

# AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT  
FOR IV QUARTER AND 12 MONTHS OF 2019  
(UNAUDITED)

PROKAPITAL

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## AS Pro Kapital Grupp in brief

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

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



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## Management report

### Key highlights

**The total revenue** of the Company in 2019 was 55.3 million euros, which is an increase of 97% compared to the reference period (2018 12M: 28 million euros). The total revenue of the fourth quarter was 18 million euros, an increase of 159% compared to 6.9 million euros during the same period in 2018. The real estate sales revenues are recorded at the moment of handing over the premises to the buyer. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. The improvement of the results in the fourth quarter was influenced by the completion of three new buildings in Kristina Houses development in October, where all apartments have been sold as at today. In addition, the sales results of the year improved due to continuous sales of River Breeze Residence in Riga and Šaltinių Namai Attico development in Vilnius.

**The gross profit** in 2019 increased by 65% amounting to 15.8 million euros and by 52% amounting to 4.1 million euros in the fourth quarter. In the comparable period the gross profit figures were 9.6 million euros and 2.7 million euros respectively.

**The operating result** of 2019 was 15.2 million euros loss comparing to 21.5 million euros profit in 2018. The operating result of the fourth quarter was 22.1 million euros loss comparing to 16.7 million euros profit in 2018. Although the main operations of the Company have generated extraordinary results, the operating result includes non-monetary loss from revaluation of investment properties. The total impact from revaluation is 24.2 million euros (Note 8), mostly related to devaluation of T1 Mall of Tallinn property due to lower results comparing to initial expectations.

**The net result** for the year of 2019 was 29.1 million euros loss and 26.0 million euros loss for the fourth quarter. In the comparable period the net results were 18.1 million euros profit and 15.8 million euros profit respectively. The net result of the period was influenced negatively by 9.5 million euros of interest expenses in AS Tallinna Moekombinaat (Note 15). The interests are recorded in finance cost in 2019 instead of capitalization into investment property, which was done during active development until 31 December 2018.

**Cash generated from operating activities** during the reporting period was 20.4 million euros comparing to 1.0 million euros of cash used in operating activities in 2018. In the fourth quarter of 2019 cash generated from operating activities was 13.7 million euros and 4.5 million euros of cash used in operating activities during the same period in 2018.

**Net assets per share** on 31 December 2019 totalled to 1.26 euros compared to 1.80 euros on 31 December 2018.

## Key performance indicators

	2019 12M	2018 12M	2019 Q4	2018 Q4
Revenue, th EUR	55 276	27 991	17 993	6 948
Gross profit, th EUR	15 809	9 576	4 069	2 684
Gross profit, %	29%	34%	23%	39%
Operating result, th EUR	-15 178	21 483	-22 063	16 688
Operating result, %	-27%	77%	-123%	240%
Net result, th EUR	-29 106	18 056	-26 031	15 761
Net result, %	-53%	65%	-145%	227%
Earnings per share, EUR	-0.47	0.30	-0.43	0.26
			<b>31.12.2019</b>	<b>31.12.2018</b>
Total Assets, th EUR			210 821	246 405
Total Liabilities, th EUR			139 189	144 383
Total Equity, th EUR			71 632	102 022
Debt / Equity *			1.94	1.42
Return on Assets, % **			-12.8%	8.6%
Return on Equity, % ***			-33.8%	18.3%
Net asset value per share, EUR ****			1.26	1.80

\*debt / equity = total debt / total equity

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

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

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

## Main events

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

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

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

**On 24 April 2019** the Company redeemed 30 “AS Pro Kapital Grupp bond 04.2019” bonds in total issue price of 300 000 euros.

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

**On 9 August 2019** the Company informed about Ervin Nurmela, a member of Management Board and Council of several subsidiaries, leaving the Company from 1 September 2019.

**On 13 August 2019** the Company prolonged the redemption date of 1 081 076 PKG1 convertible bonds by 2 years. New redemption date is 13 August 2021.

**On 30 August 2019** the Company informed about several changes in the Management Boards of the Group subsidiaries and the Council of one Latvian group company from 1 September 2019. The implementation was decided due to the leave of Ervin Nurmela.

