investment properties are initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, based on the market price determined annually by independent appraisers, based on the prices of recent transactions involving similar items (adjusting the estimate for the differences) or using the discounted cash flow method. Changes in fair value are recorded under the income statement items “Other operating income/other operating expenses”. No depreciation is calculated on investment property recognised at fair value.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.14. Intangible assets (excluding goodwill)

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and websites.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at costs less accumulated impairment losses.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The straight- line method is used for amortisation. The amortisation rate for intangible assets is generally 20% per annum, excluded the usage rights, websites and intangible assets with indefinite useful lives. Usage rights and websites are amortised on a straight-line basis and the length of the amortisation period is its useful economic lifetime.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.15. Impairment of non-current assets other than goodwill

At the end of each reporting period, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see Note 3.9 above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3.16. Investments in subsidiaries (in parent company´s unconsolidated financial statements)

Investments in subsidiaries that are not held for sale are recognised in the financial statements of the parent company at cost. At the end of each reporting period, the parent company assesses whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

3.17. Financial instruments and their initial measurement

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets of financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables are measured at transaction price since they do not contain a significant financing component.

3.18. Financial assets

All recognised financial assets for the purposes of subsequent measurement, are classified as either amortised cost or fair value.
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Measurement of financial assets at amortized cost

Financial assets that are measured at amortized cost: cash and cash equivalents, trade receivables.

The method of amortized cost is applied to financial assets which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the unpaid principal, using the effective interest rate method. Financial asset is initially recognised at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets except trade receivables (not including financing component) that are initially recognised at their transaction price.
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

Impairment of financial assets

The Group uses the following models for determining impairment allowances:
- general model (basic);
- simplified model.

The Group recognises a loss allowance for expected credit losses in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.19. Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities (including borrowings and trade and other current and non-current payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received between parties to the contract and that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities are classified as current when they are due to be settled no more than twelve months after the reporting period; or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Also, borrowings are classified as current if the lender had a contractual right at the reporting period to demand immediate repayment of the borrowing due to the breach of conditions set forth in the agreement.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

3.20. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Provision is discounted to its present value when the effect of the time value of money is material.

3.21. Contingent liabilities

Pledges and other commitments, which at certain conditions may turn into liabilities in the future, are disclosed in the Notes of the consolidated financial statements as contingent liabilities.

3.22. Statutory reserve

Statutory legal reserve is recorded based on the requirements of the Estonian Commercial Code and is comprised of the provisions made from the net profit. The annual provision must be at least 1/20 of the approved net profit of the financial year until the statutory legal reserve equals at least 1/10 of share capital amount.

3.23. Revenue recognition

The Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from contracts with customers other than rental income

Revenues from the sale of real estate

The Group develops and sells residential and commercial properties. The Group enters into preliminary contracts with customers to sell property that are either completed or under development. Property is sold when the final agreement is confirmed by the notary and the control over the property has been transferred to the customer. The revenue is measured at the transaction price under the contract and the consideration is due when legal title has been transferred. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer and the premises have been handed over.

(i) *Completed inventory property*

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied. Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

(ii) *Inventory property under development*

The Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Group accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed property (the combined output) which the customer has contracted to buy. For the sale of property under development, the Group has determined that it generally does not meet the criteria to recognise revenue over time. In these cases, control is transferred and hence revenue is recognised at a point in time. This is either property sold to one customer encompassing either all of the land and building or multi-unit property.

For contracts that meet the over time revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

(iii) *Other consideration related to the sale of inventory property*

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

If the consideration in a contract for the sale of property under development includes a variable amount in the form of delay penalties and, in limited cases, early completion bonuses, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur. At the end of each reporting period, an entity updates the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

In addition, for certain contracts involving the sale of property under development, the Group may require customers to make advance payments of 10-20% of the selling price, as work goes on, that give rise to a significant financing component. For contracts where revenue is recognised over time, the Group uses the practical expedient for the significant financing component, as it generally expects, at contract inception, that the length of time between when the customers pay for the asset and when the Group transfers the asset to the customer will be one year or less. For contracts where revenue is recognised at a point in time (i.e., upon completion of the development) and the practical expedient cannot be applied, the Group adjusts the transaction price for the effects of the significant financing component by discounting it using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception. However, the Group has concluded that the impact from this adjustment is immaterial to the financial statements of both the current and prior years.

The Group has determined that contracts involving the sale of completed property do not contain significant financing components. In addition, there is no non-cash consideration or consideration payable to customers.

Revenue from hotel operations

The Group operates a hotel in Bad Kreuznach, Germany. The hotel derives revenue from providing accommodation, renting of banquet halls and related facilities, providing catering, offering access to the thermal bath etc. Revenue from the sale of goods and sale of services is recognised when the Group sells a product or services to the customer which represents the point in time at which the right to consideration becomes unconditional. Payment of the transaction price is usually due immediately when the customer purchases a product or the service is provided.

Revenue from maintenance services

The Group provides maintenance services, which includes only one performance obligation to apartment associations in the residential buildings that the Group has developed. These services are regularly provided to the customers for a fixed fee based on long-term contracts and the Group records revenues monthly on accrual basis and received payments accordingly. Revenue is recognized over time.

Revenue from other services

Revenue from other services is irregular and is recognised depending on the provided service over time or at point in time when the promised goods or service is transferred to the customer.

Rental income

The Group's policy for recognition of revenue from operating leases is described in paragraph 3.23 below.

Other income

Income, which is not related to the core operations of the Group entities, is recorded as other income.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised using the effective interest rate method. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

3.24. Expenses

Cost of sales

Cost of sales includes the costs of bringing real estate objects that are realized during the reporting period and recorded in the net sales to a marketable condition. Real estate rental, development and management expenses, and costs related to hotel management services are also recorded in income statement under "Cost of sales".

Marketing expenses

Marketing expenses include selling expenses, i.e. advertising, agency fees and other marketing expenses.

Administration expenses

Administration expenses include personnel and office management expenses, amortisation cost of plant, property and equipment.

Other expenses

Expenses, which are not related to the core operations of the Group entities, are recorded as other expenses.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (more than one year) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Interest and financing costs are recorded using effective interest rate method on the accrual basis as financial expenses of the reporting period.

3.25. Leases

The Group as a Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the cost of the right-of use assets an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using

the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in 3.13 Impairment of non-current assets other than goodwill policy.

The Group as a Lessor

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services. The consideration charged to tenants for these services includes fees charged based on proportion of rented spaces and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. For more details see financial assets section 3.16 in this note.

Tenant deposits

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. Refer also to accounting policies on financial liabilities in this note.

3.26. Government grants and support in relation to Covid-19

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government support in the form of loan on favorable conditions with fixed low interest rate and no guarantee is accounted for as any other financial liability from the moment of receipt of the loan (3.19 Financial liabilities and equity instruments).

No grants were provided to the Group in 2022.

3.27. Taxation

Estonia

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends. Income tax should be calculated also on other payments made from equity that are exceeding the monetary or non-monetary contributions made to the equity. The tax rate applicable is 20/80 from taxable amount since 1 January 2015. From 2019, tax rate of 14/86 can be applied to dividend payments that be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. 2018 is the first year to be taken into account.

Income tax expense to be incurred at the payment of dividends is recognized in the income statement as expense at announcement of dividends or any other distribution of equity.

The Group recognises a deferred tax liability for all taxable temporary differences associated with subsidiaries, except if the timing of reversal of the temporary differences can be controlled and it is probable will not reverse in the foreseeable future.

Other subsidiaries

Profit earned by subsidiaries of the Group is imposed to income tax according to the tax rate stipulated by the legislation of domicile countries. Deferred income tax liability is accounted from all relevant temporary differences between the tax bases of assets and liabilities and their book value. Deferred income tax assets, which are mainly caused by the tax losses carried to future periods, are recognized in the statement of financial position only, when it is likely that it will be realized through the taxable profit earned in the future. Deferred tax assets and liabilities are offset when there is a legally enforceable right in the Group subsidiaries' countries of incorporation to set off current tax assets against current tax liabilities. For calculation of the deferred income tax assets and liabilities, generally the income tax rate enacted or substantially enacted at the balance sheet date is used.

3.28. Segment reporting

According to IFRS 8 Operating Segments, segment reporting is applicable to operating segments whose results are regularly reviewed by the chief decision makers of the Company to make business-related decisions. The primary decisions are made on country basis. Operating segments are components of the entity for which it is possible to obtain discrete financial information to make decisions about resources to be allocated to the segment and assess its performance. Primary criteria for monitoring of operating segments are the following: Revenue from third parties, EBIT, net profit earned and total assets.

3.29. Subsequent events

Consolidated financial statements include impact of significant events that are related with the events of previous periods that affect the valuation of assets and liabilities and occurred between the end of the reporting period and the date that the financial statements are finalized by the management board of the Company.

Events after the reporting period that do not affect the valuation of assets and liabilities but have a significant effect on the result of the following financial year, are disclosed in the Notes to the consolidated financial statement.

Note 4. Significant accounting judgements, estimates and assumptions

In the application of the Group’s accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Significant judgements in applying accounting policies

The following are the critical judgements, that the management have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Income tax applicable to possible distribution on dividends and tax rates applicable to undistributed profits are described in 3.27 „Taxation“ and Note 26 „Income tax“.

Classification of real estate

Real estate classification to inventory, investment property or property, plant and equipment is done based on management's intention over the future use of the object (see Note 9; 11 and 12). Property is recognized as inventory, if the objective of purchase is connected with its development, sale or resale during ordinary course of business. Items are recognized as investment property if purchase objective is gaining profit from rent or capital appreciation. Also, items are recognized as investment property if it is intended to keep them for long time and which have unclear purposes of use.

The Group takes into account the following considerations when reviewing the strategy and which are decisive for classification of the real estate assets as investment properties:
- there has been no development of such properties over the past 10 years;
- during the upcoming 5+ years perspective the Group has no intention to start developing these properties;
- there are no current plans to sell these properties in the near future;
- the essence of these properties is to be held for capital appreciation;
- an average operating cycle of the Group is usually about 2 years, very complex projects can take up to 4 years, which is less than 5+ years perspective.

Property used for rendering services or for administrative purposes and with useful life of over one year is considered to be property, plant and equipment.

4.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets Notes 9, 10, 11, 12 include details of their nature and their carrying amount through the end of the reporting period.

Estimation of net realisation value of inventories

According to the Group principles, inventories are stated on the statement of financial position at the lower of cost or net realizable value. The management should decide upon net realization value if indication occurs that inventory value might be fallen below cost price. If this is the case inventories are written down to their net realization value.

