

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR II QUARTER AND 6 MONTHS OF 2022
(UNAUDITED)

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AS Pro Kapital Grupp in brief

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

Pro Kapital has to date, successfully completed close to 300 thousand square meters of living and commercial premises and at least the same volume is yet to be developed. The Company is focused on delivering the highest quality. Forward looking business management is implemented through all operations across the value-chain, with inhouse competence. The Company can thereby ensure socially, economically and environmentally sustainable business growth.



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Management report

Key highlights

The total revenue of the Company in the first six months of 2022 was 31.2 million euros, having increased more than four times compared to the reference period (2021 6M: 7.3 million euros). The total revenue of the second quarter was 23.3 million euros compared to 1.7 million euros in 2021.

The real estate sales revenues are recorded at the moment of handing over the premises to the buyer. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. The real estate sales of the reporting period have been influenced by handing over completed apartments in Kalaranna District.

The gross profit for six months of 2022 has increased five times amounting to 9.3 million euros compared to 1.8 million euros in 2021. The gross profit in the second quarter reached 6.8 million euros (2021: 222 thousand euros).

The operating result in the first halfyear of 2022 has decreased to 6.4 million euros profit comparing to 28.3 million euros profit during the same period in 2021. The operating result of the second quarter was 5.4 million euros comparing to 26.5 million euros in 2021. Higher profit in 2021 was affected by one-time sales of investment property and related revenue and the results of derecognition of AS Tallinna Moekombinaat after loss of control over the subsidiary on 2 June 2021.

The net result for the first six months of 2022 was 4.1 million euros profit, comparing to 25.5 million euros profit (continuing operations) in the reference period. The net profit of the second quarter was 4.3 million euros comparing to 25.1 million euros generated in 2021.

Cash generated in operating activities during first six months of 2022 was 11.2 million euros comparing to 3.38 million euros used during the same period in 2021. In the second quarter cash generated in operating activities was 14.4 million euros and 5.2 million euros used respectively in 2021.

Net assets per share on 30 June 2022 totalled to 0.83 euros compared to 0.61 euros on 30 June 2021.

Key performance indicators

	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Revenue, th EUR	31 194	7 307	23 278	1 727	43 095
Gross profit, th EUR	9 362	1 813	6 804	222	10 576
Gross profit, %	30%	25%	30%	25%	25%
Operating result, th EUR	6 413	28 318	5 424	26 532	39 820
Operating result, %	21%	388%	23%	1 536%	92%
Net result, th EUR	4 106	21 342	4 346	23 454	29 757
Net result, %	13%	292%	19%	1 452%	69%
Earnings per share, EUR	0.07	0.38	0.08	0.44	0.52
		30.06.2022	30.06.2021	31.12.2021	
Total Assets, th EUR		116 701	125 105	116 026	
Total Liabilities, th EUR		69 752	90 677	73 183	
Total Equity, th EUR		46 949	34 428	42 843	
Debt / Equity *		1.49	2.63	1.71	
Return on Assets, % **		2.8%	12.8%	23.7%	
Return on Equity, % ***		14.5%	41.1%	113.5%	
Net asset value per share, EUR ****		0.83	0.61	0.76	

*debt / equity = total debt / total equity

**return on assets = net profit/loss / total average assets

***return on equity = net profit/loss / total average equity

****net asset value per share = net equity / number of shares

Main events

On **20 January 2022** the Company announced about redemption of 10 666 convertible bonds PKG2 10-2022 (with ISIN EE3300106574) in total nominal value of 106 660 Estonian kroons and issue value of 29 864,80 euros (issue price 2.80 euros per convertible bond). The redemption payment was made on 3 February 2022.

On **3 February 2022** the Company informed shareholders about the change in Supervisory Council of its subsidiary AS Pro Kapital Eesti. Due to expiration of the term of the Supervisory Council member Paolo Michelozzi, Petri Olkinoura, the member of the Supervisory Council of AS Pro Kapital Grupp, was elected as the new member of the Supervisory Council of AS Pro Kapital Eesti for five years.

On **18 February 2022** the Company announced that Ernesto Achille Preatoni, the major shareholder of AS Pro Kapital Grupp or Pro Kapital, sent a letter to Pro Kapital informing the company that he plans to participate with his asset portfolio in the SPAC (special purpose acquisition company), which is listed on the NYSE EURONEXT in Paris. The companies related to the major shareholder have signed a letter of intent to contribute assets belonging to them. However, this LOI is not a binding agreement.

On **27 April 2022** the Company announced about signing a preliminary agreement with an intention to buy 100% of the shares of P.K. Sicily S.P.A. (registered office in Milan, Italy), which owns and operates hotel Domina Zagarella Sicily. With this agreement Pro Kapital, as a promissory buyer, reserves its rights to buy the shares for the price of 12 million euros and initiates legal and financial due diligence. Pro Kapital has time until 30 September 2022 to decide whether to proceed with the transaction or decline. Domina Zagarella with its 340 hotel rooms and various facilities is located in Santa Flavia, on the seaside, just a few kilometres from Palermo, Italy.

On **28 April 2022** the Company announced about changes in Management Boards and Supervisory Councils of subsidiaries of AS Pro Kapital Grupp as terms of office of Paolo Michelozzi, Member of the Management Board and Supervisory Council of Company's subsidiaries and Olga Rudzika, Member of the Management Board of AS Pro Kapital Latvia will end. Andrus Laurits will take over as the Managing Director of AS Pro Kapital Eesti and Member of the Board in Company's subsidiaries. Mr Laurits will also be responsible for trans-Baltic executive management and will serve on the Boards of subsidiaries in Estonia and Germany. Mārtiņš Kusiņš, the company's technical project manager, will join the Board in Pro Kapital Latvia group companies. There will be changes in the Supervisory Council of AS Tondi Kvartal where Paolo Michelozzi will be

substituted with Petri Olkinuora and Supervisory Council of Pro Kapital Latvija JSC, where Edoardo Axel Preatoni will be substituted with Andrus Laurits.

On **29 April 2022** the Company announced about being late with publishing 2021 annual financial reports and changes in Financial Calendar and postponed the date of publishing audited consolidated financial statements for the financial year of 2021 to 31 May 2022 due to delays in auditing 2020 financial statements of two AS Pro Kapital Grupp subsidiaries. The audited annual report of the Company for 2021 was published on 21 May 2022.

On **1 June 2022** the Company announced about changes in the Management Board. Due to the resignation of Angelika Annus from the Management Board of the Company, starting from 1 of June 2022 the Management Board of AS Pro Kapital Grupp consists of one member – Edoardo Axel Preatoni.

On **21 June 2022** the Shareholders of the Company approved the Annual Audited report of the Company for the financial year 2021 and elected Ernst&Young Baltic AS Ernst Young the auditor of the Company for the financial year of 2022.

Chairman's summary

The second quarter of 2022 continued the trend we have seen in Q1, with a strong demand for real estate assets in the Baltic countries (particularly Estonia and Lithuania).

Our available inventory is mainly sold, but we can say (based on the expression of interest of our potential buyers for upcoming projects and on the activity of our competitors) that the volume of transactions and the prices have not been overly impacted by the geopolitical situation.