**On 24 September 2019** the Company redeemed 30 “AS Pro Kapital Grupp bond 09.2019” bonds in total issue price of 300 000 euros.

**On 21 October 2019**, the Company announced about signing the construction contract with Nordecon AS for projecting and building the first two phases in Kalaranna Quarter in Tallinn. The property of Kalaranna street 8 will have eight new buildings with 240 apartments, commercial premises and underground parking. The completion of the

project is currently scheduled for the end of 2021. The value of the contract is 40.5 million euros plus VAT. The project is confirmed to be financed by LHV Pank.

**On 17 January 2020**, after the reporting period, the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2022.

**On 12 February 2020**, after the reporting period, the Company announced about signing the construction contract with OÜ Vanalinna Ehitus for re-construction of a stables-building and additional construction of a new adjacent building as well as a semi-underground parking to be located at Marsi Street in Kristiine City. The Ratsuri Houses development project will have 39 apartments and the construction cost is ca 3.5 million euros (including VAT). The completion is planned for spring of 2021.

**On 19 February 2020**, after the reporting period, the Company announced of successful issue of senior secured, callable, fixed rate bonds in total amount of 28.5 million euros. The new bonds carry a fixed rate coupon of 8% and mature in February 2024. Pro Kapital will use the net proceeds from the bond issue to redeem the outstanding existing bonds in amount of 27.9 million euros in full.

**On 20 February 2020**, after the reporting period, the Company gave notice of early redemption of the Existing Bonds in full. Pro Kapital sent an irrevocable notice of early redemption to all directly registered owners and registered authorised nominees in the debt register for the Existing Bonds kept by Euroclear Sweden as of 19 February 2020. The early redemption date is set to 17 March 2020. In accordance with the terms and conditions for the Existing Bonds, these 279 Existing Bonds will be redeemed at an amount equal to 101.00 per cent of the nominal amount, *i.e.* 101 000 euros per each Existing Bond. The total redemption amount per each Existing Bond, together with accrued and unpaid interest up to and including the early redemption date will be 103 355.56 euros.

## Chairman's summary

2019 was as a year of challenges, opportunities and acknowledgment, which is characteristic to many companies with an eye on the future and ambition for growth. The key focus of our work is on large-scale development projects of residential and commercial quarters in all Baltic capitals – Tallinn, Riga and Vilnius. With more than 25 years of experience and extensive portfolio we have a strong understanding of the market we operate in. Equally, we hold a great responsibility, developing whole areas and impacting entire communities and natural environment.

The results of 2019 give a good indication of the volumes of the business. The growth of the total annual revenue was 97% compared to the comparable period of 2018, from 28 million euros to 55.3 million euros. The growth of total revenue by 159% during the 4th quarter of 2019, from 6.9 million euros during the 4th quarter of 2018 to 18 million euros in 2019. This growth was influenced by active sales in Tallinn and Vilnius increasing real estate revenue by 20 million euros and the T1 Mall of Tallinn (T1) rental related revenue by 8 million euros. Our revenues from the sales of the real estate depend on the completion of the residential developments, as the revenues are recorded at the moment final notary deeds of sale are concluded and properties handed over to the buyer. The gross profit of 2019 was 15.8 million euros compared to 9.6 million euros during the same period in 2018. This is a 65% increase y-o-y.

Our otherwise positive results were challenged by T1's financial performance during its first year of operations, which has not met our initial prognosis. One of the reasons for underperformance was lower than expected demand for retail spaces, which resulted in higher vacancy in the centre than initially anticipated. With the aim of supporting T1 operations and reduce vacancies, T1 offered rebates and adjusted vacant areas to meet the needs of the tenants. This has had a short-term impact on operating profit and as a result, led to the non-monetary decrease of the property value in amount of 23 million euros (18 million euros increase in value of T1 was recorded in 2018). The revaluation of the investment property had a significant impact on the Group's results. In addition, the results are influenced by the interest expenses related to T1 project, which at the end of the year were 9.5 million euros. The interests of T1 are recorded in finance cost in 2019 instead of capitalisation into investment property, which has been done during active development until 31 December 2018. Consequently, the net result for 2019 was 29.1 million euros loss compared to 18 million euros profit during the same period of 2018.