Real estate that has been acquired and developed for sale is presented on the statement of financial position as inventories. In assigning value to such assets, management takes in account market sale transactions of similar type of assets made close to the balance sheet date. If actual sale prices of real estate objects were below the statement of financial position value the assets were written down to their net realizable value.

Fair value of investment property

As of balance sheet date the investment properties are measured at their fair value. In determination of the fair value opinion of independent certified real estate appraisers is used. In determination of the fair value two methods are used: discounted cash flow method and comparative transaction price method, whichever is more appropriate considering the circumstances. The significant methods and assumptions used by valuers in estimating the fair value of the investment properties are set out in Note 12.

Recoverable value of property, plant and equipment

At the end of each reporting period, the management reviews the carrying amounts of its assets to determine whether there are any indications that the assets may be impaired. If the indication is detected, recoverable value is calculated. In determining the recoverable value of an asset, the impairment test is carried out and the recoverable value is identified. The recoverable value of the asset is the higher of the present value of the future cash flows from the asset or the fair value of the asset less costs to sell.

For assets carried at revalued amount the management is assessing yearly whether carrying amount approximates fair value.

Useful life of property, plant and equipment

In determining useful life of property, plant and equipment, taken into account the Group business conditions and volumes, previous experience in relevant field and future plans. According to management estimation useful life for buildings is 20-50 years. Useful life for machinery and equipment 5 to 12.5 years depending on the purpose of use and for other equipment 2 to 5 years.

Note 5. Entities belonging to the Group

Name of the Entity	Country of incorporation and operation	Proportion of ownership interest and voting power held by the Group 31.12.2022	31.12.2021	Principal activity
AS Pro Kapital Grupp	Estonia			Holding activities, parent
Held directly by AS Pro Kapital Grupp:				
AS Pro Kapital Eesti	Estonia	100.00%	100.00%	Real estate development
Pro Kapital Vilnius Real Estate UAB	Lithuania	100.00%	100.00%	Real estate development
Pro Kapital Latvia PJSC	Latvia	100.00%	100.00%	Real estate development
OÜ Pro Kapital Germany Holdings	Estonia	100.00%	100.00%	Real estate development
Pro Kapital Germany GmbH	Germany	100.00%	100.00%	Real estate development
Held directly by AS Pro Kapital Eesti:				
OÜ Ilmarise Kvartal	Estonia	100.00%	100.00%	Real estate development
AS Tondi Kvartal	Estonia	100.00%	100.00%	Real estate development
OÜ Pro Halduse	Estonia	100.00%	100.00%	Real estate management
OÜ Kalaranna Kvartal	Estonia	100.00%	100.00%	Real estate development
Held directly by AS Tondi Kvartal:				
OÜ Marsi Elu	Estonia	100.00%	100.00%	Real estate development
OÜ Dunte Arendus	Estonia	100.00%	100.00%	Real estate development
Held directly by Pro Kapital Vilnius Real Estate UAB:				
PK Invest UAB	Lithuania	100.00%	100.00%	Real estate development
In Vitam UAB	Lithuania	100.00%	100.00%	Real estate management
Held directly by Pro Kapital Latvia PJSC:				
Klīversala SIA	Latvia	100.00%	100.00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Latvia	100.00%	100.00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Latvia	100.00%	100.00%	Real estate development
Held directly by OÜ Pro Kapital Germany Holdings:				
PK Hotel Management Services GmbH	Germany	100.00%	100.00%	Hotel management

Note 6. Segment reporting

Group companies consolidated segment information derived from geographical intercompany segment reporting is presented below.

Segment result, assets and liabilities are presented in line with items associated directly with particular segment. Internal transactions are not eliminated in separate segment reporting provided below.

The business activity of the Group is exercised in Estonia (sale of real estate, rent revenues and real estate maintenance), Latvia (sale of real estate, rent and real estate maintenance), Lithuania (sale of real estate, rent and real estate maintenance) and Germany (hotel operating).

in thousands of euros	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
2022							
Revenue (Note 21)	805	59 819	1 873	698	3 326	*-867*	65 654
Incl. sales of real estate	*0*	*59 676*	*1 673*	*359*	*0*		*61 708*
Incl. rental income	*0*	*1*	*177*	*39*	*0*	*0*	*217*
Incl. hotel operating	*0*	*0*	*0*	*0*	*3 270*		*3 270*
Incl. maintenance services	*0*	*120*	*5*	*295*	*0*		*420*
Incl. other services	*805*	*22*	*18*	*5*	*56*	*-867*	*39*
Other operating income & expenses (net)	-2	6 549	-523	0	112		6 136
Incl. fair value adjustments	*0*	*4 317*	*-519*	*0*	*0*		*3 798*
Segment operating profit/ loss	-1 818	20 771	-547	-352	-412	*15*	17 657
Finance income and cost (net)	-6 178	2 561	-407	-6	-172	*-6*	-4 208
Profit/ loss before income tax	**-7 996**	**23 332**	**-954**	**-358**	**-584**	***9***	13 449
Income tax	0	0	0	1	2	*0*	3
Net profit/ loss for the financial year attributable to owners of the Company	**-7 996**	**23 332**	**-954**	**-357**	**-582**	***9***	13 452

31.12.2022							
Assets	57 567	157 409	25 954	15 537	8 420	*-163 631*	101 256
Liabilities	143 951	3 874	16 204	3 568	6 124	*-127 788*	45 933
Acquisition of non-current assets (excluding investment properties)	3	20	24	129	1 744		1 920
Write-off of non-current assets	0	-10	-14	0	-30		-54
Depreciation and amortisation	-5	-45	-43	-35	-277		-405

in thousands of euros	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
2021							
Revenue (Note 21)	749	37 101	2 411	1 639	1 998	*-803*	43 095
Incl. sales of real estate	*0*	*36 971*	*2 314*	*1 331*	*0*		*40 616*
Incl. rental income	*0*	*3*	*78*	*18*	*0*		*99*
Incl. hotel operating	*0*	*0*	*0*	*0*	*1951*		*1 951*
Incl. maintenance services	*0*	*73*	*0*	*278*	*0*		*351*
Incl. other services	*749*	54	*19*	*12*	*47*	*-803*	*78*
Other operating income & expenses (net)	-21	33 953	272	5	1 002	2	35 213
Incl. fair value adjustments	*0*	*5 278*	*262*	*0*	*0*	*0*	*5 540*
Segment operating profit/ loss	-2 020	41 443	252	-135	571	*16*	40 127
Finance income and cost (net)	-5 964	-3 849	-454	52	-156	*-9*	-10 380
Profit/ loss before income tax	**-7 984**	**37 594**	**-202**	**-83**	**415**	***7***	29 747
Income tax	0	0	-1	16	-5		10
Net profit/ loss for the financial year attributable to owners of the Company	**-7 984**	**37 594**	**-203**	**-67**	**410**	***7***	29 757

31.12.2021	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
Assets	55 494	158 914	27 969	13 815	7 220	*-147 385*	**116 027**
Liabilities	133 882	28 712	20 254	1 488	4 692	*-115 844*	**73 184**
Acquisition of non-current assets (excluding investment properties)	0	4	8	6	166		**185**
Write-off of non-current assets	0	-129	-22	-19	0		**-170**
Depreciation and amortisation	0	46	-23	-8	-231		**-216**

Eliminations stated in the segment report above include transactions between group companies for provided services in profit and loss items and internal loans (receivables and payables), differences arising from IFRS and reports of subsidiaries which are based on local accounting principles approach.

Note 7. Cash and cash equivalents

in thousands of euros	31.12.2022	31.12.2021
Cash at hand	12	8
Bank accounts	10 577	9 618
Total	**10 589**	**9 626**

Cash and cash equivalents recorded in the statement of financial position and statement of cash flows comprise cash at hand and bank accounts as at the end of each reporting period. Foreign currency accounts in SEK (Swedish krona) have been translated into euros at the European Central Bank currency exchange rates prevailing on the reporting date.

Note 8. Current receivables

in thousands of euros	31.12.2022	31.12.2021
Trade receivables from contracts with customers	318	667
Allowance for doubtful debts	-38	-41
Other receivables	49	44
Accrued income	7	10
Prepaid taxes	619	0
Total	**955**	**680**

Trade receivables from contracts with customers have decreased by 349 thousand euros compared to the previous period mainly due to final sales transactions concluded in Kalaranna District and Kindrali houses in 2022.

Note 9. Inventories

in thousands of euros	31.12.2022	31.12.2021
Completed properties	9 313	20 635
incl. Kristiine City, Tallinn	*237*	*19*
incl. Kalaranna District, Tallinn	*1 215*	*11 548*
incl. River Breeze, Riga	*6 171*	*7 213*
incl. Šaltinių Namai / Attico, Vilnius	*1 604*	*1 747*
incl. other properties	*86*	*108*
Works in progress	24 854	36 731
incl. Kristiine City, Tallinn	*7 182*	*11 361*
incl. Kalaranna District, Tallinn	*5 192*	*19 352*
incl. Šaltinių Namai, Vilnius	*6 223*	*6 018*
incl. Naugarduko, Vilnius	*6 257*	*0*
Goods bought for resale	57	52
Prepayments for inventories	0	115
Total	34 224	57 533

Completed properties include completed real estate stock in Tallinn, Riga and Vilnius. The balance of Completed properties of Kalaranna District and Kristiine City includes one apartment in both developments that serves as a showroom. These apartments are held for sale in the normal course of business and will be sold as soon as no longer needed as showrooms.

Works in progress include properties under development or waiting for development in the nearest future in Tallinn and Vilnius. After completion properties are transferred from “works in progress” to “completed property”. Works in progress includes two development projects being currently under construction in Tallinn - Kindrali Houses (part of Kristiine City development) and second phase of Kalaranna District. The following phase of Šaltinių Namai is waiting for the start of development, construction tender is ongoing, while Naugarduko development (obtained in 2022) is in projecting phase and it is planned to start construction before end of 2023.

Movements in inventory are described in the table below:

in thousands of euros	Inventories total
Balance at 01.01.2021	**58 352**
Increase in value (development)	29 097
Disposal (recognised in cost of sales)	-29 916
Balance at 31.12.2021	**57 533**
Increase in value (development)	15 001
Purchase of a new property	6 621
Disposal (recognised in cost of sales)	-44 931
Balance at 31.12.2022	**34 224**

Note 10. Non-Current receivables

in thousands of euros	31.12.2022	31.12.2021
Finance leases	16	21
Other non-current receivables	2 000	0
Total	**2 016**	**21**

Non-current receivables include 2 million euros prepayment for potential purchase of a new subsidiary. In April 2022 the Company signed a preliminary agreement with intention to buy 100% of the shares of P.K. Sicily S.P.A. – an Italian company which owns and operates hotel Domina Zagarella Sicily. With preliminary agreement the Company reserved its rights to buy the shares and made a prepayment in for instalments in the total value of 2 million euros. The Company initiated legal and financial due diligence. According to agreement the Company had time until 31 January 2023 to inform the seller about its decision. Based on results of the due diligence and considering global economic situation, the Company decided to withdraw from acquisition of the hotel company and the seller has repaid the amount of 500 000 euros after the balance sheet date. The seller has confirmed it will pay rest of the amount in instalments by 1 July 2023.

