

# AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT  
FOR II QUARTER AND 6 MONTHS OF 2023  
(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 close to 30 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 seven large ongoing and upcoming projects in its portfolio.

Pro Kapital has to date, successfully completed more than 300 thousand square meters of living and commercial premises. 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 first six months of 2023 was 16.1 million euros compared to 31.2 million euros in the reference period. The total revenue of the second quarter was 2.7 million euros compared to 23.3 million euros in 2022.

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 reference period have been influenced by handing over completed apartments in Kalaranna District in Tallinn.

**The gross profit** for first half year of 2023 has decreased by 52% amounting to 4.5 million euros compared to 9.4 million euros in 2022. The gross profit in the second quarter was 790 thousand euros compared to 6.8 million euros in comparative period.

**The operating result** in six months of 2023 was 1.5 million euros profit comparing to 6.4 million euros profit during the same period in 2022. The operating result for second quarter was 658 thousand euros loss compared to 5.4 million euros profit in the second quarter of 2022.

**The net result** for the six months of 2023 was 292 thousand euros loss, comparing to 4.1 million euros profit in the reference period. The net result of the second quarter was 1.6 million euros loss compared to 4.4 million euros profit in 2022.

**Cash generated in operating activities** during first six months of 2023 was 9.5 million euros comparing to 11.2 million euros during the same period in 2022. In the second quarter the cash used was 850 thousand euros compared to 14.4 million euros generated in 2022.

**Net assets per share** on 30 June 2023 totalled to 0.97 euro compared to 0.83 euros on 30 June 2022.

## Key performance indicators

	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Revenue, th EUR	16 112	31 194	2 697	23 278	65 654
Gross profit, th EUR	4 456	9 362	790	6 804	16 965
Gross profit, %	28%	30%	29%	29%	26%
Operating result, th EUR	1 501	6 413	-658	5 424	17 657
Operating result, %	9%	21%	-24%	23%	27%
Net result, th EUR	-292	4 106	-1 595	4 357	13 452
Net result, %	-2%	13%	-59%	19%	20%
Earnings per share, EUR	-0.01	0.07	-0.03	0.08	0.24

	30.06.2023	30.06.2022	31.12.2022
Total Assets, th EUR	101 166	116 701	101 256
Total Liabilities, th EUR	46 135	69 752	45 933
Total Equity, th EUR	55 031	46 949	55 323
Debt / Equity *	0.84	1.49	0.83
Return on Assets, % **	-0.3%	2.8%	12.4%
Return on Equity, % ***	-0.6%	14.5%	27.4%
Net asset value per share, EUR ****	0.97	0.83	0.98

\*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 **24 January 2023** the Company announced about the decision to withdraw from the preliminary agreement of acquiring the hotel company PK Sicily in Italy.

On **18 April 2023** the Company announced that the next construction phase of the Kalaranna District has started. In this construction phase 4 new houses will be built on the plot of Kalaranna 8 with a total of 146 residential units and 4 business premises.

On **19 June 2023** the Shareholders of the Company approved the Audited Annual Report of the Company for the financial year of 2022 and elected Ernst&Young Baltic AS as the auditor of the Company for the financial year of 2023. The Shareholders decided to prolong the term of office of Oscar Crameri as a member of the Supervisory Council until 5. July 2026 and elected Patrick Werner and Giovanni Bozzetti as members of Supervisory Council until 5. July 2026.

On **20 June 2023** the Company announced about its intentions to suggest the bondholders to change the terms and conditions of unsecured bonds. The proposal to the bondholders is being prepared and presented to the bondholders in the near future and includes a proposal to extend the bonds redemption term by 2+2 years. A detailed proposal will be published after which the bondholders will be able to vote on the amendments of the bond terms.

On **24 July 2023** the Company announced about signing a preliminary agreement with an intention of buying 67.5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy). With this agreement the company reserves its rights to buy the shares and initiates due diligence.

## Chairman's summary

Q2 2023 marks as a continuation of the newly started developments of AS Pro Kapital Grupp.

### Real estate development

In Tallinn, the decision taken earlier in the year on starting the construction and sales of Kalaranna 8 last stage, has proven to be the right one. As a reminder, this last and final stage consists of 4 residential buildings with 146 apartments and 4 commercial units. Furthermore, the decision on taking on the construction management in-house has proven to be the right step. The general contractors to this date seem to be suffering from the consequences of pandemic and the war and their pricing is simply not competitive vis-à-vis smaller contractors that we are able to engage directly. To date we have bought out the excavation/retainage works, underground monolithic concrete works and some smaller jobs the consequence of which has resulted in considerable cost savings.

During Q2 we completed the underground excavation and retainage wall works and embarked on underground concrete works which will last into Q4 this year.

Kalaranna 1st stage construction is formally finished, all units delivered to clients and the main activity there is property management by our Pro Halduse OÜ and the management of warranty works, if any.

As of the end of Q2 we are totalling 39 total sales executed (35 apartments and 4 commercial units).

In Kristiine City we are continuing the design and building permit process for Tondi Street 53 aka "Dunte" project. It is worthy to mention that we were able to acquire substantial concessions from the State Landmark Preservation Committee in that we are allowed to enlarge the ground floor windows on the back side of the façade into floor to ceiling openings, allowing us to design much more suitable residential units with much more insulation and direct openings to small private terrasses.

We are also closely monitoring the market activity in order to be ready to start with Uus-Kindrali project which already has a building permit and is shovel-ready. We have well above 500 inquiries waiting for a signal to start.

In Riga we continue the sales of our luxury product River Breeze Residence which has been awarded the Baltics Prestige Award for its outstanding architecture. During Q2, 2023 we signed 2 additional sales on top of the 4 sales in Q1. Overall, we see an upwards trend in the real estate segment in Riga as it pertains to our project.