However, there has been a change in sentiment in the market, with analysts taking a more bearish approach due to the inflation which is happening in Europe and the consequent increase of interest rates from the banks.

The local real estate sector is coming from two years of great increase in prices, and we are aware that this market cycle will not last forever, however the most important indicators (interest in our upcoming developments and sale price in the secondary market for our already built properties) still show a healthy market.

The construction market still poses some challenging issues, due to the increase in cost of materials caused by the complications related to Covid-19 and relative problems in the supply chain and the impossibility of obtaining materials from the regions affected by the war. For certain materials, the market seems to have found a new equilibrium and we are hopeful that as more time goes by, the more the construction market will find stability.

Real estate development

In Tallinn, we have continued construction of Kindrali Houses and Kalaranna projects.

In Q2 of 2022 we continued handing over apartments in Kalaranna project, where completion of eight buildings with the total of 240 apartments will be achieved. We have reservations or presales concluded for all business premises and for 99% of apartments in this phase of the project, and we have currently 4 units left to be notarized.

The municipality issued the permit of use for the promenade (as well as took over the maintenance of the same as per the agreement signed between us) (<https://news.err.ee/1608664387/gallery-tallinn-s-kalaranna-promenade-finally-officially-opened-to-public>), and we are proud to see this community finally come to life. The promenade not only benefits the residents in our developments, but is also

very much appreciated by the people who simply want to enjoy a nice walk with a sea view, surrounded by the beautiful architecture we have built.

In Kindrali Houses, we have started the process of notarising deals in the first two buildings (black and white building), which are expected to be completed by the fall of 2022. The third building (red building) is expected to be completed by the end of 2022. All in all, these three buildings comprise 195 residential and 1 commercial units, all of which are sold.

In Riga we are selling our ready luxury product River Breeze Residence and started the tendering process for the further development of Kliversala Residential Quarter - Blue Marine. We have received several offers from construction companies and are in the process of identifying the best option.

In Vilnius, we only have 4 unsold apartments in our Šaltiniu Namai Attico project (including one which serves as a showroom). The real estate market has had a great run in 2021 and we saw a great deal of interest for our luxury properties, achieving some of the highest prices per square meter in all the local market. We received some offers from the construction companies for the following phase of city villas and a commercial building and we aim to start the construction works during the fall of 2022.

Hotel operations

We are in the process of renovation of the second half of the rooms (first half has been renovated 5 years ago), which will be completed by October. The works will also have the added benefit of converting an unused area into 7 standard rooms and creation of a luxurious suite with private sauna and terrace, which will greatly improve the overall prestige of the hotel.

In May, we have hired a new General Manager, Mr. Klaus Brandstetter, who was a 20+ years experience in Starwood Hotels. We wish him the best of luck and we are confident we have picked the right person for the job.

Since the ongoing works, the hotel's available inventory is only at 50%. Despite this, in the first 6 months it has reached a substantial operative break-even, thanks to a) the MICE (Meetings, Incentives, Conferences and Exhibitions) coming back after a long pause due to the pandemic, and b) an increase in the Average Daily Rate (ADR) which is currently at 99.83 euro (June data), a substantial increase when compared to the 81.68 euro rate of June 2021.

In conclusion, we are confident in our abilities to navigate these turbulent times, thanks to our experience and to the resilience of the Baltic markets. Our aim is to expand our current inventory, by making intelligent bets on what we feel like the market may absorb, thus creating long-term value for our shareholders and for the communities that we aim to develop in a sustainable, comfortable and aesthetically pleasing way.



Edoardo Preatoni
CEO
AS Pro Kapital Grupp
17 August 2022

Group structure

As at 30 June 2022



Overview of the development projects

Kristiine City in Tallinn

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

Kindrali Houses in Kristiine City

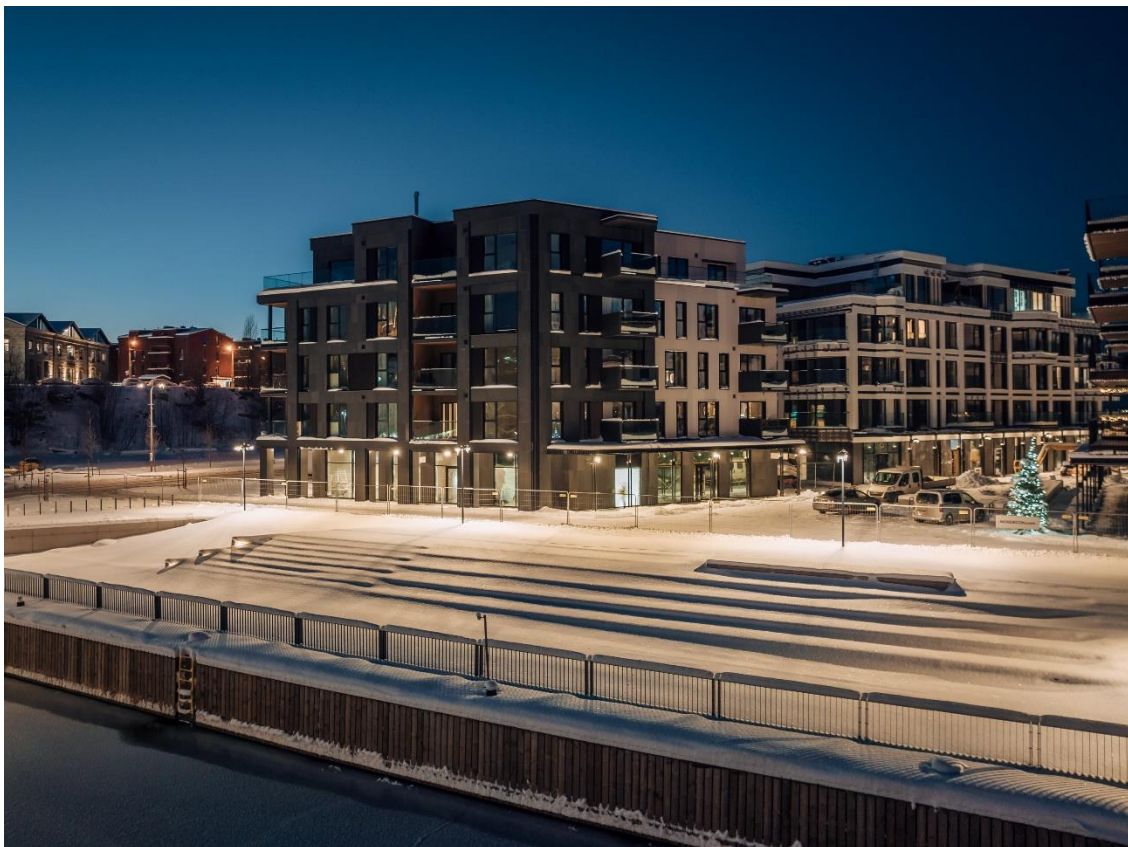
Located among the private houses and apple orchards of Kristiine district, the modern Kindrali Houses project has a warm and cosy heart. Kindrali Houses form a part of the Kristiine City district which is undergoing rapid development near the city centre and offering versatile opportunities for residents of all ages. New five-storey apartment buildings are being built. The focus is on comfort, safety and living in harmony with the environment. The contemporary and Nordic appearance of the buildings is complemented by carefully selected high-quality materials and details in interior design. The buildings have both spacious five-room flats and ground floor studio



apartments with separate entrances, as well as a washing room for the four-legged friends. Two first buildings are being completed this summer and the third one should be completed for the first quarter in 2023 the latest. To date all apartments have been reserved or presold.

Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. Located at Kalaranna 8, the development 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 will be completed with 240 apartments, commercial premises and an underground car park. The area will include the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. The buildings are being completed and we have handing over apartments. To date, 99% of apartments have been reserved or presold in the first stage of the development.

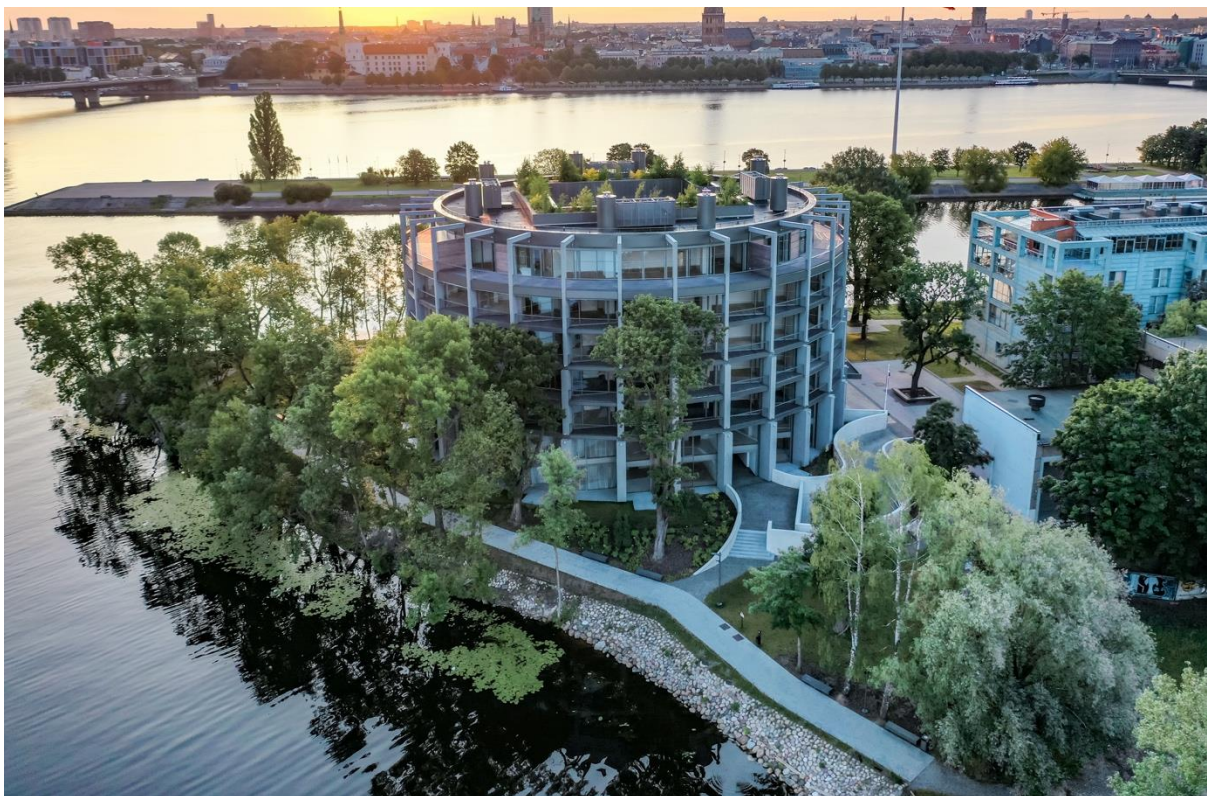


Ülemiste 5, Tallinn

Ülemiste 5 will be developed for commercial premises with gross leasable area of ca 14 thousand square meters. This development project will play a significant role in establishing the new public transportation centre of Tallinn.

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 surrounded by the Daugava River and Agenskalna bay, facing the towers of Old Riga and the President Castle. The property will be developed as an integral residential quarter.



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

The River Breeze Residence is the first residential building in Kliversala Quarter. We are in the process of construction tender for the second phase of the area - the Blue Marine, named by its close proximity to the river and yacht port area.

Brīvības Business Quarter in Riga

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



foresees renovation of the existing industrial building into offices. 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 the Company will start with construction when market conditions are 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 the technical design is completed. Construction will start when market conditions are favourable.

Šaltinių Namai in Vilnius

Šaltinių Namai | Attico 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 | Attico 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. To date we have completed five houses of the Šaltinių Namai | Attico project and are currently planning the following construction phase with city villas and a commercial building.



Segments and sales information

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

Revenue structure of the first six months, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
Real estate	28 423	4 985	782	727	340	1 203	0	0	29 545	6 915
Rent	0	2	47	39	10	9	0	0	57	50
Hotel	0	0	0	0	0	0	1 378	129	1 378	129
Maintenance	52	33	0	0	150	134	0	0	202	167
Other	4	35	5	8	3	3	0	0	12	46
Total	28 479	5 055	834	774	503	1 349	1 378	129	31 194	7 307

Revenue structure of the second quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
Real estate	21 733	915	557	0	54	562	0	0	22 344	1 477
Rent	0	1	25	20	5	5	0	0	30	26
Hotel	0	0	0	0	0	0	790	96	790	96
Maintenance	26	17	0	0	77	71	0	0	103	88
Other	4	34	5	4	2	2	0	0	11	40
Total	21 763	967	587	24	138	640	790	96	23 278	1 727

The Company's operations in **Estonia** consist of the development and sales of residential and business premises, rental activity and maintenance of residential and business premises.

The share of the Estonian segment as a percentage of total revenues of the Company for the six months in 2022 amounted to 91.3% compared to 69.2% during the same period last year.

During the reporting period the total of 104 apartments, 117 parking lots and 72 storage rooms were sold (2021 6M: 39 apartments, 45 parking lots and 11 storage rooms). At the end of the reporting period the stock consisting of 12 apartments, 20 business premises, 25 storage rooms and 94 parking spaces in Tallinn were recorded as inventory. Most of the premises are presold.

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

The share of the Latvian segment as a percentage of total revenues of the Company for the six months amounted to 2.7 % comparing to 10.6% in the same period last year. During the reporting period 3 apartments, 2 storage rooms and 5 parking lots were sold (2021: 2 apartments, 3 parking spaces and 2 storage rooms). At the end of the reporting period the stock consisting of 21 luxury apartments, 33 storage rooms and 59 parking lots were available for sale in Latvia.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company for the six months amounted to 1.6% comparing to 18.5% during the same period last year.

During the reporting period 1 apartment, 2 storage rooms and 4 parking lots were sold in Lithuania (2021 6M: 5 apartments, 8 storage rooms and 7 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 Company's operations in **Germany** consist of development and management of PK Parkhotel Kurhaus, located in Bad Kreuznach.