Note 11. Property, plant and equipment

The Group's land and buildings are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value of a property is determined either based on the valuation of an independent expert or the management. 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.

Property, plant and equipment in thousands of euros	**Land and buildings revaluation value**	**Machinery and equipment**	**Other property, plant and equipment**	**Total**	**Right-of-use assets (leases)**
01.01.2021	**8 846**	**986**	**322**	**10 154**	**664**
Additions:					
Acquired	125	40	22	187	0
Change in fair value	40	0	0	40	0
Disposals and write offs:					
Derecognition of subsidiary	0	0	-70	-70	-66
Written off	0	0	-12	-12	-24
31.12.2021	**9 011**	**1 026**	**262**	**10 299**	**574**
Additions:					
Acquired	1 584	160	33	1 777	127
Change in fair value	-984	0	0	-984	0
Disposals and write offs:					
Sold	0	0	-14	-14	0
Written off	0	-30	-10	-40	0
31.12.2022	**9 611**	**1 156**	**271**	**11 038**	**701**

Accumulated depreciation in thousands of euros	Land and buildings revaluation value	Machinery and equipment	Other property, plant and equipment	Total	Right-of-use assets
01.01.2021	2 251	909	249	3 409	307
Additions:					
Charge for the period	149	26	33	208	138
Change in fair value	-15	0	0	-15	0
Disposals and write offs:					
Derecognition of subsidiary	0	0	-46	-46	-50
Written off	0	0	-11	-11	-23
31.12.2021	2 385	935	225	3 545	372
Additions:					
Charge for the period	186	37	22	244	134
Disposals and write offs:					
Sold	0	-30	-10	-40	0
Written off	0	0	-6	-6	0
31.12.2022	2 571	942	230	3 744	506

Balance sheet value in thousands of euros	Land and buildings revaluation value	Machinery and equipment	Other property, plant and equipment	Total	Right-of-use assets
31.12.2021	6 626	91	37	6 754	202
31.12.2022	7 040	214	40	7 294	195

Valuation of properties

According to IFRS 13 classification, land and buildings measured at revalued amounts are classified as belonging to Level 3 fair value hierarchy. The valuation of such properties is based on inputs that are not observable and significant to the overall fair value measurement.

Valuations of the Group's properties have been mainly made by using discounted cash flows (DCF) method. Considering that the Group is operating a hotel in a property owned by real estate subsidiary, the valuators do not take into account rental income to property owner, but hotel's ability to generate cash flows and to operate properties effectively. Historical data and expected projections of hotel performance, which include such inputs as occupancy, average rate, departmental revenues and costs, administrative and marketing costs are used for valuation. This information is derived from management reporting prepared by hotel manager and reviewed by Financial Controller. Also, assumptions and valuation models, which are typically market related such as discount rates and exit yields, are used. Valuation reports are reviewed and accepted by the Management of the Group.

Sensitivity of measurement to variance of significant unobservable inputs:

- a decrease in the estimated revenues either due to lower occupancy or lower average room rate will decrease the fair value;
- an increase of departmental and other costs will decrease the fair value;

- an increase in discount and exit yield rates will decrease the fair value.

Discount and exit yield rates are partially determined by market rate conditions but are also influenced by expected return rate, which is the rate of return expected by the shareholders.

Latest independent valuation was carried out in 2022 for the hotel. Investment method was chosen by the valuator with the basis of market-oriented Income Capitalisation Approach. The valuator has been provided with the financial data of the hotel operator for the period 2018-2021. Base on that information the valuator has made own assumptions on recovery of the hotel after COVID-19 related influence. The average occupancy is estimated to be 70% and average room rate 106 euros (Revenue Per Available Room 74 euros). Gross operating profit has been estimated to be 19% from total revenues and Net Operating Profit 11% from total revenues. The valuator has applied a capitalisation rate of 5.5% with an income on market level. It is used to capitalise the net operating income of the property into perpetuity. The market value of a freehold property was estimated to reach 8.9 million euros. This value reflects Covid recovery period and refurbishment plans for the hotel. After full recovery the market value of a freehold property is estimated to reach 9.4 million euros. However, the Group owns the heritable building right (HBR) of the hotel and therefor it has been discounted using "Münicher" approach. It means that the land value should be considered in the valuation because the lessee and not the owner has the use of the land during the term of the HBR. The freehold value was reduced by applying the following considerations:

- land value after expiry of the HBR;
- reservations of consent (general disadvantages of the HBR);
- payment of leasehold fee.

After adjustments the remaining value of the heritable building right is 6.3 million euros.
Considering the choice of approach by the valuator, no sensitivity analyses have been provided.

Note 12. Investment property

in thousands of euros	Property held for increase in value	Properties held for operating lease	Total
Balance at 01.01.2021	**35 723**	**62 789**	**98 512**
Capital expenditure	435	23	458
Gain from change in fair value (Note 24)	5 484	0	5 484
Disposal	-908	0	-908
Derecognition of Subsidiary	0	-62 812	-62 812
Balance at 31.12.2021	**40 734**	**0**	**40 734**
Capital expenditure	1 000	0	1 000
Gain from change in fair value (Note 24)	6 170	0	6 170
Disposal	-2 329	0	-2 329
Balance at 31.12.2022	**45 575**	**0**	**45 575**

The fair value (FV) of the Group's investment property at 31 December 2022 and 31 December 2021 has been derived on the basis of valuations carried out by Colliers

International independent valuators not related to the Group. Valuation company has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations were performed by reference to recent market information. Mainly discounted cash flow method has been used due to low number of comparable market transactions in previous periods. Starting 2021 the valuators have used sales comparison method due to uncertainty in the markets and increased number of comparable transactions in most of the cases.

As a result of valuations in 2022 the fair value increase generated 6.2 million euros income, in 2021 respectively 5.5 million euros income. During 2022 the Group has paid for investments 1 million euros (2021: 0.5 million euros). During reporting period, the Group sold a property in Tallinn to the State in relation to Rail Baltica railway station development.

Valuation of properties

According to IFRS 13 classification, investment properties owned by the Group are classified as belonging to Level 3 value hierarchy. The valuation of such properties is based on inputs that are not observable and significant to the overall fair value measurement.

Valuation reports prepared by the experts are reviewed and accepted by the Management of the Group.

Ülemiste 5, Tallinn

Ülemiste property is situated next to the railway and the future Rail Baltica Ülemiste joint terminal. It is planned to develop office and retail spaces with total leasable area of 14 410 square meters. Until 2020 the market value was calculated using Residual approach as the property was considered to be an extension to the shopping centre nearby. Starting from 2021 the market value has been determined by using Sales Comparison Approach. Three comparable objects were selected and comparable transactions were adjusted with different factor weights. As a result, the value of 199 €/m² (2021: 203 €/m²) was reached per building right (Gross Building Area- GBA) square meter above ground. 18 500 square meters have been considered as GBA for the project.

Kristiine City, Tallinn

Kristiine City is one of the largest residential blocks in the Baltics, located close to the city centre in the former Dunte summer manor and latter territory of the military school. It has been planned to develop the territory in 5 phases. The first two phases are completed: a red brick historical building (Tondi 51), former officers' building (Marsi 6 lofts) and stable (Ratsuri Houses) have been renovated and 10 Marsi Houses with more than 300 apartments and 3 Kindrali Houses with more than 190 apartments have been built. For the first time the market value of the property was estimated using Sales Comparison approach as there is currently enough market evidence with comparable development properties on the market. As a result, the value of 312 €/m² (2021: 239 €/m² as a mathematical calculation total value 17.04 million euros divided by GBA) was reached per GBA square meter above ground. 71 152 square meters have been considered as GBA for the project.

Kliversala residential complex, Riga

Kliversala is a residential and commercial development project located on the left bank of river Daugava. The land is located between two main bridges, next to one of the biggest parks in Riga and has a long coastline. The property is situated on the waterfront and provides views of the Old Town on the opposite bank. The project for the residential area foresees a series of exclusive apartment buildings coupled with commercial premises. It has been planned to develop the property in phases. The first phase, the River Breeze Residence, was completed in spring 2018 and is recorded as saleable inventories. Remaining phases are classified as investment property. The valuator has used for valuation market (Sales Comparison) approach and decided to separate the development into two parts based on the status and readiness for start of construction. Blue Marine is the following phase ready for construction. Six comparative objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 233.6 €/m² (2021: 261.9 €/m²) was reached per GBA square meter above ground. 9 547 square meters have been considered as GBA for market approach. For the rest of the property the same market approach and sales comparison method was used. Five comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 156.3 €/m² (2021: 155.3 €/m²) was reached per GBA square meter above ground. 73 413 square meters have been considered as GBA for market approach.

City Oasis residential complex, Riga

City Oasis is a residential development project located in Tallinas street, Riga at the right bank of river Daugava, right next to the border of Riga's historical City Centre. The project for the residential area foresees a series of apartment buildings with commercial functions on the first floor with net sellable area of 20 814 square meters and 357 square meters respectively. It has been planned to develop the property in one phase. Starting from 2021 the valuator has been using the market (Sales Comparison) approach for valuation. For market approach and sales comparison method four comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 114.7 €/m² (2021: 114.9 €/m²) was reached per GBA square meter above ground. 31 631 square meters have been considered as GBA for the project.

Brivibas Business Quarter, Riga

Brivibas is a mixed development project located at one of the main transport arteries heading through the city, next to the railways within a former industrial area. The project foresees renovation of the existing industrial building into mostly office buildings with total net rentable area of 18 080 square meters. The project is expected to be developed in two phases as the initial phase includes the renovation. Starting from 2021 the valuator has been using the market (Sales Comparison) approach for valuation. Four comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 74.7 €/m² (2021: 76.70 €/m²) was reached per GBA square meter above ground. 31 212 square meters have been considered as GBA for the project.