We hold a building permit for City Oasis residential quarter, a project consisting of ca 330 apartments and 32 500 sqm GBA located in Tallinas iela— 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. During Q2, we finalized the preparatory works for the start of construction the final phase with city villas (43 units) and a residential-commercial building. We have signed an agreement with a company providing construction project management services that is currently in the stage of preparation works to start the construction. The goal is to start the site mobilisation in Q3.

Despite the geopolitical situation, Vilnius market is still quite active in the high-end segment 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 building in Naugarduko street for the price of 6.25 million euros. The school will be converted into a high-end residential property, consisting of circa 50 luxury apartments. An architectural competition was carried out for the purpose, and the winning studio has been in the process of designing and carrying out the building permit process with the city. As things stand today, it is our plan to start with the presales at the end of this year as well as receiving the building permit at the beginning of 2024.

## Hotel operations

After two difficult 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 were completed by the end of Q1 2023, and all the room count (116 units) is now available for sale. We are seeing an increase in Average Daily Rate already and also positive trends in outperforming against the budgeted proforma.

As of Q2 we see that every month the actual performance is exceeding the budget and the trend is continuously upwards. In July, the hotel received a 4-star rating which hopefully allows us to boost the performance even further.

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. Although showing a dip in sales activity due to high inflationary environment and increased lending rates, the end of Q2 is actually showing signs of stabilisation. Statistics indicate that the salary increase is slowly catching up with inflation rates, thus further allowing the market to bounce back.

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.

Overall, the future of real estate is exiting and dynamic and we are constantly looking for innovative ways to stay ahead of the curve and meet the evolving needs of our customers.

With a stance that embraces change and a vision that transcends boundaries, we march ahead, fully cognizant of the evolving global landscape and poised to seize every opportunity.



Edoardo Preatoni  
CEO  
AS Pro Kapital Grupp  
14 August 2023

# Group structure

As at 30 June 2023



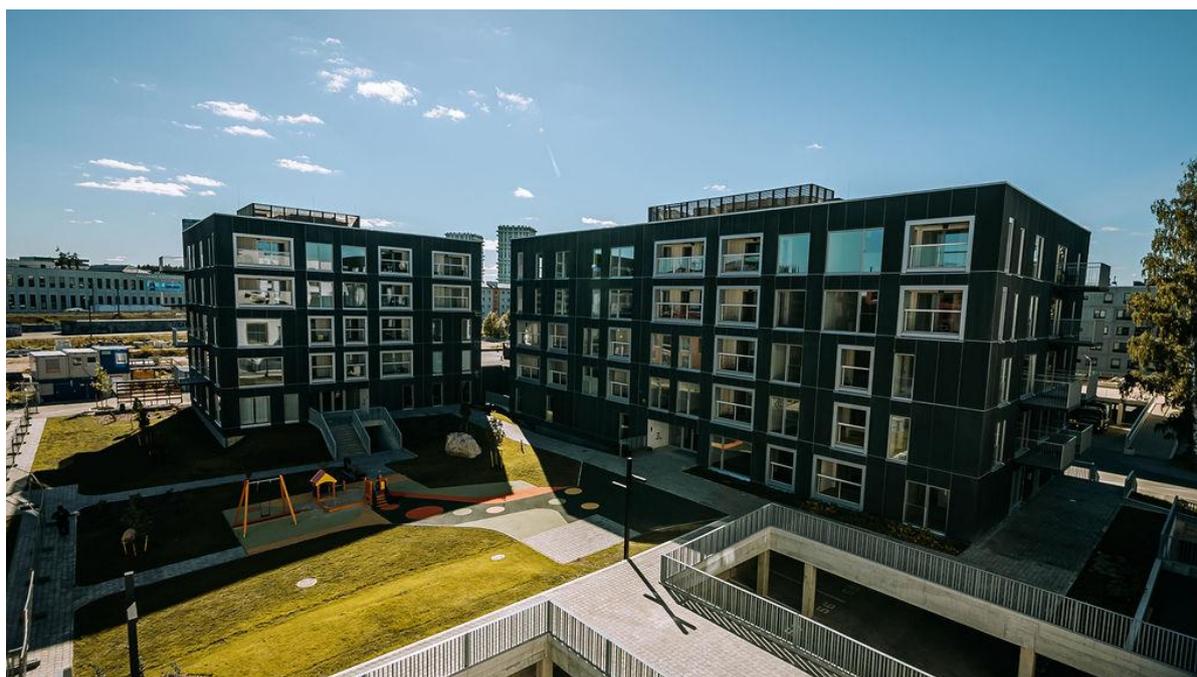
## Overview of the development projects

### 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. Kindrali Houses project has been completed and last apartments were handed over to the homeowners during the reporting period. There are no apartments left for sale.

### 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 are 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. The construction of the next phase with 4 houses has started. There are no apartments available for sale in the first stage of the development and the pre-sales of the next phase has started. Kalaranna was nominated in the category of the "Best Development Project 2022" at Tallinn City Enterprise Centre's business awards competition.



## Ülemiste 5, Tallinn

Ülemiste 5 will be developed for commercial use with gross leasable area of ca 14 thousand square meters. Located right next to Rail Baltica Ülemiste Terminal, this development project will play a significant role in establishing the new public transportation centre of Tallinn.

## Kliversala in Riga

The district of Kliversala is located in the most picturesque and beautiful part of the centre of Riga. A land plot of almost five hectares in total, is located on the peninsula 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 it is thereby considered as a highly valuable territory.

The River Breeze Residence is the first residential building in Kliversala Quarter. The following stage - Blue Marine, named by its close proximity to the river and yacht port area – is waiting for start of construction.

## 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.



## Naugarduko 5 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 on 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. Projecting is ongoing and we aim to start construction by the end of the year.