The share of the German segment as a percentage of total revenues of the Company for the six months amounted to 4.4% comparing to 1.8% last year. The occupancy rate of 45% of PK Parkhotel Kurhaus has improved by 17% compared to 28% during the same period in 2021. Total revenues of six months were 1.3 million euros compared to 129 thousand euros during the same period in 2021. Net result for the first six months was 305 thousand euros loss (2021 6M: 247 thousand euros loss).

Other operative data of the second quarter and six months

	EST	EST	LV	LV	LT	LT	Total	Total
	2022 6M	2021 6M	2022 6M	2021 6M	2022 6M	2021 6M	2022 6M	2021 6M
M ² sold*	6 941	2 110	258	250	53	344	7 252	2 704
Average price, m ² /EUR*	3 667	2 216	2 642	2 559	4 905	3 013	3 631	2 349
M ² under maintenance	47 771	33 927	0	0	26 768	26 549	74 539	60 476

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

	EST	EST	LV	LV	LT	LT	Total	Total
	2022 Q2	2021 Q2	2022 Q2	2021 Q2	2022 Q2	2021 Q2	2022 Q2	2021 Q2
M ² sold*	5 288	406	202	0	0	178	5 491	584
Average price, m ² /EUR*	3 652	2 091	2 573	0	0	2 886	3 612	2 333
M ² under maintenance	47 771	33 927	0	0	26 768	26 549	74 539	60 476

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

Financing sources and policies

Pro Kapital pursues conservative financing policy. The objective of the Company is to use external financing in a manner that enables to avoid interest related risk during the low economic periods and to have sufficient additional external financing capacity when attractive business opportunities occur. The Company seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Company's credit standing.

During the reporting period, the Company borrowed 11.5 million euros from LHV Pank AS and repaid 13.5 million euros of the bank loans and 30 thousand euros of convertible bonds. As at 30 June 2022, the total loan debt to the banks was 10.8 million euros (Note 9).

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

As at 30 June 2022 the Company had issued 165 thousand euros convertible bonds, 28.5 million euros secured bonds with redemption date in February 2024 and 9.7 million euros unsecured bonds with redemption date in October 2024 (Note 9).

Shares and shareholders

As at 30 June 2022 Pro Kapital had issued 56 687 954 shares in total with the nominal value 0.20 euros. The registered share capital of the Company was 11 337 590.80 euros.

As at 30 June 2022 there were 866 shareholders registered in the shareholders' register. Many of the registered shareholders are nominee companies, which represent multiple non-resident investors.

Shareholders holding over 5% of the shares as at 30 June 2022 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	30 145 778	53.18%
Clearstream Banking AG	12 472 065	22.00%
Svalbork Invest OÜ	5 590 639	9.86%
Six Sis Ltd	3 914 931	6.91%

The largest shareholders of AS Pro Kapital Grupp are Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as of 30 June 2022 Ernesto Preatoni and his affiliates control 49.61% of shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 5 590 639 shares representing 9.86% of the total shares of the Company.
- 19 803 439 shares representing 34.93% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 2 719 623 shares representing 4.80% of the total shares of the Company held through a nominee account opened by Clearstream Bank.
- 12 220 shares representing 0.02% of the total shares of the Company held through a nominee account opened by Nordea Bank.

Participation of Member of the Management Board and the Council Members as at 30 June 2022 is as follows:

Name	Position	Number of shares	Participation in %
Edoardo Axel Preatoni	CEO	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%

Earnings per share during the six months of 2022 were 0.07 euros (2021 6M: 0.38 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares,
1 January – 30 June 2022, NASDAQ Baltic Main List



Source: nasdaqbaltic.com

On 23 November 2012 the Company was listed on the secondary list of Tallinn's stock exchange. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn's stock exchange. During the period 1 January – 30 June 2022 the shares were traded at the price range 0.90-1.45 euros, with the closing price of 0.90 euros per share on 30 June 2022. During the period 269 thousand of the Company's shares were traded with their turnover amounting to 323 thousand euros.

Since 13 March 2014 the Company's shares are available for trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 30 June 2022 the shares were traded at the price range of 0.90-1.41 euros, with the closing price 0.90 euros per share on 30 June 2022.

Legal overview and developments

To bring out better the events which might have material financial effect on the Company and its share price and not to burden the reporting with smaller litigation issues, the Company has set the policy to disclose in its reporting pending court litigation disputes which might have material financial effect on the Company and its share price. As per the policy all disputes which might have financial effect of at least 100 000 euros (at once or during the period of one financial year) are disclosed in the reporting.

As at 31 December 2020, AS Pro Kapital Eesti had two interlinked administrative court cases in progress. In the first court case, the company was 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 AS Pro Kapital Eesti's claim, erroneously stating that the company did not submit a response. 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 (including notary and state fees paid in excess = 675 546 + 2 034 +

4 236), 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 05 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.

People

As at 30 June 2022 the Company employed 72 people compared to 70 people on 30 June 2021. 36 of them were engaged in hotel and property maintenance services (31 on 31 June 2021). The number of employees does not include council members.

Risks

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

Due to long- term orientation in business model the Company can survive turbulences in the markets. The Company is further pursuing long term strategic approach, enabling it to acquire properties for development when market is low and sell the developed properties at the peak of business circle, thus naturally capitalising on market

opportunities and hedging market risk. The size and the diversity of the Company's real estate portfolio allows to adjust itself according to the needs in the market.

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

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

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

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Edoardo Preatoni

Chief Executive Officer
and Member of the Management Board

17 August 2022

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	30.06.2022	30.06.2021	31.12.2021
ASSETS				
Current assets				
Cash and cash equivalents		15 208	13 842	9 626
Current receivables		1 099	967	802
Inventories	4	49 621	67 967	57 533
Total current assets		65 928	82 776	67 961
Non-current assets				
Non-current receivables	5	1 519	23	21
Property, plant and equipment	6	7 491	6 648	6 754
Right-of-use assets	6	198	266	202
Investment property	7	41 214	35 038	40 734
Intangible assets		351	354	354
Total non-current assets		50 773	42 329	48 065
TOTAL ASSETS	3	116 701	125 105	116 026
LIABILITIES AND EQUITY				
Current liabilities				
Current debt	8	10 596	1 262	3 955
Customer advances	9	11 330	13 070	12 419
Current payables	10	7 924	4 882	7 297
Tax liabilities		110	111	1 143
Short-term provisions		585	475	713
Total current liabilities		30 545	19 800	25 527
Non-current liabilities				
Long-term debt	8	38 028	67 085	46 455
Other non-current payables		9	2 577	20
Deferred income tax liabilities		1 136	1 133	1 133
Long-term provisions		34	82	48
Total non-current liabilities		39 207	70 877	47 656
TOTAL LIABILITIES	3	69 752	90 677	73 183
Equity attributable to owners of the Company				
Share capital in nominal value		11 338	11 338	11 338
Share premium		5 661	5 661	1 748
Statutory reserve		1 134	1 134	0
Revaluation reserve		2 984	2 984	2 984
Retained earnings		21 726	-8 031	0
Profit / Loss for the period		4 106	21 342	26 773
Total equity attributable to owners of the Company		46 949	34 428	42 843
TOTAL EQUITY		46 949	34 428	42 843
TOTAL LIABILITIES AND EQUITY		116 701	125 105	116 026