Summary of movements and valuation inputs:

Property	Valuation method	FV 2022 th euros	FV 2021 th euros	Capex	Disposal	Change in FV	GBA m²	Average €/m² 2022	Average €/m² 2021
Kristiine City	*SCA*	22 230	17 040	749	0	4 441	*71152*	312 €/m²	239 €/m²
Ülemiste 5	SCA	3 679	3 760	0	-2 329	2 248	18500	199 €/m²	203 €/m²
Kliversala	SCA	13 707	13 904	209	0	-406	82960	165 €/m²	168 €/m²
City Oasis	SCA	3 627	3 636	9	0	-18	31631	115 €/m²	115 €/m²
Brivibas	SCA	2 332	2 394	33	0	-95	31212	75 €/m²	77 €/m²
Total		**45 575**	**40 734**	**1 000**	**-2 329**	**6 170**		**252 €/m²**	**232 €/m²**

SCA - sales comparison approach

Sensitivity analyses on average price changes:

Property	FV 2022 th euros	+5%	-5%	FV 2021 th euros	+5%	-5%
Kristiine City	22 230	1 079	-1 141	17 040	816	-885
Ülemiste 5	3 679	187	-182	3 760	183	-192
Kliversala	13 707	683	-687	13 904	695	-695
City Oasis	3 627	182	-180	3 636	180	-183
Brivibas	2 332	116	-117	2 394	120	-120

Investment properties of the Group are evaluated based on the assumed highest and best use according to management judgement.

Note 13. Current debt

in thousands of euros	Loans and overdrafts (Note 17)	Convertible bonds (Note 18)	Non-convertible bonds (Note 18)	Current portion of lease liabilities	Total
01.01.2021	**78 458**	**1 296**	**27 642**	**185**	**107 581**
Changes from financing cash flows	0	-337	0	-142	**-479**
Other changes	-74 818	-765	-27 642	79	**-103 146**
31.12.2021	**3 640**	**194**	**0**	**122**	**3 956**
Changes from financing cash flows	-3 640	-194	0	-122	-3 956
Other changes	63	0	0	110	173
31.12.2022	**63**	**0**	**0**	**110**	**173**

The balance of current debt has decreased mainly due to repayment of bank loans related to Kalaranna District and Kindrali Houses developments.

All convertible bonds were redeemed in 2022. Other changes are related to raised leases in 2022.

Note 14. Current payables

in thousands of euros	**31.12.2022**	**31.12.2021**
Trade payables	809	1 498
Payables to construction companies	1 325	2 918
Accrued expenses	766	1 522
Accrued interests	1 211	1 359
Other	515	701
Total	**4 626**	**7 998**

Trade payables consists mostly of construction invoices issued at the end of the year in relation to ongoing constructions in Kristiine City and renovation works in Germany.

There has been an adjustment made in comparable numbers for 31.12.2021 – formerly recorded as short-term provision, 701 thousand euros have been reclassified as other current payables. The amount is related to the development for which reservartion amounts have been received from the customers, although construction works have not started.

Note 15. Non-current debt

in thousands of euros	Loans and overdrafts (Note 17)	Convertible bonds (Note 18)	Non-convertible bonds (Note 18)	Payables to minority share-holders	Non-current portion of lease liabilities	Total
01.01.2021	**17 888**	**191**	**8 293**	**651**	**232**	**27 255**
Changes from financing cash flows	-8 241	0	0	0	0	**-8 241**
Other changes	-537	-191	28 955	-651	-135	**27 441**
31.12.2021	**9 110**	**0**	**37 248**	**0**	**97**	**46 455**
Changes from financing cash flows	-8 641	0	0	0	41	-8 601
Other changes	-63	0	375	0	17	330
31.12.2022	**406**	**0**	**37 623**	**0**	**155**	**38 184**

The Group received loans for 14.4 million euros and repaid loans for 26.6 million euros. The balance of non-current debt has changed due to repayment of long-term loans in amount of 8.6 million.

Note 16. Customer advances

in thousands of euros	31.12.2022	31.12.2021
Advances for real estate	1 630	12 382
Advances from hotel services	30	37
Total	**1 659**	**12 419**

Customer advances represent “contract liabilities” under IFRS 15. Customer advances are recorded in the financial statements from receiving deposit and instalment payments until properties are handed over to customers. 1.6 million euros of customer advances are related to developments in Kristiine City and Vilnius. 10.1 million euros of customer advances that were recorded on the balance sheet at 31 December 2021 were recorded as revenue from sale of real estate in 2022.

Note 17. Loans and overdrafts

		Loan balance in thousands of euros		
Borrower	Creditor	31.12.2022	31.12.2021	Maturity
OÜ Marsi Elu*	AS LHV Pank	0	3 638	22.08.2024
OÜ Kalaranna Kvartal*	AS LHV Pank	0	8 610	21.02.2023
PK Hotel Management Services GmbH	Sparkasse	469	500	30.06.2030
Total		**469**	**12 748**	

** Loans were repaid prematurely*

Bank loans are related to development activities with an exception of loan from Sparkasse to our German hotel as part of the subsidy related to Covid-19 support.

Current loans are described in Note 13, non-current loans in Note 15, collaterals of the loans in Note 19 and finance costs in Note 25.

The total interest cost on loans for the reporting period was 0.6 million euros (2021: 2.2 million euros).

Note 18. Convertible and non-convertible bonds

in thousands of euros	31.12.2022	31.12.2021
Current convertible debt (Note 13)	0	194
Non-current non-convertible debt (Note 15)	37 623	37 248
Total	**37 623**	**37 442**

Convertible bonds PKG1-PKG7

AS Pro Kapital Grupp had issued the total of 4 025 758 convertible bonds within seven separate issuances with an issue price of 4.5 euros per bond during 2009-2011. In 2011 the Group was split and as a result the issue price of the convertible bonds remained 2.8 euros per bond. According to the terms convertible bonds could be converted into shares of the Company with the exchange rate one convertible note per share. No bonds were converted into shares until 31 December 2022. During 2017-2020 most of the convertible bonds were prolonged but also partially redeemed. In 2020 AS Pro Kapital Grupp decided to refinance all seven issues of convertible bonds with new non-convertibles bonds. Within three tranches the total of 3 459 081 convertible bonds were refinanced and new bonds in the same amount with the total value of 9 685 426.80 euros were subscribed and issued. New non-convertible bonds were issued against the same amount of convertible bonds. The new bonds carry an interest at 8%, they are non-convertible and not secured. The final redemption date is 31 October 2024.

As at 31.12.2022 all convertible bonds have been redeemed and remaining balance of convertible bonds was zero on 31 December 2022 (2021: 196 thousand euros). The balance sheet value in the comparative period was 194 thousand euros as 2 thousand euros of prolongation fees have been deducted from the value of the convertible bonds.

Number of bonds	2022	2021
Number of convertible bonds at the beginning of period	70 065	536 434
Number of redeemed bonds	-70 065	-120 431
Number of refinanced bonds	0	-345 938
Number of convertible bonds at the end of period	**0**	**70 065**

in thousands of euros	2022	2021
Value of convertible bonds at the beginning of period	196	1 502
Value of redeemed bonds	-196	-337
Value of refinanced bonds	0	-969
Value of the bonds at the end of the period	0	**196**
Current portion of liabilities at the end of the reporting period	**0**	**196**
Non-current portion of liabilities at the end of the reporting period	**0**	**0**

Unsecured and secured non-convertible bonds

Registration date of bonds issued	February 2020 (secured)	August 2020 – January 2021 (unsecured)
Number of bonds	285	3 459 081
Issue price per bond	100 000 EUR	2.80 EUR
Total nominal value, in euros	28 500 000	9 685 426.80
Annual return (%) from issue price	8%	8%
Interest payment	Twice a year	Twice a year
Redemption date	20 February 2024	31 October 2024

Due to the refinancing of PKG1-PKG7 convertible bonds as described in the chapter "Convertible bonds" above, new 2 925 641 unsecured and non-convertible bonds with the total face value of 8 191 794.80 euros were issued in August 2020. During the second subscription period, 187 502 bonds with the total issue value of 525 005.60 euros were issued in November 2020. During the third subscription period, 345 938 bonds with the total issue value of 968 626.40 euros were issued in January 2021. New unsecured non-convertible bonds have been listed on Nasdaq Tallinn bond list since 27 January 2021. The balance sheet value on the reporting date was 9.5 million euros which equals to nominal value minus 219 thousand refinancing costs (2021: 9.4 million euros and 325 thousand euros).

Number of unsecured bonds	2022	2021
Number of unsecured non-convertible bonds at the beginning of period	3 459 081	3 113 143
Number of unsecured non-convertible bonds issued	0	345 938
Number of unsecured non-convertible bonds at the end of period	3 459 081	3 459 081

in thousands of euros	2022	2021
Value of unsecured non-convertible bonds at the beginning of period	9 685	8 717
Value of unsecured non-convertible bonds issued	0	968
Value of the unsecured bonds at the end of the period	9 685	9 685
Current portion of liabilities at the end of the reporting period	**0**	**0**
Non-current portion of liabilities at the end of the reporting period	**9 685**	**9 685**

In February 2020 the Company secured refinancing of the senior secured bonds 2015/2020 (the "Old Bonds") in full by issuing new senior secured, called, fixed rate bonds 2020/2024 (the

"New Bonds") in total amount of 28.5 million euros. The New bonds are similar to the Old Bonds with minor differences. All shares of current Pro Kapital subsidiaries were pledged. 285 bonds (value of 100 000 euros each) carry a fixed rate coupon 8% and mature in February 2024. The Existing Bonds were redeemed on 17 March 2020. The New Bonds were approved for trading on Nasdaq Stockholm bonds list on 9 July 2020. According to terms and conditions of the bonds, the Company has to meet maintenance test, which requires equity to assets ratio to be higher than 35%. The equity ratio was 53.7% as at the end of the reporting period.

Remaining balance of the secured non-convertible bonds is 28.5 million euros on 31 December 2022. The balance sheet value is 28.2 million euros which equals to nominal value minus 343 thousand euros of refinancing costs, which are being discounted over the effective period of the New Bonds.

Number of secured bonds	**2022**	**2021**
Number of secured fixed rate bonds at the beginning of period	285	285
Number of secured fixed rate bonds issued	0	0
Number of secured fixed rate bonds redeemed	0	0
Number of secured fixed rate bonds at the end of period	285	285

in thousands of euros	**2022**	**2021**
Value of secured fixed rate bonds at the beginning of period	28 500	28 500
Value of secured fixed rate bonds issued	0	0
Value of secured fixed rate bonds redeemed	0	0
Value of secured fixed rate bonds issued at the end of the period	28 500	28 500
Current portion of liabilities at the end of the reporting period	**0**	**0**
Non-current portion of liabilities at the end of the reporting period	**28 500**	**28 500**

Note 19. Collaterals and pledged assets

AS Pro Kapital Grupp has pledged in favour of Nordic Trustee & Agency AB the shares of all its subsidiaries. The pledges have been set to guarantee the secured non-convertible bonds issued in February 2020 in total amount of 28.5 million euros. The total value of pledged shares is 63.3 million euros (total nominal value of share capital of subsidiaries). In addition to share pledges, the Company's bank accounts held with Nordea Bank AB in Sweden are pledged. The cash balance in Nordea bank pledged accounts was 23 thousand euros on 31 December 2022 (the same at the end of 2021).