## 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
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
Real estate	9 694	28 423	3 540	782	25	340	0	0	13 259	29 545
Rent	0	0	118	47	50	10	0	0	168	57
Hotel	0	0	0	0	0	0	2 452	1 378	2 452	1 378
Maintenance	57	52	11	0	144	150	0	0	212	202
Other	3	4	7	5	11	3	0	0	21	12
<b>Total</b>	<b>9 754</b>	<b>28 479</b>	<b>3 676</b>	<b>834</b>	<b>230</b>	<b>503</b>	<b>2 452</b>	<b>1 378</b>	<b>16 112</b>	<b>31 194</b>

### Revenue structure of the second quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
Real estate	543	21 733	514	557	19	54	0	0	1 076	22 344
Rent	0	0	54	25	27	5	0	0	81	30
Hotel	0	0	0	0	0	0	1 426	790	1 426	790
Maintenance	30	26	3	0	72	77	0	0	105	103
Other	3	4	4	5	2	2	0	0	9	11
<b>Total</b>	<b>576</b>	<b>21 763</b>	<b>575</b>	<b>587</b>	<b>120</b>	<b>138</b>	<b>1 426</b>	<b>790</b>	<b>2 697</b>	<b>23 278</b>

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 2023 amounted to 61% compared to 91% during the same period last year.

During the reporting period the total of 66 apartments, 54 parking lots and 69 storage rooms were sold (2022 6M: 104 apartments, 117 parking lots and 72 storage rooms). At the end of the reporting period the stock consisting of 2 apartments, 28 storage rooms and 81 parking spaces in Tallinn were recorded as inventory. Both apartments

in stock serve as showrooms in Kalaranna District and Kindrali Houses developments and therefore are not available for sale.

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 twelve months amounted to 23% comparing to 3% in the same period last year. During the reporting period 5 apartments, 8 storage rooms and 11 parking lots were sold (2022 6M: 3 apartments, 5 parking spaces and 2 storage rooms). At the end of the reporting period the stock consisting of 13 luxury apartments, 21 storage rooms and 46 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 twelve months amounted to 1% comparing to 2% during the same period last year. During the reporting period 3 storage rooms was sold in Lithuania (2022 6M: 1 apartment, 2 storage rooms and 1 parking lot). 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 twelve months amounted to 15% comparing to 4.4% last year. The occupancy rate of 63% of PK Parkhotel Kurhaus has increased by 18% compared to 45% during the same period in 2022. Due to increased occupancy and higher room rates total revenues of six months were 2.5 million euros compared to 1.3 million euros during the same period in 2022. Net result for six months of 2023 was 27 thousand euros profit (2022 6M: 305 thousand euros loss). In 2022 there were ongoing renovation works in the Hotel, therefore the hotel was operating only with partial capacity. The renovation works have been finalised.

## Other operative data of the second quarter and six months

	EST	EST	LV	LV	LT	LT	Total	Total
	2023 6M	2022 6M						
M <sup>2</sup> sold*	3 942	6 941	962	258	0	53	4 904	7 252
Average price, m <sup>2</sup> /EUR*	2 243	3 667	3 264	2 642	0	4 905	2443	3 631
M <sup>2</sup> under maintenance	43 255	47 771	0	0	26 768	26 768	70 022	74 539

\*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
	2023 Q2	2022 Q2						
M <sup>2</sup> sold*	223	5 288	143	202	0	0	365	5 491
Average price, m <sup>2</sup> /EUR*	1 780	3 652	3 127	2 573	0	0	2 306	3 612
M <sup>2</sup> under maintenance	48 276	47 771	0	0	26 768	26 768	75 044	74 539

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

The average price for a square meter sold in Estonia has decreased in 2023 as it is influenced by a different type of the product – sales in Kristiine City were finalised, while price in 2022 was influenced by the high-end product sales in Kalaranna.

## 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 repaid 31 thousand euros of the bank loans and. As at 30 June 2023, the total loan debt to the banks was 4387 thousand euros (Note 8).

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

As at 30 June 2023 the Company had issued 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 8).

## Shares and shareholders

As at 30 June 2023 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 2023 there were 1 087 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 2023 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	30 128 778	53.15%
Clearstream Banking AG	12 681 799	22.37%
Svalbork Invest OÜ	5 590 639	9.86%
Six Sis Ltd	3 904 931	6.89%

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 2023 Ernesto Preatoni and his affiliates control 49.22% of shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 5 590 639 shares representing 9.86% of the total shares of the Company.
- 19 788 439 shares representing 34.91% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 2 513 765 shares representing 4.43% 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.

The major shareholder has informed the Company that he is making a contribution in kind into a French company with 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 of Member of the Management Board and the Council Members as at 30 June 2023 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 2023 were -0.01 euros (2022 6M: 0.07 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 June 2023, NASDAQ Baltic Main List



Source: [nasdaqbaltic.com](https://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 2023 the shares were traded at the price range 0.60-0.74 euros, with the closing price of 0.71

euros per share on 30 June 2023. During the period 528 thousand of the Company's shares were traded with their turnover amounting to 358 thousand euros.

Since March 2014 the Company's shares were available for trading on Frankfurt's stock exchange trading platform Quotation Board. During the reporting period trading was discontinued due to small number of transactions.

## 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 Pro Kapital Eesti continues to be in litigation with the Land Board concerning the cadastral unit with the address Kalasadama 3, Tallinn, with 100% purpose of land under water, and the litigation relates to a claim for compensation. AS Pro Kapital Eesti is of the opinion that it has unjustly paid a portion of the purchase price and land tax from this cadastral unit. The company is claiming from the state compensation of 192 338 euros of land tax paid in excess during 1 January 2004-31 December 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.

On 16 January 2023, a preliminary hearing was held in Tallinn Administrative Court in Pro Kapital Eesti AS's claim 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. AS Pro Kapital Eesti proposed to end the dispute with a settlement, which was not accepted by the other party, so the dispute continues.