The lower operating profitability of AS Tallinna Moekombinaat triggered non-fulfilment of two financial maintenance covenants under the loan facility agreement with the subsidiary's main creditor (DSCR or Debt Service Coverage Ratio and NLR or Net Leverage Ratio – which are ratios to assess the health of the investment in conformity with expected operating results). However, the operating result of AS Tallinna Moekombinaat in 2019 before non-monetary revaluation effect and the interest costs



is positive. AS Tallinna Moekombinaat is in active discussions with the lender and negotiations are in progress. Pro Kapital will issue a separate notice about the outcome of the negotiations with the lender.

Pro Kapital has recently announced, that we have secured refinancing of the existing senior secured bonds 2015/2020 (the “Existing Bonds”) in full by issuing new senior secured bonds 2020/2024 (the “New Bonds”). Until redemption, the terms and conditions of the Existing Bonds still apply and we are required to report breaches of such terms and conditions. Therefore, we inform that in Q4’2019, due to the non-monetary revaluation loss of assets of one of Pro Kapital’s subsidiaries, AS Tallinna Moekombinaat, it failed the Maintenance test, which requires at least 40% equity to total assets ratio. We also inform that due to lower than expected operating results of AS Tallinna Moekombinaat, the subsidiary is in payment default under the above-mentioned loan facility agreement, which constitutes an event of default under the Existing Bond. While the first regular interest payment under the loan facility agreement was duly made in September 2019, during ongoing negotiations with the lender AS Tallinna Moekombinaat has made no further interest or default interest payments and has also suspended its payments to another main creditor under agreed payment schedule. Such non-payment and the above described non-fulfilment of financial covenants entitle the creditor to accelerate its claims under the facility agreement, but until now it has chosen not to do so. As mentioned above, negotiations are ongoing. The non-compliance under the terms of the Existing Bonds technically entitles the agent of the bonds to terminate the Existing Bonds and to declare them due for payment immediately (acceleration). As the Existing Bonds are being refinanced in their entirety with proceeds from the issue of the New Bonds and the Existing Bonds will be redeemed on 17 March 2020, then we do not foresee the risk of acceleration of the Existing Bonds. We would like to emphasise that Pro Kapital has fulfilled all monetary obligations arising from the Existing Bonds 2015/2020 in a timely manner. Going forward, under the terms and conditions of the New Bonds, AS Tallinna Moekombinaat is excluded from the ratio of equity to total assets calculation and from the event of default catalogue. Therefore, AS Tallinna Moekombinaat’s future performance and the outcome of the negotiations with its lender shall have no negative influence on the fulfilment of the terms and conditions of the New Bonds.

Aside from the challenges with T1, the Group’s residential developments are progressing as planned and we feel confident that our residential project pipeline and inventory is able to generate positive cash flows over the coming years.

### **Residential real-estate development with long-term mindset**

In early November 2019, Pro Kapital was recognised as the winner of the real-estate developer's TOP of *Äripäev* (Estonian leading business media provider), which I am very proud and humbled by. I believe this recognition to reflect the long-term commitment of our team and the desire to create something truly great. At the same time, I am

pleased that the 2019 real estate developers TOP was led by companies who understand that their work has much broader impact on shaping the cities than merely building physical spaces. The ability to understand but even more importantly to be ahead of the changes in consumer behaviours and to create something valuable for years to come, is a challenge for any real-estate developer.

By developing entire areas, we always acknowledge that our work has a long-term impact on communities. We need to be able to offer people something meaningful in a wide range of aspects. I'm glad to emphasise several residential quarters in our portfolio, which already have increased or will increase the value of entire areas and which are ahead of the market trends. In 2019, we reached several milestones in our residential portfolio development across the Baltics.

In late October, we completed the construction of three last apartment buildings of the Kristina Houses project. Kristina Houses is one of the major developments within a new residential area in Tallinn, named Kristiine City - an integral and unique residential district close to a downtown Tallinn - as if it were a "city within a city". A safe, green and functional living environment where along with the new houses, we bring new life into the much-valued historic buildings from the early 20th century. We have already completed and sold the historic Tondi 51 Barracks and Marsi 6 lofts. With the completion of the Kristina Houses, designed by Alliance Architects, we welcomed nearly 310 new families to Kristiine City. We are now about to begin the construction of the Ratsuri Houses development project. This is a unique development in the heart of Kristiine City, combining reconstruction of a historic stable building with a contemporary New Dutch style building in a balanced whole. The building is scheduled for completion in spring 2021. Ratsuri Houses will have a total of 39 apartments – 17 in the former stables and 22 in the modern New Holland style building. To date, 77% of apartments have already been booked. The particularly high volume of pre bookings has been characteristic to all our projects in Kristiine City as this living quarter has significantly benefited the value of an entire area.