Note 20. Share capital and reserves

Share capital

Owners of AS Pro Kapital Grupp ordinary shares have the right to receive dividends, in case these are announced, and to participate in voting at general shareholders' meetings of the entity with one vote per share. The Company has not issued any preference shares.

On 31 December 2022 and on 31 December 2021 the share capital in the amount of 11.3 million euros consisted of 56 687 954 ordinary shares at a nominal value of 0.20 euros per share. All shares have been paid for in full.

According to the articles of association effective on 31 December 2022, the minimum share capital amounts to 6 million euros, whereas maximum share capital amounts to 24 million euros.

Reserves

As decided on 21 June 2022 on the Annual General Meeting of shareholders, the profit of 2021 was decided to be distributed to recover share premium in the amount of 3.9 million euros, statutory reserve in the amount of 1.1 million euros and to transfer the rest 24.7 million euros into retained earnings of previous period.

Statutory legal reserve of the Company is recorded based on the requirements of the Estonian Commercial Code § 336 and was comprised of the provisions made from the net profit. The statutory legal reserve as at 31 December 2022 amounted to 1.1 euros (2021: 0 euros).

Revaluation surplus results from adoption of revaluation model to property, plant and equipment (specifically land and buildings) under IAS 16 "Property, Plant and Equipment" (Note 11). Revaluation surplus as at 31 December 2022 is 2 million euros (2021: 3 million euros). The decrease of the reserve is related to the devaluation of the hotel property.

Note 21. Revenue

Segment revenue (Note 6)		
in thousands of euros	**2022**	**2021**
Revenue from contracts with customers		
Revenue from sale of real estate	61 708	40 616
Hotel operating revenue	3 270	1 951
Revenue from maintenance and other services	460	429
Total revenue from contracts with customers	**65 438**	**42 996**
Rental income	216	99
Total	**65 654**	**43 095**

Timing of revenue recognition		
in thousands of euros	**2022**	**2021**
At a point in time		
Revenue from sale of real estate	61 708	40 616
Hotel operating revenue	3 270	1 951
Revenue from other services	40	79
Total revenue recognised at a point in time	**65 018**	**42 646**
Over time		
Revenue from maintenance fees	420	350
Total revenue recognised over time	**420**	**350**
Rental income	216	99
Total	**65 654**	**43 095**

Revenue from sale of real estate has increased by 52% compared to reference period due to completion of first phase of Kalaranna District apartments and first buildings of Kindrali Houses. Sales of available inventory have continued in Kliversala in Riga and in Šaltinių Namai in Vilnius. Revenue from hotel operations has increased by 68% compared to the previous reference period. In 2022 the hotel was partially under renovation and could not operate in full capacity while previous year's results were influenced by restrictions related to global pandemic.

Customer advances decrease when developments are completed, real right agreements are signed and real estate have been handed over to the customers and is the point in time when the Group is entitled for consideration and revenue from sale of real estate is recognised. 10.1 million euros of the balance of 12.4 million euros of customer advances at the end of 2021 was recognized as revenue from sale of real estate during 2022 (Note 16).

Note 22. Cost of sales

Split by activities

in thousands of euros	2022	2021
Cost of real estate sold	45 420	30 469
Cost of providing rental services	66	36
Cost of hotel operations	2 977	1 807
Cost of maintenance and other services	221	207
Total	**48 689**	**32 519**

Split by type

in thousands of euros	2022	2021
Personnel expenses	1 030	520
Depreciation charge	241	205
Other	47 418	31 794
Incl. cost of real estate sold	*44 931*	*29 916*
Incl. maintenance services purchased	*826*	*638*
Incl. supplies costs	*1 240*	*754*
Incl. commissions and service fees	*418*	*481*
Incl. other	*3*	*5*
Total	**48 689**	**32 519**

Cost of real estate sold has increased in proportion to the revenues from sale of real estate (Note 21).

Note 23. Marketing and administration expenses

Marketing expenses

in thousands of euros	2022	2021
Personnel expenses	244	215
Other	254	287
Total	**498**	**502**

Administration expenses

in thousands of euros	2022	2021
Personnel expenses	3 189	3 563
Depreciation charge	138	126
Allowance for doubtful debt	0	505
Land and real estate taxes	306	334
Other	1 313	1 064
Total	**4 946**	**5 592**

As at the end of 2022 the number of employees in the Group was 75 (2021: 67) and total personnel cost (included in direct, marketing and administrative costs) in 2022 were 4.5 million euros comparing to 4.3 million euros in 2021.

Note 24. Other operating income and expenses

Other income

in thousands of euros	**2022**	**2021**
Fines collected	0	6
Profit from sale of investment property	0	1 092
Net gain from fair value adjustments	6 157	5 540
incl from investment property (Note 12)	*6 170*	*5 484*
incl from PPE	*-13*	*56*
Gain from derecognition of subsidiary	0	27 747
Other	121	1 230
Total	**6 278**	**35 615**

Other expenses

in thousands of euros	**2022**	**2021**
Fines and penalties paid	2	21
Other	140	256
Total	**142**	**277**

In 2022 the investment properties were valued 3.8 million euros higher resulting a gain from fair value adjustments. Other income in reference period includes non-refundable state aid received by our German hotel in the amount of 1 million euros in relation to COVID-19 pandemic.

Note 25. Finance income and cost

Finance income

in thousands of euros	**2022**	**2021**
Interest income	3	6
Total	**3**	**6**

Finance cost

in thousands of euros	2022	2021
Interest expenses:	4 192	5 945
incl interest expenses of the bonds	*3 552*	*3 724*
incl interest expenses of loans and overdrafts	*632*	*2 208*
incl interest expenses of leases	*8*	*13*
Other financial expenses	19	19
Total	**4 211**	**5 964**

Bond interest conditions are described in Note 18.

Note 26. Income tax

Rates of statutory corporate income tax	2022	2021
Estonia	20%	20%
Latvia	20%	20%
Lithuania	15%	15%
Germany	15%	15%

According to Income Tax Acts in Estonia and Latvia net profit is not taxed until distribution.

Income tax expense in unconsolidated reports

2021 in thousands of euros	Estonia	Latvia	Lithuania	Germany	Total
Profit/ loss before taxation (unconsolidated)	33 544	308	-60	641	34 433
Income tax, statutory rate	0	0	-9	0	-9
Non-deductible expenses	0	0	5	0	5
Non-taxable income and tax incentive	0	0	-5	0	-5
Tax loss utilised	0	0	0	0	0
Reversals	0	0	0	0	0
Total income tax expense	**0**	**0**	**-9**	**0**	**-9**
Effective income tax rate	**0%**	**0%**	**15%**	**0%**	**0%**

2022 in thousands of euros	Estonia	Latvia	Lithuania	Germany	Total
Profit/ loss before taxation (unconsolidated)	15 336	-954	-358	-584	13 440
Income tax, statutory rate	0	0	754	0	754
Non-deductible expenses	0	0	0	0	0
Non-taxable income and tax incentive	0	0	-810	0	-810
Tax loss utilised	0	0	0	0	0
Reversals	0	0	56	0	56
Total income tax expense	**0**	**0**	**0**	**0**	**0**
Effective income tax rate	**0%**	**0%**	**0%**	**0%**	**0%**

Income tax expense in consolidated report

in thousands of euros	2022	2021
Profit/loss before income tax	13 449	29 747
Estimated income tax respective to the tax rates	-3	-37
Adjustments to estimated income tax:		
Income tax, statutory rate	754	-9
Non-deductible expenses (+)	5	5
Non-taxable income and tax incentive	-810	-5
Tax loss utilised	0	0
Income tax expense	**-54**	**-46**
Including tax expense in continuing operations	**-54**	**-46**
Effective tax rate	N/A	N/A
Income tax expense	0	27
Deferred income tax expense	-3	-37
Total effect on income statement	**-3**	**-10**
Income tax paid	7	323

Deferred income tax asset and liability (net) movements

in thousands of euros	Accelerated tax depreciation	Deferred development cost	Revaluation of assets	Deferred tax losses	Total
01.01.2021	**0**	**740**	**430**	**0**	**1 170**
Effect on income statement:					
Income tax expenses and reclaims of the reporting period	0	-37	0	0	-37
31.12.2021	**0**	**703**	**430**	**0**	**1 133**
Effect on income statement:					
Income tax expenses and reclaims of the reporting period	0	-3	0	0	-3
31.12.2022	**0**	**700**	**430**	**0**	**1 130**

Deferred income tax balances

in thousands of euros	31.12.2022	31.12.2021
Deferred income tax liability (+)	1 130	1 133
Total, net	**1 130**	**1 133**

Contingent corporate income tax

The Group's retained earnings and maximum possible amount of corporate income tax (CIT) obligation were as follows:

in thousands of euros	31.12.2022	31.12.2021
Group's retained earnings	35 178	26 773
Estonian tax rate applicable	20%	20%
Contingent CIT obligation	**7 036**	**5 355**
Maximum net dividend	**28 142**	**21 418**

The calculation of maximum possible income tax liability is based on the assumption that the sum of distributable net dividends and the income tax expense which occurs on distribution of dividends cannot exceed total retained earnings as at 31 December 2022 and 31 December 2021.

The Company has received dividends from its subsidiary Pro Kapital Latvia PJSC, which is the resident and taxable person in the Republic of Latvia. As at 31 December 2022 the Company has potential opportunity (in case of retained earnings) to pay dividends that are not taxable with income tax in amount of 44.2 million euros (31 December 2021: 44.2 million euros). The Company has also the potential opportunity to distribute paid in capital in the total amount of 78.4 million euros without income tax applied. The total maximum possible income tax amount that could be considered as contingent asset and could be paid as net dividends is 30.7 million euros.

It is not planned to distribute dividends from subsidiaries in the forseeable future.

Note 27. Earnings per share

Earnings per share are calculated by dividing the net profit/ loss for the period with the weighted average number of shares in the period:

Average number of shares:

For the period	01.01.2022-31.12.2022	(56 687 954 x 366/366)	=56 687 954
For the period	01.01.2021-31.12.2021	(56 687 954 x 365/365)	=56 687 954

Indicative earnings per share from continuing operations:

2022	13 452 thousand euros/ 56 687 954=0.24 euros
2021	33 872 thousand euros/ 56 687 954 = 0.60euros

Indicative earnings per share from discontinued operations:

2021	-4 115 thousand euros/56 687 954=-0.07 euros

Note 28. Transactions and balances with related parties

Balances and transactions between a parent and its subsidiaries have been eliminated within consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below.