Main contractor of one of the developments of Pro Kapital has started legal proceedings against Pro Kapital subsidiary. Contractor has filled the claim to court wanting to identify that Pro Kapital subsidiary does not have any penalty claims against the contractor and alternatively asks the court to reduce the penalty claims and seeks the

payment of the balance of the invoices (in base amount of 587 932 euros, plus delay interest). Pro Kapital subsidiary is of opinion that contractor claim is baseless, the penalty claims are in accordance with the contract, are justified due to long delay in the completion of the construction, the penalty claims have already been reduced and the balance of the invoices has been paid via set-off with the penalty claim. The court proceedings are in the preliminary stage in the court of first instance. Pro Kapital is of opinion that this court case does not have any substantial negative impact on financial results of Pro Kapital. The construction invoices in question have been accounted for as costs of construction during construction already, thus any possible negative outcome of the court case will not increase the costs (except for the delay interest and court costs). In case of positive outcome of the court case Pro Kapital will receive additional income thought reflecting the penalty claims of ca 2 million euros.

## People

As at 30 June 2023 the Company employed 79 people compared to 72 people on 30 June 2022. 43 of them were engaged in hotel and property maintenance services (36 on 30 June 2022). 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 cycle, 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

14 August 2023

## Consolidated financial statements

### Consolidated interim statement of financial position

in thousands of euros	Notes	30.06.2023	30.06.2022	31.12.2022
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents		17 474	15 208	10 589
Current receivables		2 882	611	955
Prepaid expenses		0	488	64
Inventories	4	26 598	49 621	34 224
<b>Total current assets</b>		<b>46 954</b>	<b>65 928</b>	<b>45 832</b>
Non-current assets				
Non-current receivables	5	13	1 519	2 016
Property, plant and equipment	6	7 749	7 491	7 294
Right-of-use assets	6	233	198	195
Investment property	7	45 851	41 214	45 575
Goodwill		262	262	262
Intangible assets		104	89	82
<b>Total non-current assets</b>		<b>54 212</b>	<b>50 773</b>	<b>55 424</b>
<b>TOTAL ASSETS</b>	3	<b>101 166</b>	<b>116 701</b>	<b>101 256</b>
<b>LIABILITIES AND EQUITY</b>				
Current liabilities				
Current debt	8	28 493	10 596	173
Customer advances	9	2 322	11 330	1 659
Current payables	10	3 909	7 924	4 626
Tax liabilities		118	110	111
Short-term provisions		20	585	5
<b>Total current liabilities</b>		<b>34 862</b>	<b>30 545</b>	<b>6 574</b>
Non-current liabilities				
Non-current debt	8	10 064	38 028	38 184
Other non-current payables		0	9	0
Deferred income tax liabilities		1 134	1 136	1 130
Long-term provisions		75	34	45
<b>Total non-current liabilities</b>		<b>11 273</b>	<b>39 207</b>	<b>39 359</b>
<b>TOTAL LIABILITIES</b>		<b>46 135</b>	<b>69 752</b>	<b>45 933</b>
Equity				
Share capital in nominal value		11 338	11 338	11 338
Share premium		5 661	5 661	5 661
Statutory reserve		1 134	1 134	1 134
Revaluation reserve		2 012	2 984	2 012
Retained earnings		34 886	25 832	35 178
<b>Total equity</b>		<b>55 031</b>	<b>46 949</b>	<b>55 323</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>101 166</b>	<b>116 701</b>	<b>101 256</b>

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

# Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
<b>CONTINUING OPERATIONS</b>						
<b>Operating income</b>						
Revenue	11	16 112	31 194	2 697	23 278	65 654
Cost of sales	12	-11 656	-21 832	-1 907	-16 474	-48 689
<b>Gross profit</b>	13	<b>4 456</b>	<b>9 362</b>	<b>790</b>	<b>6 804</b>	<b>16 965</b>
Marketing expenses		-299	-237	-166	-123	-498
Administration expenses	14	-2 656	-2 658	-1 282	-1 209	-4 946
Other operating income	15	0	8	0	8	6 278
Other operating expenses	15	0	-62	0	-56	-142
<b>Operating profit/ loss</b>		<b>1 501</b>	<b>6 413</b>	<b>-658</b>	<b>5 424</b>	<b>17 657</b>
Finance income	16	88	2	68	0	3
Finance cost	16	-1 876	-2 304	-1 002	-1 078	-4 211
<b>Profit/ loss before income tax</b>		<b>-287</b>	<b>4 111</b>	<b>-1 592</b>	<b>4 346</b>	<b>13 449</b>
Income tax		-5	-5	-3	11	3
<b>Net profit/ loss for the period</b>		<b>-292</b>	<b>4 106</b>	<b>-1 595</b>	<b>4 357</b>	<b>13 452</b>
<b>Other comprehensive income, net of income tax</b>						
Net change in asset revaluation reserve		0	0	0	0	-972
<b>Total comprehensive income for the period</b>		<b>-292</b>	<b>4 106</b>	<b>-1 595</b>	<b>4 357</b>	<b>12 480</b>
Earnings per share (Basic) €	18	-0.01	0.07	-0.03	0.08	0.24