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

Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2022 6M	2021 6M	2022 Q2	2021Q2	2021 12M
CONTINUING OPERATIONS						
Operating income						
Revenue	11	31 194	7 307	23 278	1 727	43 095
Cost of goods sold	12	-21 832	-5 494	-16 474	-1 505	-32 519
Gross profit	13	9 362	1 813	6 804	222	10 576
Marketing expenses		-237	-239	-123	-114	-502
Administrative expenses	14	-2 658	-2 463	-1 209	-1 471	-5 592
Other income	15	8	29 255	8	27 923	35 616
Other expenses	15	-62	-48	-56	-28	-278
Operating profit		6 413	28 318	5 424	26 532	39 820
Financial income	16	2	3	0	1	6
Financial expense	16	-2 304	-2 835	-1 078	-1 442	-5 964
Profit before income tax		4 111	25 486	4 346	25 092	33 862
Income tax		-5	-29	11	-12	10
Net profit from continuing operations		4 106	25 457	4 357	25 080	33 872
Loss from discontinued operations	17	0	-4 115	0	-1 626	-4 115
Net profit for the period		4 106	21 342	4 357	23 454	29 757
Attributable to:						
Equity holders of the parent		4 106	21 342	4 357	23 454	29 757
Total comprehensive income for the period		4 106	21 342	4 357	23 454	29 757
Attributable to:						
Equity holders of the parent		4 106	21 342	4 357	23 454	29 757
Earnings per share (continuing operations) €		0.07	0.45	0.08	0.44	0.60
Earnings per share for the period (including discontinued operations) €		0.07	0.38	0.08	0.41	0.52

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Cash flows from operating activities						
Profit for the period		4 106	21 342	4 357	23 455	29 757
Adjustments for:						
Depreciation, amortisation of non-current assets		177	194	90	94	374
Gain from disposal of investment property		0	-1 092	0	0	-1 092
Change in fair value of property, plant, equipment		0	0	0	0	-56
Change in fair value of investment property		0	0	0	0	-5 484
Gain/loss from derecognition of subsidiary		0	-27 748	0	-27 748	-27 748
Finance income and costs	16	2 302	7 254	1 077	3 261	10 380
Changes in deferred tax assets and liabilities		3	-37	1	-19	-37
Net foreign exchange gain/loss		-1	0	-1	0	0
Other non-monetary changes (net amounts)		4	1 545	1	1 543	1 537
Changes in working capital:						
Trade receivables and prepayments		-1 795	4 319	-527	4 266	4 492
Inventories		7 912	-9 616	9 739	-6 487	818
Liabilities and prepayments		1 431	64	50	-3 442	477
Provisions		-2 940	-101	-402	-113	-127
Net cash generated by/ used in operating activities		11 199	-3 876	14 385	-5 190	13 291
Cash flows from investing activities						
Payments for PPE	7	-843	-34	-682	-6	-178
Payments for intangible assets		-10	-5	2	-3	-20
Payments for investment property	8	-480	-246	-343	-36	-459
Proceeds from disposal of PPE		8	0	8	0	0
Proceeds from disposal of investment property		0	2 000	0	0	2 000
Change in cash from derecognition of subsidiary		0	-182	0	-182	-182
Interests received	16	0	1	0	1	3
Net cash used in/ generated by investing activities		-1 325	1 534	-1 015	-226	1 164
Cash flows from financing activities						
Redemption of convertible bonds		-30	-84	0	-15	-337
Proceeds from borrowings		11 529	12 411	3 225	6 573	22 340
Repayment of borrowings		-13 454	-2 865	-8 750	-8	-30 581
Repayment of lease liabilities		-77	-87	-44	-41	-163
Interests paid		-2 260	-2 584	-243	-582	-5 481
Net cash used in/ generated by financing activities		-4 292	6 791	-5 812	5 927	-14 222
Net change in cash and cash equivalents		5 582	4 449	7 558	511	233
Cash and cash equivalents at the beginning		9 626	9 393	7 650	13 331	9 393
Cash and cash equivalents at the end of the period		15 208	13 842	15 208	13 842	9 626

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

Consolidated interim statements of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2020	11 338	5 661	1 134	3 262	47 647	69 042	263	69 305
Comprehensive loss for the period	0	0	0	-278	-55 678	-55 956	-3 778	-59 734
31 December 2020	11 338	5 661	1 134	2 984	-8 031	13 086	-3 515	9 571
Changes in non-controlling interest due to loss of control over subsidiary	0	0	0	0	0	0	3 515	3 515
Comprehensive income for the period	0	0	0	0	21 342	21 342	0	21 342
30 June 2021	11 338	5 661	1 134	2 984	13 311	34 428	0	34 428
Allocation of previous period losses	0	-3 913	-1 134	0	5 047	0	0	0
Comprehensive income for the period	0	0	0	0	8 415	8 415	0	8 415
31 December 2021	11 338	1 748	0	2 984	26 773	42 843	0	42 843
Allocation of previous periods profit	0	3 913	1 134	0	-5 047	0	0	0
Comprehensive income for the period	0	0	0	0	4 106	4 106	0	4 106
30 June 2022	11 338	5 661	1 134	2 984	25 832	46 949	0	46 949

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

Notes to consolidated interim financial statements

Note 1. General information

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

Shareholder	Country of incorporation	Ownership 30.06.2022	Ownership 30.06.2021	Ownership 31.12.2021
Raiffeisen Bank International AG	Austria	53.18%	51.47%	51.42%
Clearstream Banking AG	Germany	22.00%	21.49%	22.01%
Svalbork Invest OÜ	Estonia	9.86%	9.86%	9.86%
Six Sis Ltd	Switzerland	6.91%	8.80%	8.68%

For the purpose of comparable financial figures of these interim financial statements as at 30 June 2022, AS Pro Kapital Grupp is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting and to forward information to the investors.

For the comparable period of six months of 2021, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Parent Company and its subsidiaries.

Note 2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 „Interim Financial Reporting” as adopted by the European Union. The consolidated interim financial statements do not include all of the information required by complete set of financial statements and should be read in conjunction with annual consolidated financial statements of the Company as at and for the year ended 31 December 2021.

The accounting policies applied by the Company in these consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2021.