Just before the end of the year, we announced that we are starting the construction of the much awaited Kalaranna District - a unique sea-side residential quarter bordering Tallinn's central city and the Old town. Kalaranna District will have twelve 4-5 storey buildings on nearly six hectares. The area will be developed in two stages, the first of which we have now started. 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 first buildings will be completed by September 2021 at the latest. To date we have already booked 51.2% and sold 47.5% of the apartments to be completed in the first phase. The four buildings of the second phase are already in pre-sale, with 26.6% booked to date.

It is very positive to recognise the growing customer awareness and growing rationality in the purchase decision-making process. In all markets, the client is willing to invest in quality real estate that is reflected in a number of interrelated aspects like functionality, the choice of materials that would equally be pleasing to the eye, would last in time and are easy to maintain, but also the interior and exterior architecture and thought-out landscaping. The central idea is a safe, functional and modern environment that lasts long and enriches the urban space, preserving and enhancing its value. Each development is special - it has its own story, the environment in which it is located and the people this area is for.

In Vilnius, an area just like this is being developed - an area called Šaltiniu Namai Attico, which is a second phase of the Šaltiniu Namai prestigious residential area located within the UNESCO heritage area, surrounded by the nature in the most peaceful part of the Old Town of Vilnius. The “Attico” reflects the unique location slightly higher than the Old City, allowing breath-taking views to the city panorama. Here, people can choose homes with simply breath-taking view to the historic cityscape or spacious homes with terraces and green areas. Like with all our residential developments, we have created a peaceful, safe and green living area for the residents. Šaltiniu Namai Attico is inspired by the baroque spirit of Vilnius Old Town and the tradition of Italian architecture in Lithuania, also as an integral part of the landscape, has the first Italian courtyard garden in the city designed by an Italian concept architect Gianmarco Cavagnino. To date we have sold over 70% of 115 apartments. We are currently in the planning stage of the next phases of Šaltiniu Namai Attico, city villas and a commercial building.

I have discussed the Baltics real-estate markets in my 2019 interim reports, mainly because the real-estate market in the Baltic counties is a good indicator of the wider socio-political situation. Undoubtedly, Latvian market has been showing slower pace compared to Lithuania and Estonia, especially in the so-called premium segment, which sets a standard of quality for the rest of the segments. While the Lithuanian real-estate market showed a remarkable, 32% market growth last year, the Latvian real-estate market is mainly dominated by the growth of the economic segment. When the market is driven by the price only for a long time, this will have a considerable footprint on the quality. Therefore, it is very positive that our outstanding development project in Riga, with a worthy name – River Breeze Residence has held its position as the market leader in the premium segment for a second consecutive year.

At the end of October 2019, River Breeze Residence received the 2019 Architecture Award, which is one of the most prestigious awards in Latvia, recognising the balance between private and public outdoor space in an exclusive and innovative housing project. In 2019, River Breeze Residence was also recognised by its impeccable construction quality and as the most sustainable building earlier in 2018. By being one of the most outstanding buildings in Riga in terms of architecture, location and quality, River Breeze sets the new positive example for the whole market. River Breeze Residence is the first building in the Kliversala Quarter, which will become an integral

residential area that binds together the feeling of a metropolitan, modern architecture and well considered living environment. This area is unique and outstanding across Europe - it is located right in the heart of the city, just a walking distance from the Old town, with spectacular views and at the same time as green and quiet as if you were in a garden city. At the end of September 2019, the local planning for Kliversala area came into force. This means that we can proceed developing the Kliversala Quarter as an integral residential area. The next phases will foresee bringing functional, modern apartment buildings with commercial premises to life, allowing Kliversala Quarter to become a new centre of the urban city life, creating fine balance between the private and the public areas.