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

## Consolidated interim statements of cash flows

in thousands of euros	Note	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
<b>Cash flows from operating activities</b>						
Profit for the period		-292	4 106	-1 595	4 357	13 452
Adjustments for:						
Depreciation and amortisation of PPE, ROU and intangible assets		204	177	104	90	406
Gain from disposal of investment property		0	0	0	0	-2 329
Change in fair value of property, plant, equipment		0	0	0	0	13
Change in fair value of investment property		0	0	0	0	-3 841
Finance income and costs	16	1 788	2 302	935	1 077	4 207
Change in deferred tax assets and liabilities		4	3	2	1	-3
Net foreign exchange gain/loss		0	-1	0	-1	0
Other non-monetary changes (net amounts)		34	4	19	1	1
Movements in working capital:						
Change in receivables and prepayments		139	-1 795	-155	-527	-2 212
Change in inventories		7 625	7 912	-486	9 739	23 310
Change in liabilities and prepayments		-64	1 431	312	50	-12 106
Change in provisions		29	-2 940	14	-402	-2 927
<b>Net cash generated by/ used in operating activities</b>		<b>9 467</b>	<b>11 199</b>	<b>-850</b>	<b>14 385</b>	<b>17 971</b>
<b>Cash flows from investing activities</b>						
Payments for property, plant, equipment	6	-581	-843	-80	-662	-1 777
Payments for intangible assets		-31	-10	-26	2	-16
Payments for investment property	7	-276	-480	-237	-343	-1 000
Proceeds from disposal of PPE		0	8	0	8	8
Proceeds from disposal of investment property		0	0	0	0	2 329
Interests received		54	0	49	0	1
<b>Net cash used in/ generated by investing activities</b>		<b>-834</b>	<b>-1 325</b>	<b>-294</b>	<b>-1 015</b>	<b>-455</b>
<b>Cash flows from financing activities</b>						
Redemption of convertible bonds		0	-30	0	0	-196
Proceeds from borrowings		0	11 529	0	3 225	14 427
Repayment of borrowings		-31	-13 454	-15	-8 750	-26 641
Repayment of lease liabilities		-75	-77	-37	-44	-147
Interests paid		-1 642	-2 260	-103	-243	-3 996
<b>Net cash used in financing activities</b>		<b>-1 748</b>	<b>-4 292</b>	<b>-155</b>	<b>-5 812</b>	<b>-16 553</b>
<b>Net change in cash and cash equivalents</b>		<b>6 885</b>	<b>5 582</b>	<b>-1 299</b>	<b>7 558</b>	<b>963</b>
Cash and cash equivalents at the beginning of the period		10 589	9 626	18 773	7 650	9 626
Cash and cash equivalents at the end of the period		17 474	15 208	17 474	15 208	10 589

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
<b>1 January 2021</b>	<b>11 338</b>	<b>5 661</b>	<b>1 134</b>	<b>2 984</b>	<b>-8 031</b>	<b>13 086</b>	<b>-3 515</b>	<b>9 571</b>
Allocation of previous periods profit	0	-3 913	-1 134	0	5 047	0	0	0
Changes in non-controlling interest	0	0	0	0	0	0	3 515	3 515
Comprehensive loss for the period	0	0	0	0	29 757	29 757	0	29 757
<b>31 December 2021</b>	<b>11 338</b>	<b>1 748</b>	<b>0</b>	<b>2 984</b>	<b>26 773</b>	<b>42 843</b>	<b>0</b>	<b>42 843</b>
Allocation of previous periods profit	0	3 913	1 134	0	-5 047	0	0	0
Net profit for the period	0	0	0	0	4 106	4 106	0	4 106
<b>30 June 2022</b>	<b>11 338</b>	<b>1 748</b>	<b>1 134</b>	<b>2 984</b>	<b>25 832</b>	<b>46 949</b>	<b>0</b>	<b>46 949</b>
Net profit for the period	0	0	0	0	9 346	9 346	0	9 346
Comprehensive loss for the period	0	0	0	-972	0	-972	0	-972
<b>31 December 2022</b>	<b>11 338</b>	<b>5 661</b>	<b>1 134</b>	<b>2 012</b>	<b>35 178</b>	<b>55 323</b>	<b>0</b>	<b>55 323</b>
Net loss for the period	0	0	0	0	-292	-292	0	-292
<b>30 June 2023</b>	<b>11 338</b>	<b>5 661</b>	<b>1 134</b>	<b>2 012</b>	<b>34 886</b>	<b>55 031</b>	<b>0</b>	<b>55 031</b>

*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 30.06.2023	Ownership 30.06.2022	Ownership 31.12.2022
Raiffeisen Bank International AG	Austria	53.15%	53.18%	53.16%
Clearstream Banking AG	Germany	22.37%	22.00%	22.38%
Svalbork Invest OÜ	Estonia	9.86%	9.86%	9.86%
Six Sis Ltd	Switzerland	6.89%	6.91%	6.91%

For the purpose of comparable financial figures of these interim financial statements as at 30 June 2023, 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 2022, 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 2022.

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 2022.

## Note 3. Segment reporting

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
<b>2023 6M</b>							
<b>Revenue</b>	<b>0</b>	<b>9 754</b>	<b>3 679</b>	<b>230</b>	<b>2 727</b>	<b>-278</b>	<b>16 112</b>
incl. sale of real estate	0	9 695	3 540	25	0		13 260
incl. rental income	0	0	119	0	240	-240	169
incl. hotel operations	0	0	0	0	2 452		2 452
incl. maintenance services	0	57	11	144	0		212
incl. other revenue	0	2	9	11	35	-38	19
Other operating income and expenses (net)	-1	2	0	0	0	0	0
Segment operating profit/loss	-1 484	1 748	1 288	-197	127	19	1 501
Financial income and expense (net)	-3 257	1 722	-74	-64	-114	-1	-1 788
<b>Profit/loss before income tax</b>	<b>-4 741</b>	<b>3 470</b>	<b>1 214</b>	<b>-261</b>	<b>13</b>	<b>18</b>	<b>-287</b>
Income tax	0	0	0	-2	-4	1	-5
<b>Net profit/loss for the period</b>	<b>-4 741</b>	<b>3 470</b>	<b>1 214</b>	<b>-263</b>	<b>9</b>		<b>-292</b>

### 30.06.2023

Assets	68 918	160 739	24 914	15 261	8 858	-177 521	101 166
Liabilities	160 043	3 733	13 950	3 552	6 554	-141 696	46 135
Acquisition of non-current assets	0	53	108	2	557		720
Decrease of non-current assets	0	-15	0	0	0		-15
Depreciation and amortisation	0	-22	-24	-19	-139		-204