Transactions with related parties are considered to be transactions with shareholders, members of the Supervisory Council and the Management Board (defined as "key management"), their immediate families and the companies in which they hold control or have significant influence.

Transactions with related parties

in thousands of euros	2022	2021
Significant owners and owner related companies		
Sales of goods/ services	8	13
Interest expenses incurred	0	8
Minority shareholders		
Interest expenses incurred	0	10
Other shareholders/ bondholders		
Interest expenses incurred	892	912
Redemption of non-convertible bonds	196	337
Interest payments	794	746
Members of the Management Board and Council		
Salaries and bonuses paid to management*	650	1 733
Purchase of goods/ services	0	161

**Including remuneration paid to supervisory council and management board members of all subsidiaries, not only Group management remuneration as stated in the Management Remuneration Report.*

The Group is disclosing information about redemption, interest calculations/ payments for convertible bonds as most of the bondholders are shareholders of the Company as well.

Receivables from related parties

in thousands of euros	31.12.2022	31.12.2021
Long-term receivables		
To significant owner related company	2 000	0
Total	**2 000**	**0**

In 2022 the Group investigated an opportunity to purchase shares of PK Sicily SpA from a related party. To secure the transaction and reserve the shares, the Group paid a prepayment in amount of 2 million euros to the seller. The Group has performed a thorough due diligence to evaluate potential gain on transaction and in 2023 has decided not to buy the shares of hotel company. According to the presale agreement the seller has to return the prepayment no later than three years from prepayment. The Group has the right to set the second rank pledge on the property to secure its receivable. After balance sheet date the amount of 500 thousand euros has been repaid and the rest of the prepayment should be done by 1 July 2023 the latest.

The Group has provided loans to related parties within consolidation group at rates comparable to the average commercial rate of interest. The loans to related parties have no collaterals.

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

Holdings in the Company	31.12.2022	31.12.2021
Significant owner and owner related companies	49.63%	49.59%
Members of the Council and individuals related them	0.05%	0.05%
Members of the Board and individuals related them	0.00%	0.50%

Mr Emmanuele Bozzone, member of the Supervisory Council, with his affiliates holds 357 000 unsecured, fixed rate nonconvertible bonds of the Company with the nominal value of 2.80 euros each, i.e. 999 600 euros in total.

The major shareholder has informed the Company that in October 2022 an agreement to contribute the shares held in the Company was concluded with a newly established French company - Preatoni Group. The major shareholder is a major shareholder in the French entity as well. Physically the shares have not been transferred. The shareholding of major shareholder remains below 50%, however the French entity considers it has control over the Group and consolidates the Group starting July 2022.

Note 29. Risk management

The business of the Group involves business risk and several financial risks: market risk (interest and currency risk), credit risk and liquidity risk. It is aimed to minimize the negative impact of these risks to the Group's financial results with the risk management. The main purpose of the risk management is to assure the retention of Group's equity and to carry Group activities as a going concern.

Financial risks

Financial assets

in thousands of euros	31.12.2022	31.12.2021
Cash	10 589	9 626
Current receivables	1 019	802
Non-current receivables	2 016	21
Total	**13 624**	**10 449**

Financial assets include cash and bank balances and short-term and long-term receivables.

Financial liabilities

in thousands of euros	31.12.2022	31.12.2021
Current debt	173	3 955
Current payables	4 626	7 998
Non-current debt	38 184	46 455
Non-current payables	0	20
Total	**42 983**	**58 428**

Financial liabilities include loans, convertible and non-convertible bonds, payables to suppliers. Financial liabilities of the Group belong to category 'other financial liabilities at amortised cost'.

Interest risk

Interest risk is referring to potentially higher financing costs due to possible change of interest rate. The Group is exposed to interest rate risk when entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. In general, the interest rates of loans raised by the entities belonging to the Group are fixed through Euribor plus a risk margin. Interest risk appears from Euribor and the volatility of the average market interest rates which affect the Group's interest expenses.

The breakdown of interest-bearing financial debt is as follows:

in thousands of euros	31.12.2022	31.12.2021
Fixed rate liabilities	38 357	41 801
Variable rate liabilities (12+ months)	0	8 610

As at the end of 2022 there is no interest risk for the Group from Euribor and floating interest rates as there are no such liabilities in the Group. On new developments the Group evaluates interest risk according loan obligations and market situation and and adopts interest rate risk mitigation measures as needed.

Cash in banks also bear interest risk, especially due to negative rates and possible flooring. As at 31 December 2022 the Group had 10.6 million euros on bank accounts (31 December 2021: 9.6 million euros). Due to increase of Euribor rates, the Group do not foresee any risks coming from negative interest rates in 2023.

Currency risk

Currency risk is a form of risk that arises from the change in price of one currency against another. Entities belonging to the Group perform transactions in currency applicable in the resident country, currency risk arises in case of exchange currency transactions, which are performed with currencies not related to euro. To ground the currency risk, all the relevant contracts in the Group are signed in euro or in currencies related to euro. Thus, the main currency risk is related with devaluation of currencies related to euro, against which the Group is not protected.

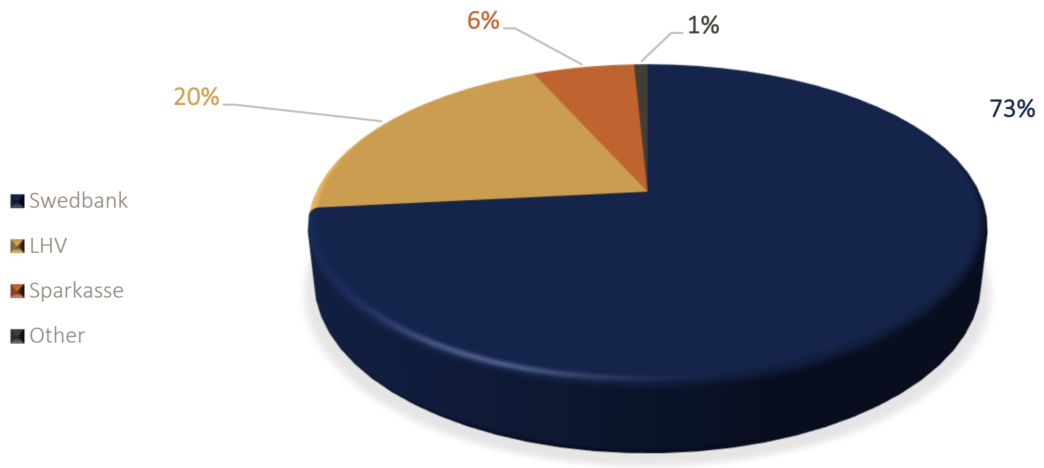
Due to the fact that Group's liabilities are all in euro and majority of Group's income comes from euro-based contracts, the Group's management estimates that it has limited exposure to foreign currency risk.

Credit risk

The Credit risk expresses potential loss that occurs, when counterparty does not fulfil their contractual obligations to the Group resulting in financial loss.

In general, the sales of real estate are secured with clients' prepayments. In case of sales of the real estate under the instalment, the creditworthiness of each client is analysed separately. The ownership of the sales object belongs to the Group entities until the client has settled all debt. In extremely rare cases it may happen that the ownership is transferred to the buyer prior to final settlement. In this case a mortgage is set in favour of the Group entity to secure the debt. There were no such cases in 2022.

Also, cash accounts with the banks are subjects to the credit risk. The Group has narrowed the risk by having its assets in different high ratings assigned banks. Currently the Group is holding assets in the following banks: LHV, Swedbank, Luminor, Nordea, Kölner Banken and Sparkasse. Cash on accounts in the banks as at 31 December 2022 was distributed as follows:



Liquidity risk

Liquidity risk expresses the potential risk that if the Group's financial condition will change, the Group's ability to settle its liabilities on time will degrade. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by constantly monitoring cash flow forecasts and actual cash balances, and by matching the maturity profiles of financial assets and liabilities. As at 31 December 2022 the working capital of the Group's is positive and current assets portion of short-term liabilities is 7.1 (as at 31 December 2021: 2.7).

Financial liabilities of the Group by due dates:

in thousands of euros	31.12.2022	Repayment of liabilities Within 1 year	Within 2-5 years	After 5 years	31.12.2021	Repayment of liabilities Within 1 year	Within 2-5 years	After 5 years
Loans	469	63	250	156	14 189	4 862	8 774	553
Lease liabilities	265	110	155	0	219	122	97	0
Convertible bonds	0	0	0	0	212	212	0	0
Non-convertibles	10 888	775	10 114	0	11 882	775	11 107	0
Secured bonds	30 755	2 280	28 475	0	32 202	2 280	29 922	0
Trade payables	809	809	0	0	1 498	1 498	0	0
Other debt	3 465	2 290	1 175	0	18 394	17 193	1 201	0
Total	**46 651**	**6 326**	**40 169**	**156**	**78 596**	**26 942**	**34 533**	**553**

Financial liabilities carrying interests include accumulated interest amounts until repayment.

Short-term liabilities of the Group (loans and bonds) by due dates:

in thousands of euros	31.12.2022	Repayment of liabilities Within 1 month	2-3 months	4-12 months	31.12.2021	Repayment of liabilities Within 1 month	2-3 months	4-12 months
Loans	63	0	16	47	4 862	0	0	4 862
Lease liabilities	110	9	18	83	122	10	20	92
Convertible bonds	0	0	0	0	212	38	0	174
Non-convertibles	775	387	0	387	775	387	0	387
Secured bonds	2 280	0	1 140	1 140	2 280	0	1 140	1 140
Total	**3 228**	**396**	**1 174**	**1 657**	**8 251**	**435**	**1 160**	**6 656**

Financial liabilities carrying interests include accumulated interest amounts until repayment.

Fair value

Based on the estimates of the Group's management, book value of the financial assets and liabilities does not differ significantly from their fair value.

Fair value of interest-bearing receivables and liabilities is not considered to be significantly different from their book value, because the interest rates fixed by the contracts underlying the corresponding receivables and liabilities do not significantly differ from the effective market interest rates.

Capital risk management

The purpose of capital risk management is to provide the Group's sustainability and to ensure profit for the shareholders through optimal structure of capital. The Group uses debt and equity instruments for financing business activities and it monitors percentage of equity to total assets in designing its financial structure and in assessment of risk.

	31.12.2022	31.12.2021
Equity to total assets	53.7%	36.9%
Debt to total assets	46.3%	63.1%
Long-term debt to total assets	39.7%	41.1%

The Group strives to pursue conservative financing policy. The goal is to use external financing so as to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. The Group seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Group's credit standing.