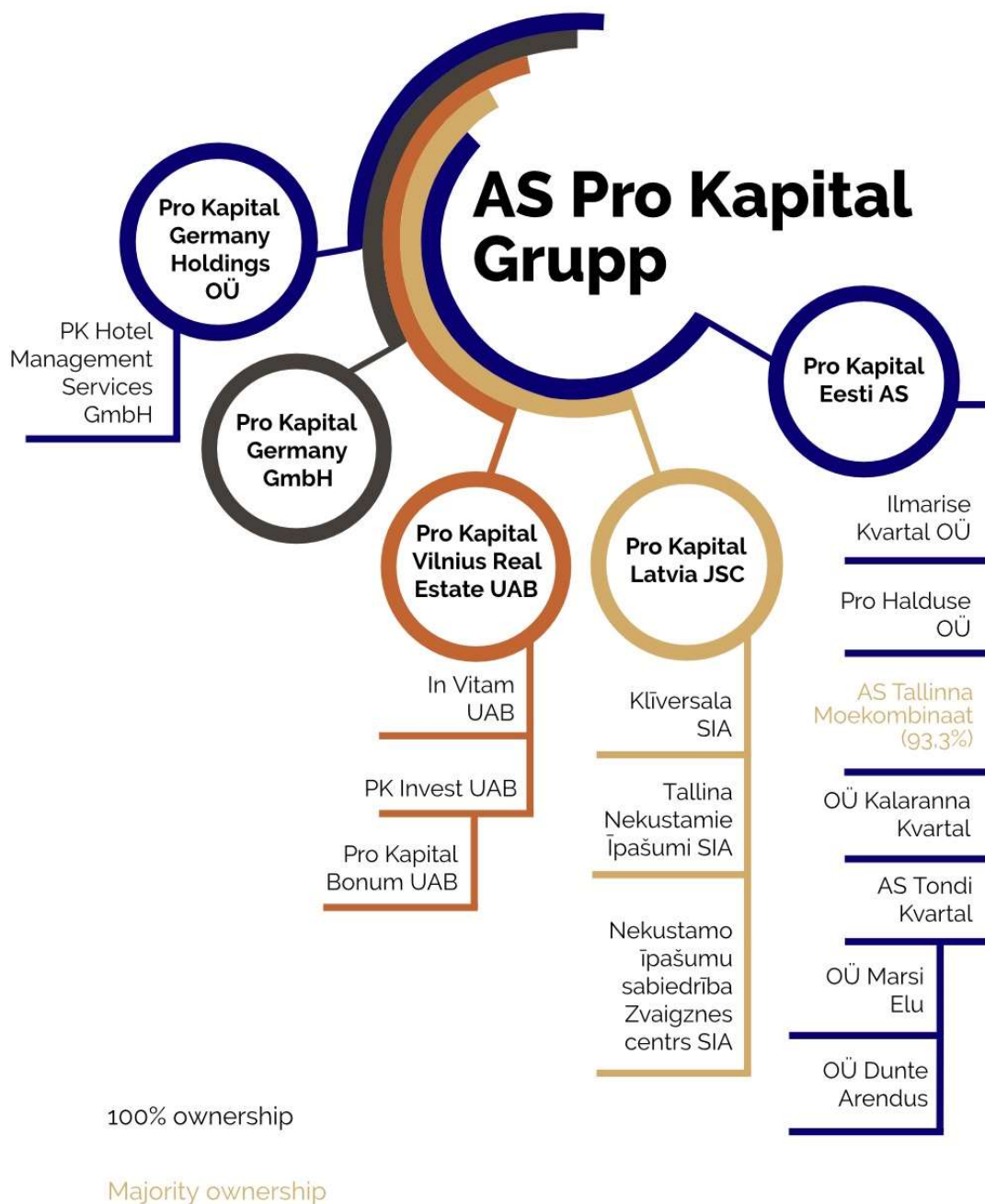
As a conclusion, I would say, 2019 was well-balanced by positive developments, humbling recognition and confronting challenges. I believe it to be an integral part of the business, allowing us to grow and improve our operations. It takes courage to face new challenges and make decisions to do things that no one else has done. Above all, I am proud of the people who work in the Group - our team is highly professional, competent and dedicated and that is the most important value of any business with such passion towards the long-term value-growth and positive impact. Thank you!