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
<b>2022 6M</b>							
<b>Revenue</b>	<b>0</b>	<b>28 479</b>	<b>837</b>	<b>503</b>	<b>1 621</b>	<b>-246</b>	<b>31 194</b>
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 expenses (net)	-2 996	956	-214	30	-75	-3	-2 302
<b>Profit/loss before income tax</b>	<b>-4 549</b>	<b>9 252</b>	<b>-336</b>	<b>25</b>	<b>-287</b>	<b>6</b>	<b>4 111</b>
Income tax	0	0	0	-1	-4		-5
<b>Net profit/loss for the period</b>	<b>-4 549</b>	<b>9 252</b>	<b>-336</b>	<b>24</b>	<b>-291</b>		<b>4 106</b>

### 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

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
<b>2022 12M</b>							
<b>Revenue</b>	<b>805</b>	<b>59 819</b>	<b>1 873</b>	<b>698</b>	<b>3 326</b>	<b>-867</b>	<b>65 654</b>
<i>incl. sale of real estate</i>	0	59 676	1 673	359	0		61 708
<i>incl. rental income</i>	0	1	177	39	0	0	217
<i>incl. hotel operations</i>	0	0	0	0	3 270		3 270
<i>incl. maintenance services</i>	0	120	5	295	0		420
<i>incl. other revenue</i>	805	22	18	5	56	-867	39
Other operating income and expenses (net)	-2	6 549	-523	0	112		6 136
Segment operating profit/loss	-1 818	20 771	-547	-352	-412	15	17 657
Financial income and expense (net)	-6 178	2 561	-407	-6	-172	-6	-4 208
<b>Profit/Loss before income tax</b>	<b>-7 996</b>	<b>23 332</b>	<b>-954</b>	<b>-358</b>	<b>-584</b>	<b>9</b>	<b>13 449</b>
Income tax	0	0	0	1	2		3
<b>Net profit/loss for the period</b>	<b>-7 996</b>	<b>23 332</b>	<b>-954</b>	<b>-357</b>	<b>-582</b>	<b>9</b>	<b>13 452</b>
<b>31.12.2022</b>							
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	3	20	24	129	1 744		1 920
Decrease of non-current assets	0	-10	-14	0	-30		-54
Depreciation and amortisation	-5	-45	-43	-35	-277		-405

## Note 4. Inventories

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
<b>Property held for sale</b>	<b>7 382</b>	<b>19 699</b>	<b>9 313</b>
<i>incl. Kristina and Kindrali Houses, Tallinn</i>	271	11	237
<i>incl. Kalaranna, Tallinn</i>	1 201	11 305	1 215
<i>incl. River Breeze, Riga</i>	4 283	6 682	6 171
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	1 599	1 610	1 604
<i>incl. other properties</i>	28	91	86
<b>Works in progress</b>	<b>19 068</b>	<b>29 780</b>	<b>24 854</b>
<i>incl. Kristiine City, Tallinn</i>	0	18 368	7 182
<i>incl. Kalaranna, Tallinn</i>	6 561	5 189	5 192
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	6 230	6 223	6 223
<i>Incl. Naugarduko, Vilnius</i>	6 277	0	6 257
Goods bought for resale	65	51	57
Prepayments for inventories	83	91	0
<b>Total</b>	<b>26 598</b>	<b>49 621</b>	<b>34 224</b>

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.

Properties are transferred from “works in progress” to “property held for sale” upon completion.

Works in progress include later development stage of the Kalaranna District project being currently under construction in Tallinn. The following phase of Šaltinių Namai is waiting for the start of development. New property has been purchased in Naugarduko Street in Vilnius, with a plan to start renovation works in 2023.

## Note 5. Non-current receivables

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
Finance leases	13	18	16
Other non-current receivables	0	1 501	2 000
<b>Total</b>	<b>13</b>	<b>1 519</b>	<b>2 016</b>

The prepayment of 2 million euros for potential purchase of a new subsidiary PK Sicily that was recorded under non-current receivables as at 31 December 2022. Due to the decision to withdraw from purchase of the subsidiary the balance was reclassified to current receivables. Part of the prepayment has been repaid during reporting period.

## 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 2023 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn, Estonia.

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
Acquisition value of property, plant and equipment	11 603	11 128	11 038
Accumulated depreciation	-3 854	-3 637	-3 744
<b>Residual value of property, plant and equipment</b>	<b>7 749</b>	<b>7 491</b>	<b>7 294</b>

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
Acquisition value of right-of-use assets	809	636	701
Accumulated depreciation	-576	-438	-506
<b>Residual value of right-of-use assets</b>	<b>233</b>	<b>198</b>	<b>195</b>

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 Lithuania, machinery and equipment in the group.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	PPE total	Right-of-use assets
<b>Acquisition value 31.12.2021</b>	<b>9 011</b>	<b>1 026</b>	<b>262</b>	<b>0</b>	<b>10 299</b>	<b>574</b>
Acquired	825	9	9	0	<b>843</b>	<b>62</b>
Sold	0	0	-14	0	<b>-14</b>	<b>0</b>
<b>Acquisition value 30.06.2022</b>	<b>9 836</b>	<b>1 035</b>	<b>257</b>	<b>0</b>	<b>11 128</b>	<b>636</b>
Acquired	759	151	24	0	<b>934</b>	<b>65</b>
Change in fair value	-984	0	0	0	<b>-984</b>	<b>0</b>
Sold	0	0	0	0	<b>0</b>	<b>0</b>
Written off	0	-30	-10	0	<b>-40</b>	<b>0</b>
<b>Acquisition value 31.12.2022</b>	<b>9 611</b>	<b>1 156</b>	<b>271</b>	<b>0</b>	<b>11 038</b>	<b>701</b>
Acquired	470	86	19	5	<b>580</b>	<b>108</b>
Written off	0	0	-15	0	<b>-15</b>	<b>0</b>
<b>Acquisition value 31.03.2023</b>	<b>10 081</b>	<b>1 242</b>	<b>275</b>	<b>5</b>	<b>11 603</b>	<b>809</b>