Long-term financing is planned and obtained on project-by-project basis. Prior to application for external finance a company constructs budget for the project in question, performs sensitivity analysis. When applying for external financing, company carefully considers the effect such additional financing may have on its debt/equity ratio, gearing ratio and NPV of the project. Additional borrowing conditions in face of loan/financial covenants, as well as interest rate risks are taken into consideration. If any special conditions are set in external financing agreement (rental income, ratio of rented/vacant space, etc.), company seeks to meet them yet before the agreement is signed. Generally, the Group's policy is to finance its assets and operating requirements in the currency of the country/currency zone concerned, in order to create a natural hedge and avoid any currency risk.

Long-term partners are preferred for external financing, given their offers are most favourable. Long-term loans are to be approved by the Company's Council prior to the assumption of loan obligations. Short term overdrafts may be used to smooth out the seasonality of company's business and to maintain cash balances that are adequate for operating levels. Short term financing partners are usually those through whom everyday banking operations of a company are carried out.

Estonian Commercial Code §301 establish a restriction to the level of mandatory equity level: total equity shall not be less than ½ of registered share capital. Under the Estonian Accounting Act such a compliance assessment is made based on the adjusted unconsolidated equity of the Company. The adjusted unconsolidated equity equals unconsolidated equity of the Company less book values of investments into subsidiaries measured at cost less impairment plus the amount of investments into subsidiaries measured under the equity method of accounting. As disclosed in Note 31 to these consolidated financial statements, the Company has been in compliance with such an equity restriction as at 31 December 2022 and 31 December 2021.

Note 30. Lawsuits

As at 31 December 2020, AS Pro Kapital Eesti had two interlinked administrative court cases in progress. In the first court case, the company is requesting nullification of a decision of the Land Board whereby a cadastral unit located at Kalasadama 3, Tallinn, with 100% purpose of land under water bodies was not registered. On 27 March 2020, the Tallinn District Court decided in favour of AS Pro Kapital Eesti and ruled that the Land Board should make a new decision or, then, should invalidate its original 30 April 1999 decision from the privatisation era. On 27 April 2020 the Land Board appealed the District Court's decision to the Supreme Court, which has accepted the appeal and granted AS Pro Kapital Eesti the right of response. The company has responded on time on 6 October 2020. On 24 March 2021, the Supreme Court issued its judgment, upholding Land Board's view and denying claim of AS Pro Kapital Eesti. The Supreme Court concluded that AS Pro Kapital Eesti has never been the owner of the water cadastral unit. This case is now terminated and AS Pro Kapital Eesti can only pursue compensation from the state for illegal allocation of water land that should never have been owned by the company.

The second court case is a claim of compensation against the state in relation to the same cadastral unit – court proceedings were halted until 23 March 2021 when a final court decision took effect in the first court case. Since the Supreme Court in the preceding case has decided in favour of the Land Board, then AS Pro Kapital Eesti has unjustly paid a portion of the purchase price and land tax from this cadastral unit. Following the Supreme Court decision in the previous case, the Administrative Court ordered AS Pro Kapital Eesti to submit a revised complaint by 15 April 2021. For purposes of gathering additional evidence, AS Pro Kapital Eesti applied for and was granted the extension of the deadline until 30 April 2021 and submitted required documents on time. The company is claiming from the state compensation of 192 338 euros of land tax paid in excess during 01.01.2004-31.12.2018 as well as that the state compensate 681 816 euros of the purchase price overpaid by the company for that portion of land, the claim for compensation amounting to 874 152 euros in total in the principal sum plus 1 176 261.55 euros of interest in arrears. The court has ordered Land Board to reply to the company's revised complaint by 3 June 2021. The Land Board argued that since the company should have brought the complaint earlier, then as the company did not sue the state within the 10-year limitation period, the court should dismiss the case; and as the company has never been the owner of the plot, then bearing the associated cost (purchase price, notary fees, state fee and land tax) does not infringe on the company's rights. On 5 July, 2021, by order of the Tallinn Administrative Court the case was terminated due to the limitation period being exceeded and the court refused to reinstate the time limit for the appeal. On 22 July 2021, the company appealed the court order to the District Court, requesting reinstatement of the time limit since the company first found out about the infringement of its rights (and resulting damages) with the Land Board's 27 June 2018 decision whereby it refused to register one cadastral unit into the register in the process of division of the real estate into smaller plots. The Land Board responded on 10 August 2021, reinstating its claims and Tallinn District Court decided to terminate the case. On 22 September 2021 AS Pro Kapital Eesti appealed the District Court order from 7 September 2021 to the Supreme Court. In January 2022 the Supreme Court has decided to process the appeal. AS Pro Kapital Eesti submitted its additional written position to the Supreme Court on 14 February 2022. The Supreme Court, by its decision of 11 October 2022, reinstated the time limit for the AS Pro Kapital Eesti appeal and referred the case back to Tallinn Administrative Court. The Supreme Court's decision means that the parties will no longer dispute the time limit for the AS Pro Kapital Eesti appeal and further dispute will primarily concerns the amount of the compensation and its verifiability.
On 16 January 2023, a preliminary hearing was held in Tallinn Administrative Court in claim of AS Pro Kapital Eesti for compensation against the Republic of Estonia (through the Land Board). The court gave the parties time to submit their additional submissions by 28 February 2023 at the latest. If the parties agree to compromise negotiations, the court is ready to extend the deadline.

Note 31. Supplementary disclosures on the parent

The financial information of the parent comprises separate primary statements of the Company (statement of financial position, statement of income, statement of cash flows and statement of changes in equity), the disclosure of which is required by the Estonian Accounting Act. The primary financial statements of the parent have been prepared using the same accounting methods and measurement bases as those used for the preparation of the consolidated financial statements, except for subsidiaries which are reported at cost in the separate primary financial statements of the parent.

Statement of financial position

in thousands of euros	31.12.2022	31.12.2021
ASSETS		
Current assets		
Cash and cash equivalents	65	848
Current receivables	6 245	6 148
Total current assets	**6 310**	**6 996**
Non-current assets		
Investments in subsidiaries	32 503	29 165
Non-current receivables	16 375	16 953
Intangible assets	3	5
Total non-current assets	**48 881**	**46 123**
TOTAL ASSETS	**55 191**	**53 119**
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	39 422	36 451
Current payables	1 489	2 445
Tax liabilities	58	55
Total current liabilities	**40 969**	**38 951**
Non-current liabilities		
Long-term debt	37 623	37 248
Non-current payables	65 320	57 650
Other non-current payables	39	33
Total non-current liabilities	**102 982**	**94 931**
Total liabilities	**143 950**	**133 882**
Equity		
Share capital in nominal value	11 338	11 338
Share premium	5 661	5 661
Statutory reserve	1 134	1 134
Accumulated losses	-106 892	-98 896
Total equity	**-88 759**	**-80 763**
TOTAL LIABILITIES AND EQUITY	**55 191**	**53 119**

Statement of profit and loss and other comprehensive income

in thousands of euros	2022	2021
Operating income		
Revenue	805	749
Gross profit	**805**	**749**
Marketing expenses	-7	-6
Administration expenses	-2 614	-2 742
Other operating expenses	-2	-21
Operating loss	**-1 818**	**-2 020**
Finance income and cost		
Interest income	597	575
Interest expense	-6 775	-6 509
Other finance income and cost	0	-30
Loss for the year	**-7 996**	**-7 984**
Other comprehensive income		
Other comprehensive income	0	0
Total comprehensive loss for the year	**-7 996**	**-7 984**

Statement of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Retained earnings	Loss for the year	Total equity
01.01.2021	**11 338**	**5 661**	**1 134**	**-83 626**	**-7 286**	**-72 779**
Result of the financial year	0	0	0	0	-7 984	-7 984
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**0**	**-7 984**	**-7 984**
Allocation of net loss	0	0	0	-7 286	7 286	0
31.12.2021	**11 338**	**5 661**	**1 134**	**-90 912**	**-7 984**	**-80 763**
Cost of subsidiaries' shares	X	X	X	X	X	-29 165
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	152 771
Adjusted unconsolidated equity 31.12.2021	**11 338**	**5 661**	**1 134**	**90 912**	**-7 984**	**42 843**
Result of the financial year	0	0	0	0	-7 996	-7 996
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**0**	**-7 996**	**-7 996**
Allocation of net loss	0	0	0	-7 984	7 984	0
31.12.2022	**11 338**	**5 661**	**1 134**	**-98 896**	**-7 996**	**-88 759**
Cost of subsidiaries' shares	X	X	X	X	X	-32 503
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	176 585
Adjusted unconsolidated equity 31.12.2022	**X**	**X**	**X**	**X**	**X**	**55 323**

Statement of cash flows

in thousands of euros	2022	2021
Cash flows from operating activities		
Loss for the year	-7 997	-7 984
Adjustments for:		
Amortisation of intangible assets	5	5
Finance income and costs	6 178	5 963
Change in foreign currency translation	-1	1
Change in receivables and prepayments	-1 942	-37
Change in liabilities and prepayments	-838	575
Change in provisions	5	-15
Cash flow used in operating activities	**-4 590**	**-1 492**
Cash flows from investing activities		
Loans granted	-6 408	-740
Payments into share capital of subsidiaries	-350	0
Repayments of loans granted	6440	350
Payments for intangible assets	-3	0
Cash flows used in/ generated by investing activities	**-321**	**-390**
Cash flows from financing activities		
Convertible bonds redeemed	-196	-337
Proceeds from borrowings	12 148	6 108
Repayments of borrowings	-4 425	0
Interests paid	-3 399	-3 223
Cash flows generated by financing activities	**4 128**	**2 548**
Net change in cash and cash equivalents	**-783**	**666**
Cash and cash equivalents at the beginning of the year	848	182
Cash and cash equivalents at the end of the year	65	848

Note 32. Discontinued operations

On 31 March 2020 the owner and operator of T1 Mall of Tallinn shopping centre, AS Tallinna Moekombinaat (TMK), submitted an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability of TMK. On 3 April 2020 Harju County Court initiated reorganisation proceedings. Based on experts' opinions the court should have decided on the approval of the reorganization plan. On 14 August 2020 the county court made a new ruling in the matter and terminated the reorganization proceedings because it had established that AS Tallinna Moekombinaat is allegedly permanently insolvent. AS Tallinna Moekombinaat disagreed with the views expressed in the county court ruling and disputed the termination of the reorganisation proceedings. On 29 January 2021 the country court issued a ruling, which decided not to satisfy the appeals of AS Tallinna Moekombinaat and its three creditors- Elkoral OÜ, OÜ Kristiine KVH and AS Merko Ehitus Eesti- against the ruling in which Harju County Court decided to terminate the reorganization proceedings. AS Tallinna Moekombinaat filed an appeal to the Supreme Court of Estonia. On 26 April 2021 the Supreme Court decided not to take AS Tallinna Moekombinaat's appeal into proceedings. Without the reorganisation proceedings AS Tallinna Moekombinaat was not capable of fulfilling its obligations and become permanently insolvent. On 2 June 2021 Harju County Court declared bankruptcy of AS Tallinna Moekombinaat and the Group lost control over this subsidiary.