Note 3. Segment reporting

CONTINUING OPERATIONS in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2022 6M							
Revenue	0	28 479	837	503	1 621	-246	31 194
incl. sale of real estate	0	28 423	782	340	0		29 545
incl. rental income	0	0	47	10	218	-218	57
incl. hotel operations	0	0	0	0	1 378		1 378
incl. maintenance services	0	52	0	150	0		202
incl. other revenue	0	4	8	3	25	-28	12
Other operating income and expenses (net)	-2	-48	-4	0	0		54
Segment operating profit/loss	-1 553	8 296	-122	-5	-212	9	6 413
Financial income and expense (net)	-2 996	956	-214	30	-75	-3	-2 302
Profit/Loss before income tax	-4 549	9 252	-336	25	-287	6	4 111
Income tax	0	0	0	-1	-4		-5
Net profit/loss for the period attributable to equity holders of the parent	-4 549	9 252	-336	24	-291		4 106
30.06.2022							
Assets	56 245	165 927	27 723	13 908	7 493	-154 595	116 701
Liabilities	139 182	26 472	20 343	1 556	5 255	-123 056	69 752
Acquisition of non-current assets	0	6	1	63	835		905
Decrease of non-current assets	0	0	-14	1	0		-13
Depreciation and amortisation	0	-12	-21	-16	-118	3	-164
CONTINUING OPERATIONS							
in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2021 6M							
Revenue	0	5 055	777	1 349	366	-240	7 307
incl. sale of real estate	0	4 985	727	1 203	0		6 915
incl. rental income	0	2	39	9	218	-218	50
incl. hotel operations	0	0	0	0	129		129
incl. maintenance services	0	33	0	134	0		167
incl. other revenue	0	35	11	3	19	-22	46
Other operating income and expenses (net)	-18	28 813	0	5	406		29 206
Segment operating profit/loss	-942	29 275	-42	167	-150	10	28 318
Financial income and expense (net)	-2 796	249	-224	21	-77	-5	-2 832
Profit/Loss before income tax	-3 738	29 524	-266	188	-227	5	25 486
Income tax	0	0	0	-26	-3		-29
Discontinued operations	0	-4 115	0	0	0		-4 115
Net profit/loss for the period attributable to equity holders of the parent	-3 738	25 409	-266	162	-230		21 342
						5	
30.06.2021							
Assets	54 347	166 303	27 930	13 564	7 187	-144 316	125 105
Liabilities	128 579	48 286	20 278	1 006	5 299	-112 771	90 677
Acquisition of non-current assets	0	7	0	4	28		39
Decrease of non-current assets	0	0	-2	0	0		-2
Depreciation and amortisation	-3	-41	-24	-14	-112		-194

CONTINUING OPERATIONS in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2021 12M							
Revenue	749	37 101	2 411	1 639	1 998	-803	43 095
<i>incl. sale of real estate</i>	0	36 971	2 314	1 331	0		40 616
<i>incl. rental income</i>	0	3	78	18	0		99
<i>incl. hotel operations</i>	0	0	0	0	1 951		1 951
<i>incl. maintenance services</i>	0	73	0	278	0		351
<i>incl. other revenue</i>	749	54	19	12	47	-803	78
Other operating income and expenses (net)	-21	33 953	272	5	1 002		35 213
Segment operating profit/loss	-2 020	41 443	252	-135	571	16	40 127
Financial income and expense (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 equity holders of the parent	-7 984	37 594	-203	-67	410		29 757

31.12.2021

Assets	55 494	158 914	27 969	13 815	7 220	-147 385	116 026
Liabilities	133 882	28 712	20 254	1 488	4 692	-115 844	73 183
Acquisition of non-current assets	0	5	8	6	166		185
Decrease of non-current assets	0	-129	-22	-19	0		-170
Depreciation and amortisation	0	46	-23	-8	-231		-216

Note 4. Inventories

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Property held for sale	19 699	10 212	20 635
<i>incl. Kristina Houses, Tallinn</i>	11	24	19
<i>incl. Kalaranna, Tallinn</i>	11 305	0	11 548
<i>incl. River Breeze, Riga</i>	6 682	8 253	7 213
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	1 610	1 827	1 747
<i>incl. other properties</i>	91	108	108
Works in progress	29 780	57 639	36 731
<i>incl. Kristiine City, Tallinn</i>	18 368	5 465	11 361
<i>incl. Kalaranna, Tallinn</i>	5 189	46 183	19 352
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	6 223	5 991	6 018
Goods bought for resale	51	55	52
Prepayments for inventories	91	61	115
Total	49 621	67 967	57 533

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

All completed properties are transferred from “works in progress” to “property held for sale”.

Works in progress include two development projects being currently under construction in Tallinn – Kindrali Houses in Kristiine City and Kalaranna District. The planned completion of Kalaranna District is in several steps during 2022. Construction in Kindrali Houses in Kristiine City started in March 2021 and first buildings will be completed this year. The following phase of Šaltinių Namai is waiting for the start of development.

Note 5. Non-current receivables

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Other non-current receivables	1 501	0	0
Finance leases	18	23	21
Total	1 519	23	21

Other non-current receivables include 1.5 million euros prepayment for potential purchase of a new subsidiary PK Sicily.

Note 6. Property, plant, equipment and right-of use assets

Land and buildings held for providing services or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. On 30 June 2022 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn, Estonia.

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Acquisition value of property, plant and equipment	11 128	10 116	10 299
Accumulated depreciation	-3 637	-3 468	-3 545
Residual value of property, plant and equipment	7 491	6 648	6 754

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Acquisition value of right-of-use assets	636	610	574
Accumulated depreciation	-438	-344	-372
Residual value of right-of-use assets	198	266	202

On 1 January 2019 the Group recognised leases in total amount of 674 thousand euros as right-of-use assets using modified retrospective approach (initial application of IFRS 16). Right-of-use assets comprise of land in Germany (rentable until end of heritable building right agreement) and Lithuania (rentable until sales of the properties), office premises in Latvia and machinery and equipment in the group.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Pre-payment	Total	Right-of-use assets
Acquisition value 31.12.2020	8 846	986	322	0	10 154	664
Acquired	0	23	6	5	34	0
Derecognition of subsidiary	0	0	-70	0	-70	-52
Written off	0	0	-2	0	-2	-2
Acquisition value 30.06.2021	8 846	1 009	256	5	10 116	610
Acquired	125	17	16	0	158	0
Change in value	40	0	0	0	40	0
Derecognition of subsidiary	0	0	0	0	0	-14
Written off	0	0	-10	-5	-15	-22
Acquisition value 31.12.2021	9 011	1 026	262	0	10 299	574
Acquired	825	9	9	0	843	62
Written off	0	0	-14	0	-14	0
Acquisition value 30.06.2022	9 836	1 035	257	0	11 128	636

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Pre-payment	Total	Right-of-use assets
Accumulated depreciation 31.12.2020	2 251	909	249	0	3 409	307
Depreciation charge for the period	72	12	21	0	106	73
Derecognition of the subsidiary	0	0	-46	0	-46	-34
Written off	0	0	-2	0	-2	0
Accumulated depreciation 30.06.2021	2 323	921	222	0	3 468	344
Depreciation charge for the period	77	14	12	0	103	65
Changes in fair value	-15	0	0	0	-15	0
Derecognition of the subsidiary	0	0	0	0	0	-16
Written off	0	0	-9	0	-9	-23
Accumulated depreciation 31.12.2021	2 385	935	225	0	3 545	372
Depreciation charge for the period	75	13	10	0	98	66
Written off	0	0	-6	0	-6	0
Accumulated depreciation 30.06.2022	2 494	954	190	0	3 637	438

Note 7. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
Balance at 31.12.2020	35 723	62 789	98 512
Additions:			
Investments	223	23	246
Disposals:			
Sold	-908	0	-908
Derecognition of the subsidiary	0	-62 812	-62 812
Balance at 30.06.2021	35 038	0	35 038
Additions:			
Investments	212	0	212
Changes in fair value	5 484	0	5 484
Balance at 31.12.2021	40 734	0	40 734
Additions:			
Investments	480	0	480
Balance at 30.06.2022	41 214	0	41 214

The fair value of the Company's investment properties has been derived on the basis of valuations carried out by Colliers International, an independent valuator, at the end of 2021. The valuations were performed by reference to recent market information by external valuator.