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	PPE total	Right-of-use assets
<b>Accumulated depreciation 31.12.2021</b>	<b>2 385</b>	<b>935</b>	<b>225</b>	<b>0</b>	<b>3 545</b>	<b>372</b>
Depreciation charge for the period	75	13	10	0	<b>98</b>	<b>66</b>
Written off	0	0	-6	0	<b>-6</b>	<b>0</b>
<b>Accumulated depreciation 30.06.2022</b>	<b>2 460</b>	<b>948</b>	<b>229</b>	<b>0</b>	<b>3 637</b>	<b>438</b>
Depreciation charge for the period	111	24	12	0	<b>147</b>	<b>68</b>
Sold	0	0	0	0	<b>0</b>	<b>0</b>
Written off	0	-30	-10	0	<b>-40</b>	<b>0</b>
<b>Accumulated depreciation 31.12.2022</b>	<b>2 571</b>	<b>942</b>	<b>231</b>	<b>0</b>	<b>3 744</b>	<b>506</b>
Depreciation charge for the period	83	30	12	0	<b>125</b>	<b>70</b>
Written off	0	0	-15	0	<b>-15</b>	<b>0</b>
<b>Accumulated depreciation 30.06.2023</b>	<b>2 654</b>	<b>972</b>	<b>228</b>	<b>0</b>	<b>3 854</b>	<b>576</b>

## Note 7. Investment property

in thousands of euros	Property held for increase in value
<b>Balance at 31.12.2021</b>	<b>40 734</b>
Additions:	
Investments	480
<b>Balance at 30.06.2022</b>	<b>41 214</b>
Additions:	
Investments	520
Changes in fair value	6 170
Disposals	-2 329
<b>Balance at 31.12.2022</b>	<b>45 575</b>
Additions:	
Investments	276
<b>Balance at 30.06.2023</b>	<b>45 851</b>

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 2022. 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	30.06.2023	30.06.2022	31.12.2022
Bank loans and overdrafts	63	10 323	63
Convertible bonds	0	166	0
Secured non-convertible bonds	28 302	0	0
Lease liabilities	128	107	110
<b>Total</b>	<b>28 493</b>	<b>10 596</b>	<b>173</b>

### Non-current debt

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
Bank loans and overdrafts	375	500	406
Secured non-convertible bonds	0	28 021	28 157
Unsecured non-convertible bonds	9 522	9 411	9 466
Lease liabilities	167	96	155
<b>Total</b>	<b>10 064</b>	<b>38 028</b>	<b>38 184</b>

## Creditors

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
AS LHV Pank (EE)	0	10 323	0
Sparkasse (DE)	438	500	469
Convertible bonds, various investors (discounted value)	0	166	0
Secured bonds, various investors (discounted value)	28 302	28 021	28 157
Unsecured bonds, various investors (discounted value)	9 522	9 411	9 466
Lease agreements (related to right-of -use assets)	295	203	265
<b>Total</b>	<b>38 557</b>	<b>48 624</b>	<b>38 357</b>

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 16) for the reporting period was 1.7 million euros (2022 6M: 2.2 million euros).

### Unsecured non-convertible bonds

3 459 081 unsecured non-convertible bonds with the total issue value of 9 685 426.80 euros were issued in three tranches in 2020 to substitute former convertible bonds. The new bonds carry annual fixed interest rate of 8% and they have been listed on Nasdaq Tallinn bond list since January 2021 and they will mature in October 2024. The balance sheet value on the reporting date is 9.3 million euros, which consists of 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 2023. 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 which 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 54.4%. 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	30.06.2023	30.06.2022	31.12.2022
<b>Bank accounts</b>				
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	23	23	23
<b>Inventory</b>				
LHV Pank AS*	Kalaranna 8, 22, Tallinn	N/A	16 495	N/A
LHV Pank AS *	Rivi 6, Sammu 5, Sõjakooli 14/16, Tallinn	N/A	18 380	N/A

\*Loan has been repaid.

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

		30.06.2023	30.06.2022	31.12.2022
NTA	Pro Kapital Germany Holdings OÜ	12	11	12
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	12 948	9 960	12 948
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
<b>Total</b>		<b>63 288</b>	<b>60 299</b>	<b>63 288</b>

## Note 9. Customer advances

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
Advances for real estate	2 294	11 285	1 630
Advances for hotel services	28	45	30
<b>Total</b>	<b>2 322</b>	<b>11 330</b>	<b>1 659</b>

Customer advances are recorded in the financial statements from receiving deposit and instalment payments until the properties are handed over to customers. The advances have decreased significantly due to completions in Kalaranna District and Kindrali Houses.

## Note 10. Current payables

in thousands of euros	30.06.2023	30.06.2022	31.12.2022
Trade payables	1 849	5 697	2 134
Accrued expenses	833	984	766
Accrued interests	1 211	1 232	1 211
Payables to employees	15	10	8
Other	1	1	507
<b>Total</b>	<b>3 909</b>	<b>7 924</b>	<b>4 626</b>

## Note 11. Revenue

### Segment revenue

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
<b>Revenue from contracts with customers</b>					
Revenue from sale of real estate	13 260	29 545	1 077	22 344	61 708
Hotel operating revenue	2 452	1 378	1 426	790	3 270
Revenue from maintenance and other services	231	213	112	112	460
<b>Total revenue from contracts with customers</b>	<b>15 943</b>	<b>31 136</b>	<b>2 615</b>	<b>23 246</b>	<b>65 438</b>
Rental income	169	58	82	32	216
<b>Total</b>	<b>16 112</b>	<b>31 194</b>	<b>2 697</b>	<b>23 278</b>	<b>65 654</b>