As a consequence, the subsidiary was derecognised from the group since 2 June 2021 and T1 Mall of Tallinn related operations are considered as discontinued operations.

As net assets of the subsidiary at the time of derecognition were negative, after loss of control, the Group considers the fair value of the financial asset as 0. No further income nor cost related to the subsidiary is expected to arise for the Group.

The information about discontinued operations describes comparative period. There were no discontinued operations recorded in 2022.

Statement of financial position

in thousands of euros	31.12.2022	02.06.2021
DISCONTINUED OPERATIONS		
ASSETS		
Current assets		
Cash and cash equivalents	0	182
Current receivables	0	432
Inventories	0	51
Total current assets	**0**	**666**
Non-current assets		
Non-current receivables	0	3 823
Property, plant and equipment	0	40
Investment property	0	62 813
Intangible assets	0	12
Total non-current assets	**0**	**66 689**
TOTAL ASSETS	**0**	**67 354**
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	0	75 381
Other short-term liabilities	0	2 408
Customer advances	0	1
Current payables	0	20 684
Tax liabilities	0	41
Total current liabilities	**0**	**98 514**
Non-current liabilities		
Long-term debt	0	8
Non-current payables	0	24 944
Long-term provisions	0	68
Total non-current liabilities	**0**	**25 020**
Total liabilities	**0**	**123 534**
Net assets directly associated with discontinued operations	**0**	**-57 322**
Equity		
Share capital in nominal value	0	12 829
Share premium	0	1 541
Statutory reserve	0	855
Accumulated losses	0	-71 405
Total equity	**0**	**-56 180**
TOTAL LIABILITIES AND EQUITY	**0**	**67 354**

Statement of income

in thousands of euros	2022	2021
DISCONTINUED OPERATIONS		
Operating income		
Revenue	0	1 735
Cost of sales	0	-887
Gross profit	**0**	**848**
Marketing expenses	0	-1
Administration expenses	0	-415
Other operating income	0	60
Other operating expenses	0	-185
Operating profit	**0**	**307**
Finance cost	0	-4 422
Loss before income tax	**0**	**-4 115**
Loss from discontinued operations	**0**	**-4 115**
Earnings per share (euros per share)	0	-0.07

Statement of cash flows

in thousands of euros	2022	2021
DISCONTINUED OPERATIONS		
Cash flows from operating activities		
Loss for the year	0	-4 115
Adjustments for:		
Amortisation of intangible assets	0	15
Finance income and costs	0	4 993
Other non-monetary changes	0	1 543
Change in receivables and prepayments	0	4 069
Change in liabilities and prepayments	0	-5 829
Change in inventories	0	52
Change in provisions	0	-119
Cash flow used in operating activities	0	609
Cash flows from investing activities		
Payments for intangible assets	0	-1
Payments for investment property	0	-23
Cash flows used in/ generated by investing activities	0	-25
Cash flows from financing activities		
Payments for lease obligations	0	-23
Interests paid	0	-572
Cash flows generated by financing activities	0	-594
Net change in cash and cash equivalents	0	-10
Cash and cash equivalents at the beginning of the year	0	192
Cash and cash equivalents at the end of the year	0	182

Note 33. Subsequent events

Last couple of years have been quite challenging to all of us – unusual situation related to health hazard seemed to be quite extreme already, but start of the war in Europe is even worse. During these unstable times the Group maintains conservative approach in its activities. Considering the start of new residential developments, AS Pro Kapital Grupp monitors the economic situation in all Baltic countries and in the world in general and if necessary, might postpone its development plans until the situation stabilizes. To secure health and wellbeing of our employees, clients and partners, the employees in our offices are working remotely if needed, however being available by e-mails and on the phone. We have reviewed and reduced our fixed and variable costs and plan to make adjustments to spending where appropriate in the future. Although the economies of the world have been severely hit by the current situation, the business model of AS Pro Kapital Grupp is having a long- term view. We are constantly reviewing our risks and we strive to minimize any external impact to enable AS Pro Kapital Grupp reach its targets.

On 26 April 2022 AS Pro Kapital Grupp signed a preliminary agreement with an intention to buy 100% of the shares of P.K. Sicily S.p.A. which owns and operates hotel Domina Zagarella Sicily. With the agreement AS Pro Kapital Grupp reserved its rights to buy 100% of the shares. Financial and legal due diligence was initiated and performed. In January 2023 the management of the Company decided not to go on with the purchase and sent a registered letter to the seller to refuse the deal and to ask to repay the prepayment for the shares. 500 000 euros of prepayment have been received and the seller has commited to repay the rest of prepayment by 1 July 2023.

Signatures of the Management Board and Supervisory Council

The Management Board of AS Pro Kapital Grupp has prepared the management report, the consolidated financial statements and the profit allocation proposal for 2022.

Edoardo Preatoni

Chairman of the Management Board *|digitally signed|*

The Supervisory Council has reviewed the consolidated annual report which consists of the management report and the consolidated financial statements prepared by the Management Board, and which also includes the auditor's report and the profit allocation proposal and approved it for presentation at the General Meeting of Shareholders.

Emanuele Bozzone */digitally signed/*

Chairman of the Supervisory Council

Petri Olkinuora */digitally signed/*

Member of the Supervisory Council

Oscar Crameri */digitally signed/*

Member of the Supervisory Council

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Pro Kapital Grupp

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AS Pro Kapital Grupp and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *"Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

This independent auditor's report (translation of the Estonian original) should only be used with the original document in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100006040/reports).

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Key Audit Matter	*How our audit addressed the key audit matter*
Valuation of investment properties As at 31 December 2022 the carrying value of the Group's investment properties accounted at fair value is 45,6 mln EUR, which constitutes 45% of the Group's total assets. The basis of the Group's investment property valuation and accounting policy is presented in the accounting policies section in Notes 3.9 and 3.13 to the financial statements. Significant accounting judgements, estimates and assumptions relating to investment properties are set out in Notes 4 and 12 to the financial statements. These investment properties are stated at their fair values based on independent external valuations. The estimation of the fair value of investment properties requires a high level of judgment. This is due to factors including the individual nature of each property, as well as the specific location and the outlook of each property. A relatively minor adjustment in the assumptions in the valuations of each individual property can lead to a material effect on the financial statements. Due to the size of these assets relative to the balance sheet total and given the significant estimates associated with the valuation of these assets we have considered the valuation of investment properties as a key audit matter.	*Our audit procedures included, among others the following:* ► We obtained an understanding of the management's investment properties valuation process (including assumptions and methods). ► We have involved our valuation specialists to assist us in the assessment of the fair value of investment properties and to verify methodology and inputs applied in the valuation reports. ► We assessed the competency and independence of the professional valuers engaged by the Group's management. In addition, we assessed the accuracy of the property information provided to the appraisers by the Management, as well as verification of mathematical accuracy and forecasts used in the valuation reports. ► Discussed the key assumptions and critical judgmental areas (such as relevance of the comparable transactions to the valuation of the subjects and the adjustments made to these transactions, Gross Building Area assumptions, etc.) with the professional valuers and understood the approaches taken by them in determining the valuation of each and every investment property of the Group; ► We considered if the result of the external valuation is within an acceptable range as assessed by us, considering the existence of alternative assumptions and valuation methods. ► We reconciled the appraised value in the valuation reports with the amounts recorded. Finally, we considered the adequacy and completeness of the disclosures related to the estimations of the fair value of the investment properties in the financial statements (Note 12).

Other information

Other information consists of company overview, results for 2022, chairman´s summary, management report, corporate governance report, management remuneration report and management declaration, but does not consist of the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

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Furthermore, in accordance with Securities Market Act of the Republic of Estonia we are required to consider whether the Remuneration Report is prepared in compliance with the requirements of Article 135^3 of the Securities Market Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion:

- the Management Report is consistent, in all material respects, with the consolidated financial statements;
- the Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia;
- the Remuneration Report is prepared in compliance with the requirements of Article 135^3 of the Securities Market Act of the Republic of Estonia.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. *Report on the compliance of format of the consolidated financial statements with the requirements for European Single Electronic Reporting Format („ESEF“)*

Based on our agreement we have been engaged by the management of the Group to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European Single Electronic Reporting Format of the consolidated financial statements of the Group for the year ended 31 December 2022 (the Single Electronic Reporting Format of the consolidated financial statements) contained in the file "asprokapitalgrupp-2022-12-31-en.zip" (sha-256-checksum: 95aebe53c4e97c4cb071c59fcc1d0dba59c3c5858ca6e300a604a0b5b40339cc).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the consolidated financial statements has been applied by the management of the Group to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Group is responsible for the application of the Single Electronic Reporting Format of the consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which includes also the preparation of consolidated financial statements in the single electronic reporting format required by applicable requirements.

Auditor’s responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated financial statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (Revised) “Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (Revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated financial statements is prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (Revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (Revised) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated financial statements was applied, in all material respects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of Single Electronic Reporting Format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group’s' use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified;
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the consolidated financial statements for the year ended 31 December 2022 complies, in all material respects, with the ESEF Regulation.

2. Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

Appointment and approval of the auditor

We were first appointed as auditors of AS Pro Kapital Grupp, as public interest entity, for the financial year ended 31 December 2021 in accordance with the decision made by the General Meeting of Shareholders on 7 July 2021. In accordance with the decision made by the General Meeting of Shareholders on 21 June 2022 we were appointed to carry out the audit of the Group's consolidated financial statements for the year ended 31 December 2022. Our total uninterrupted period of engagement is 2 years, covering the periods ended 31 December 2021 to 31 December 2022.

Consistency with the additional report submitted to the audit committee

Our report on audit of the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit services

We confirm that in light of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Except for the statutory audit services and assurance engagement on the compliance of format of the consolidated financial statements with the requirements for the European Single Electronic Reporting Format, no other services were provided by us to the Group.

Tallinn, 5 April 2023

/signed digitally/

Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58

/signed digitally/

Kärt Viilup
Authorised Auditor's number 712

This independent auditor's report (translation of the Estonian original) should only be used with the original document in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100006040/reports).

Profit allocation proposal

The Management Board of AS Pro Kapital Grupp proposes to distribute the profit of the year ended at 31 December 2022 in amount of 13 452 million euros into retained earnings.