Note 8. Current and non-current debt

Current debt

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Bank loans and overdrafts	10 323	849	3 638
Convertible bonds	166	280	194
Lease liabilities	107	133	123
Total	10 596	1 262	3 955

Non-current debt

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Bank loans and overdrafts	500	29 687	9 110
Convertible bonds	0	163	0
Secured non-convertible bonds	28 021	27 772	27 888
Unsecured non-convertible bonds	9 411	9 301	9 360
Lease liabilities	96	162	97
Total	38 028	67 085	46 455

Creditors

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Luminor Bank AS (EE)	0	371	0
AS LHV Pank (EE)	10 323	29 187	12 248
AS Swedbank (LV)	0	477	0
Sparkasse (DE)	500	500	500
Convertible bonds, various investors (discounted value)	166	443	194
Secured bonds, various investors (discounted value)	28 021	27 772	27 888
Unsecured bonds, various investors (discounted value)	9 411	9 301	9 360
Lease agreements (related to right-of -use assets)	203	296	220
Total	48 624	68 347	50 410

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 16) for the reporting period was 2.3 million euros (2021 6M: 2.8 million euros).

Convertible bonds

The Company has issued convertible bonds with issue price of 2.80 euros. Each convertible bond entitles the holder to redeem and exchange one bond to one share of the Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by AS Pro Kapital Grupp. Convertible bonds carry interest rate of 7%.

On **20 January 2022** the Company announced about redemption of 10 666 PKG2 convertible bonds in total nominal value of 106 660 Estonian kroons and issue value of 29 864.80 euros. The issue price for each convertible bond was 2.80 euros. Redemption payment was made on 3 February 2022.

Unsecured non-convertible bonds

Due to the refinancing of PKG1-PKG7 convertible bonds in three tranches new 2 925 641 unsecured and non-convertible bonds with the total face value of 8 191 794.80 euros were issued on 3 August 2020. During the second subscription period, 187 502 bonds with the total issue value of 525 005.60 euros were issued. During the third subscription period, 345 938 bonds with the total issue value of 968 626.40 euros were issued. New unsecured non-convertible bonds with the total issue value of 9 685 426.80 euros have been listed on Nasdaq Tallinn bond list since

January 2021. The balance sheet value on the reporting date is 9.3 million euros - nominal value 9.7 million euros minus 0.4 million euros of refinancing costs.

Secured non-convertible bonds

In February 2020, the Company refinanced the senior secured bonds 2015/2020 in full by issuing new senior secured, called, fixed rate bonds 2020/2024 in total amount of 28.5 million euros. The New Bonds are similar to the Old Bonds. 285 bonds, with the value of 100 000 euros each, carry a fixed rate coupon 8% and mature in February 2024.

Remaining balance of the secured non-convertible bonds is 28.5 million euros on 30 June 2022. The balance sheet value is 27.9 million euros equalling to nominal value 28.5 million euros minus 0.6 million euros of refinancing costs are being discounted over the effective period of the bonds (until the maturity period). According to terms and conditions, the Company has to maintain the equity ratio above 35% at all times. As at the end of the reporting period the calculated equity ratio was 40.23%. The equity ratio is positively influenced, when construction is completed and revenues are recorded on the balance sheet.

Pledged assets in balance sheet value in thousands of euros

Beneficiary	Collateral description	30.06.2022	30.06.2021	31.12.2021
Bank accounts				
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	23	22	23
Inventory				
LHV Pank AS	Kalaranna 8, 22, Tallinn	16 495	46 194	30 901
LHV Pank AS	Rivi 6, Sammu 5, Sõjakooli 14/16, Tallinn	18 380	0	11 361
AS Swedbanka (Latvia)*	Trijadibas St. 5, Riga	N/A	21 672	N/A
Property, plant and equipment and intangible assets				
Luminor Bank AS *	Sõjakooli 11, Tallinn	N/A	730	N/A

*Loan has been repaid by the end date of reporting period.

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

		30.06.2022	30.06.2021	31.12.2021
NTA	Pro Kapital Germany Holdings OÜ	11	11	11
NTA	Pro Kapital Germany GmbH	25	25	25
NTA	PK Hotel Management Services GmbH	116	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3	3
NTA	Pro Halduse OÜ	26	26	26
NTA	AS Tondi Kvartal	160	160	160
NTA	OÜ Marsi Elu	20	20	20
NTA	Kalaranna Kvartal OÜ	3	3	3
NTA	Dunte Arendus OÜ	3	3	3
NTA	Pro Kapital Latvia JSC	9 960	9 960	9 960
NTA	Kliversala SIA	14 531	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	10 300	10 300	10 300
NTA	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	6 100	6 100	6 100
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335	1 335
NTA	In Vitam UAB	3	3	3
NTA	PK Invest UAB	823	823	823
Total		60 299	60 299	60 299

Note 9. Customer advances

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Advances for real estate	11 285	13 020	12 382
Advances for hotel services	5	50	37
Total	11 330	13 070	12 419

Customer advances are recorded in the financial statements from receiving deposit and instalment payments until the properties are handed over to customers. Advances of real estate are mostly related to ongoing developments in Kristiine City and Kalaranna District and they have decreased to to completion and handover of the premises in Kalaranna District

Note 10. Current payables

in thousands of euros	30.06.2022	30.06.2021	31.12.2021
Trade payables	5 697	2 846	1 498
Accrued expenses	984	726	1 522
Accrued interests	1 232	1 293	1 359
Payables to employees	10	17	0
Other	1	0	0
Total	7 924	4 882	4 379

Note 11. Revenue

Segment revenue (continuing operations)

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Revenue from contracts with customers					
Revenue from sale of real estate	29 545	6 915	22 344	1 477	40 616
Hotel operating revenue	1 378	129	790	96	1 951
Revenue from maintenance and other services	213	214	112	129	429
Total revenue from contracts with customers	31 136	7 258	23 246	1 702	42 996
Rental income	58	49	32	25	99
Total	31 194	7 307	23 278	1 727	43 095

Timing of revenue recognition

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
At a point in time					
Revenue from sale of real estate	29 545	6 915	22 344	1 477	40 616
Hotel operating revenue	1 378	129	790	96	1 951
Revenue from other services	11	47	9	41	78
Total revenue recognised at a point in time	30 934	7 091	23 143	1 614	42 645
Over time					
Rental income	58	49	32	25	99
Revenue from maintenance fees	202	167	103	88	351
Total	31 194	7 307	23 278	1 727	43 095

Revenue from discontinued operations is disclosed in note 17.

Revenue from sale of real estate has increased by 327% compared to reference period due to start of sales in Kalaranna District at the end of last year. Sales of available inventory have continued in Kliversala in Riga and in Šaltinių Namai in Vilnius. Revenue

from hotel operations has increased significantly compared to the previous reference period as due to COVID-19 restrictions the hotel was closed since the beginning of the year 2021 until reopening in the middle of June 2021.