**Timing of revenue recognition**

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2021 12M
<b>At a point in time</b>					
Revenue from sale of real estate	13 260	29 545	1 077	22 344	61 708
Hotel operating revenue	2 452	1 378	1 426	790	3 270
Revenue from other services	19	11	8	9	40
<b>Total revenue recognised at a point in time</b>	<b>15 731</b>	<b>30 944</b>	<b>2 511</b>	<b>23 143</b>	<b>65 018</b>
<b>Over time</b>					
Rental income	170	58	82	32	216
Revenue from maintenance fees	211	202	104	103	420
<b>Total</b>	<b>16 112</b>	<b>31 194</b>	<b>2 697</b>	<b>23 278</b>	<b>65 654</b>

Revenue from sale of real estate has decreased by 48% compared to reference period as all inventory in Kindrali Houses and Kalaranna District has been sold. 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 the renovation works that influenced the hotel revenues during 2022 have now been finalised.

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	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Cost of real estate sold	9 635	20 427	872	15 725	45 420
Cost of providing rental services	44	28	19	14	66
Cost of hotel operations	1 856	1 262	960	676	2 977
Cost of maintenance services	111	112	54	57	221
Cost of other services	10	3	2	2	5
<b>Total</b>	<b>11 656</b>	<b>21 832</b>	<b>1 907</b>	<b>16 474</b>	<b>48 689</b>

## Note 13. Gross profit

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Real estate	3 625	9 118	205	6 619	16 288
Rental revenue	125	30	63	18	150
Hotel operating	596	116	466	114	293
Maintenance services	100	90	5	46	199
Other services	9	8	6	7	35
<b>Total</b>	<b>4 456</b>	<b>9 362</b>	<b>790</b>	<b>6 804</b>	<b>16 965</b>

## Note 14. Administration expenses

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Staff costs	1 466	1 802	735	751	3 189
Land and real estate taxes	144	159	66	93	306
Depreciation charge	81	61	40	32	138
Bad debt	1	1	1	1	0
Other	964	635	440	332	1 313
<b>Total</b>	<b>2 656</b>	<b>2 658</b>	<b>1 282</b>	<b>1 209</b>	<b>4 946</b>

## Note 15. Other income and expenses

### Other income

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Gain from fair value adjustments	0	0	0	0	6 157
Profit from sales of non-current assets	0	8	0	8	0
Other	0	0	0	0	121
<b>Total</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>8</b>	<b>6 278</b>

### Other expenses

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Fines paid	0	2	0	2	2
Loss from write off of non-current assets	0	8	0	8	0
Other	0	52	0	46	140
<b>Total</b>	<b>0</b>	<b>62</b>	<b>0</b>	<b>56</b>	<b>142</b>

## Note 16. Finance income and cost

### Finance income

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Interest income	88	1	68	0	3
Other financial income	0	1	0	0	0
<b>Total</b>	<b>88</b>	<b>2</b>	<b>68</b>	<b>0</b>	<b>3</b>

### Finance cost

in thousands of euros	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Interest expenses	1 742	2 226	873	1 055	4 192
Foreign currency loss	0	1	0	0	0
Other financial expenses	134	77	129	23	19
<b>Total</b>	<b>1 876</b>	<b>2 304</b>	<b>1 002</b>	<b>1 078</b>	<b>4 211</b>

## Note 17. 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	01.01.2023-30.06.2023	(56 687 954x181/181)	=56 687 954
For the period	01.01.2022-30.06.2022	(56 687 954x181/181)	= 56 687 954
For the period	01.04.2023-30.06.2023	(56 687 954x91/91)	= 56 687 954
For the period	01.04.2022-30.06.2022	(56 687 954x91/91)	=56 687 954
For the period	01.01.2022-31.12.2022	(56 687 954x365/365)	=56 687 954

### Indicative earnings per share from continuing operations:

For the period	01.01.2023-30.06.2023	-292 thousand euros/ 56 687 954 = -0.01 euros
For the period	01.01.2022-30.06.2022	4 106 thousand euros/56 687 954 = 0.07 euros
For the period	01.04.2023-30.06.2023	-1 595 thousand euros/56 687 954 = -0.03 euros
For the period	01.04.2022-30.06.2022	4 357 thousand euros/ 56 687 954 = 0.08 euros
For the period	01.01.2022-31.12.2022	13 452 thousand euros/ 56 687 954 = 0.24 euros

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

## Note 18. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place in 19 June 2023. Minutes of the annual shareholders meeting have been published on AS Pro Kapital Grupp web page [www.prokapital.com](http://www.prokapital.com).

## Note 19. 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	2023 6M	2022 6M	2022 12M
Significant owners and owner related companies			
Revenues	1	4	8
Administrative expenses	303	0	0
Trade payables	105	0	0
Other shareholders / bondholders			
Interest expenses incurred	443	445	892
Redemption of convertible bonds	0	30	196
Interest payments	387	398	794
Members of the Management Board and Council			
Salaries and bonuses paid to management	292	347	650

### Receivables from related parties

in thousands of euros	2023 6M	2022 6M	2022 12M
Significant owners and owner related companies			
Prepayments	1 533	1 500	2 000

In 2022 the Group investigated an opportunity to purchase shares of PK Sicily SpA from a related party for 12 million euros. To secure the transaction and reserve the shares, the Group paid a prepayment in amount of 2 million euros to the seller. The Group performed a thorough due diligence to evaluate potential gain on transaction and in 2023 decided not to buy the shares of hotel company. 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. 0.5 million euros have been repaid during the reporting period.

Shareholding in the Company %	30.06.2023	30.06.2022	31.12.2022
Significant owner and owner related companies	49.22%	49.61%	49.63%
Members of the Council and individuals related them	0.05%	0.08%	0.05%

## 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 first six months and the second quarter of 2023.

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      14 August 2023