Paolo Michelozzi  
CEO  
AS Pro Kapital Grupp  
27 February 2020

# Group structure

As at 31 December 2019



## Overview of the development projects

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

The concept of T1 Mall of Tallinn is unique across the Baltics. The distinctive idea is to balance the traditional shopping experience by creating an environment where people can spend time and experience something new and exciting. T1 aspires to create new user journeys by introducing unique international brands to the market which in well-distinctive balance with the versatile world of entertainment allows a different customer mindset to emerge.

T1 has spacious, bright interior architecture, shopping and art, but also versatile dining area “Taste of Tallinn” or “TOT” which is unique in Estonia both, for scope and layout. Most restaurants are located on the fourth floor above regular shopping with an opportunity to admire the breath-taking views to the city. T1 has world-class Cinamon Movie Theatre, the region’s largest indoor family entertainment centre – Super Skypark and a rooftop observation wheel Skywheel of Tallinn, unique in Europe.



## Ülemiste 5, Tallinn

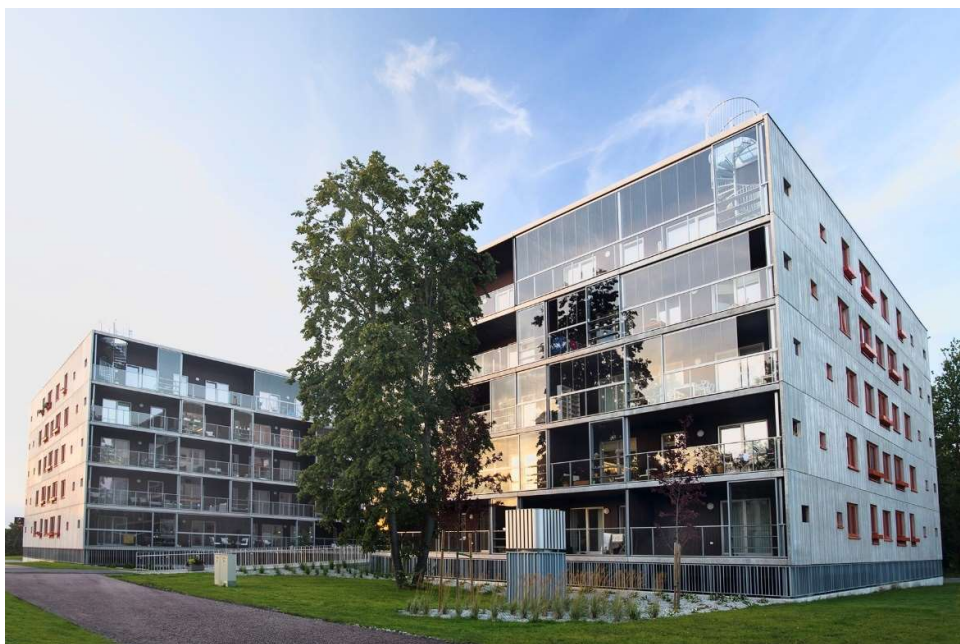
Ülemiste 5 land plot is closely connected to the T1 Mall of Tallinn property, located on Peterburi road 2. Ülemiste 5 will be developed for commercial premises with gross leasable area 14 thousand square meters. This development project will play a significant role in establishing the new public transportation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

## Kristiine City in Tallinn

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

### *Kristina Houses in Kristiine City*

This is a development of ten new apartment buildings located in Kristiine City with 22 thousand square meters of net sellable area in total. The last three buildings were completed in October 2019. Kristina Houses have been highly valued by our customers as all apartments in this project are sold.



### *Ratsuri Houses in Kristiine City*

The project Ratsuri Houses has been named after its history as a horse stable which will receive a new look being united with a modern New Holland style building. Ratsuri Houses is being constructed by OÜ Vanalinna Ehitus. The construction will include the reconstruction of a 20th-century, two-storey stables building on Mars 5 property, the construction of an extension and partially underground car park. The building is scheduled for completion in spring 2021. Ratsuri Houses will have a total of 39 apartments – 17 in the former stables and 22 in the modern New Holland style building. To date, over 70% of apartments have been booked.