Customer advances decrease when 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.

Note 12. Cost of sales

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Cost of real estate sold	20 427	4 911	15 725	1 191	30 469
Cost of providing rental services	28	9	14	6	36
Cost of hotel operations	1 262	474	676	255	1 807
Cost of maintenance services	112	98	57	52	201
Cost of other services	3	2	2	1	6
Total	21 832	5 494	16 474	1 505	32 519

Information about discontinued operations is disclosed in Note 17.

Note 13. Gross profit

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Real estate	9 118	2 004	6 619	286	10 147
Rental revenue	30	40	18	19	63
Hotel operating	116	-345	114	-159	144
Maintenance services	90	69	46	36	150
Other services	8	45	7	40	72
Total	9 362	1 813	6 804	222	10 576

Information about discontinued operations is disclosed in Note 17.

Note 14. Administration expenses

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Staff costs	1 802	1 305	751	637	3 563
Land and real estate taxes	159	172	93	88	334
Allowance of doubtful debt and written-off debt	1	501	1	498	505
Depreciation charge	61	63	32	32	126
Other	635	422	332	216	1 064
Total	2 658	2 463	1 209	1 471	5 592

Information about discontinued operations is disclosed in Note 17.

Note 15. Other income and expenses

Other income

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Fines collected	0	5	0	0	6
Profit from sales of non-current assts	8	0	8	0	0
Profit from sale of investment property	0	1 092	0	0	1 092
Gain from fair value adjustments	0	0	0	0	5 540
Gain from derecognition of subsidiary	0	27 747	0	27 747	27 747
Other	0	411	0	176	1 230
Total	8	29 255	8	27 923	35 615

Other expenses

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Fines paid	2	20	2	20	21
Loss from write-off of non-current assets	8	0	8	0	0
Other	52	28	46	8	256
Total	62	48	56	28	277

Information about discontinued operations is disclosed in Note 17.

Note 16. Finance income and cost

Finance income

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Interest income	1	3	0	1	6
Other financial income	1	0	0	0	0
Total	2	3	0	1	6

Finance cost

in thousands of euros	2022 6M	2021 6M	2022 Q2	2021 Q2	2021 12M
Interest expenses	2 226	2 545	1 055	1 307	5 945
Foreign currency loss	1	0	0	0	0
Other financial expenses	77	290	23	135	19
Total	2 304	2 835	1 078	1 442	5 964

Information about discontinued operations is disclosed in Note 17.

Note 17. Discontinued operations

On 2 June 2021 bankruptcy of AS Tallinna Moekombinaat was declared and the Company lost control over its 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.

In thousands of euros	2021 6M	2021 Q2	2021 12M
DISCONTINUED OPERATIONS			
Operating income			
Revenue	1 735	752	1 735
Cost of goods sold	-887	-287	-887
Gross profit	848	465	848
Marketing expenses	-1	0	-1
Administrative expenses	-415	-265	-415
Other income	60	41	60
Other expenses	-185	-47	-185
Operating profit	307	195	307
Financial income	0	0	0
Financial expense	-4 422	-1 821	-4 422
Loss before income tax	-4 115	-1 625	-4 115
Income tax	0	0	0
Loss from discontinued operations	-4 115	-1 626	-4 115
Earnings per share from discontinued operations	-0.07	-0.04	-0.07

Note 18. Earnings per share

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

Average number of shares:

For the period	01.01.2022-30.06.2022	(56 687 954x181/181)	=56 687 954
For the period	01.01.2021-30.06.2021	(56 687 954x 181/181)	= 56 687 954
For the period	01.04.2022-30.06.2022	(56 687 954x 91/91)	=56 687 954
For the period	01.04.2021-30.06.2021	(56 687 954x 91/91)	=56 687 954
For the period	01.01.2021-31.12.2021	(56 687 954x 365/365)	= 56 687 954

Indicative earnings per share from continuing operations:

For the period	01.01.2022-30.06.2022	4 106 thousand euros / 56 687 954 = 0.07 euros
For the period	01.01.2021-30.06.2021	25 457 thousand euros/ 56 687 954 = 0.45 euros
For the period	01.04.2022-30.06.2022	4 346 thousand euros/56 687 954 = 0.08 euros
For the period	01.04.2021-30.06.2021	25 080 thousand euros/ 56 687 954 = 0.44 euros
For the period	01.01.2021-31.12.2021	33 872 thousand euros/ 56 687 954 = 0.60 euros

Indicative earnings per share including discontinued operations:

For the period	01.01.2022-30.06.2022	4 106 thousand euros/ 56 687 954=0.07 euros
For the period	01.01.2021-30.06.2021	21 342 thousand euros/ 56 687 954 = 0.38 euros
For the period	01.04.2022-30.06.2022	4 346 thousand euros/ 56 687 954 = 0.08 euros
For the period	01.04.2021-30.06.2021	23 454 thousand euros/ 56 687 954 = 0.41 euros
For the period	01.01.2021-31.12.2021	29 757 thousand euros/ 56 687 954 = 0.52 euros

The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2021 and 2022, therefore they have not been included in the calculation of the diluted net profit (loss) per share and diluted net profit (loss) per share equals the net profit (loss) per share indicator.

Note 19. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place on 21 June 2022. In total 43 516 226 votes were represented, which formed 76.76% of all votes attached to the shares. The main decisions adopted at the meeting were as follows:

1. The audited annual report of the financial year of 2021 was approved.
2. It was decided to distribute the net profit for the financial year which ended 31 December 2021 in the amount of 3 913 201 euros to recover share premium, in the amount of 1 133 759 euros to recover the statutory reserve and the rest 24 709 696 euros into retained earnings of previous periods.
3. It was decided to elect Ernst&Young Baltic AS as the auditor of the Company for the financial year of 2022.
4. It was decided to approve the remuneration policy for the executive management of the Company.

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

Note 20. Transactions with related parties

Transactions with related parties are considered to be transactions between the entities within the consolidated Group, its shareholders, the members of the Supervisory Council and the Management Board, their families and companies in which they hold majority interest or have significant influence.

Transactions with related parties

in thousands of euros	2022 6M	2021 6M	2021 12M
Significant owners and owner related companies			
Revenues	4	4	13
Interest expenses incurred	0	8	8
Minority shareholders			
Interest expenses incurred	0	10	10
Other shareholders / bondholders			
Interest expenses incurred	445	461	912
Redemption of convertible bonds	30	84	337
Interest payments	398	344	746
Members of the Management Board and Council			
Salaries and bonuses paid to management	347	511	1 733
Administrative expenses	0	8	11
Revenues	0	150	150

Receivables from related parties

in thousands of euros	2022 6M	2021 6M	2021 12M
Significant owners and owner related companies			
Prepayments	1 500	0	0

Prepayments to related parties includes 1.5 million euros prepayment for potential purchase of a new subsidiary PK Sicily.

Shareholding in the Company %	30.06.2022	30.06.2021	31.12.2021
Significant owner and owner related companies	49.61%	49.22%	49.59%
Members of the Council and individuals related them	0.05%	0.05%	0.08%

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

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for the six months and the second quarter of 2022.

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

Edoardo Preatoni Member of the Management Board 17 August 2022