### **Kalaranna in Tallinn**

Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. Kalaranna District, located at Kalaranna 8, will have twelve 4-5 storey buildings on nearly six hectares. The area will be 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,

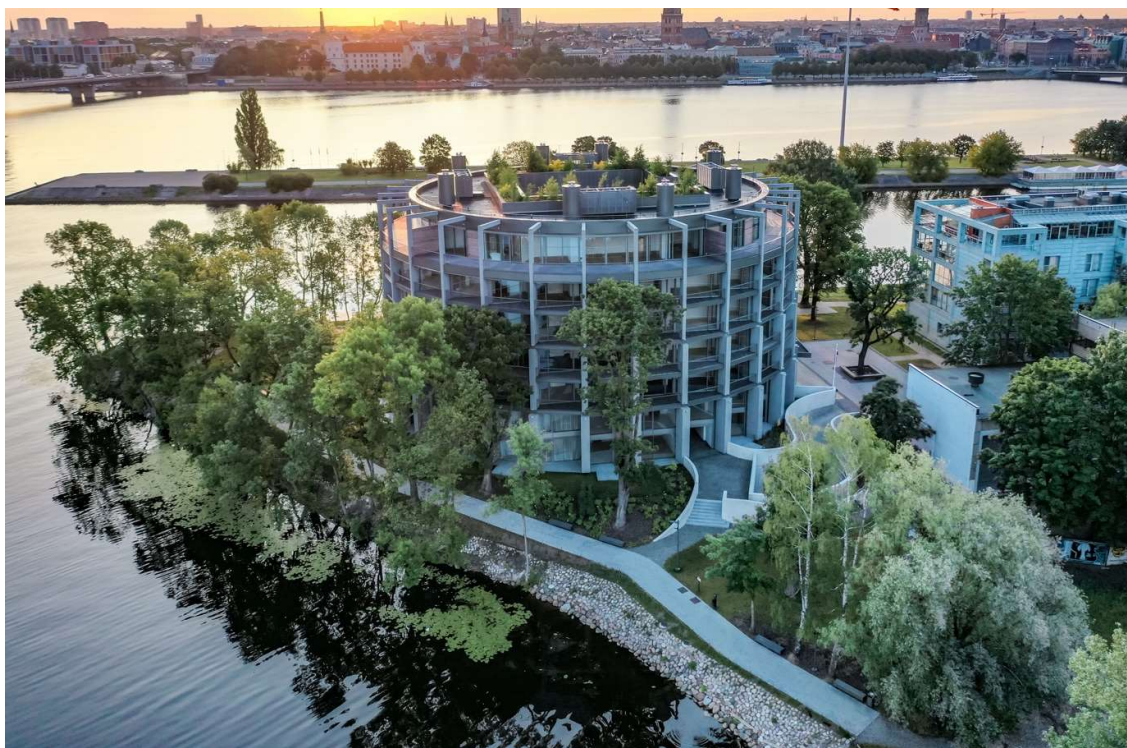




commercial premises and an underground car park. The area will include the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. The first buildings will be completed by September 2021 at the latest.

### Kliversala in Riga

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



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

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

## Brivibas 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 an office building. The construction of new office and commercial buildings will be carried out as a second phase of the project. The site is ready for construction, existing building is conserved. The Company started the design works for the renovation in 2017 and is currently in progress with technical design of the premises.

## Tallinas Quarter in Riga



Tallinas street 5/7 is 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 currently in progress.

## 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 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 results through the business activities: real estate sale, rentals, hotel operations, maintenance of real estate and other services.

### Revenue structure of twelve months, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	12M	12M	12M	12M	12M	12M	12M	12M	12M	12M
Real estate	19 367	13 284	4 640	5 616	17 412	2 553	0	0	41 419	21 453
Rent	9 467	1 271	71	69	49	118	0	0	9 587	1 458
Hotel	0	0	0	0	0	0	3 944	3 935	3 944	3 935
Maintenance	48	643	0	10	172	141	0	0	220	794
Other	29	265	22	70	55	16	0	0	106	351
<b>Total</b>	<b>28 911</b>	<b>15 463</b>	<b>4 733</b>	<b>5 765</b>	<b>17 688</b>	<b>2 828</b>	<b>3 944</b>	<b>3 935</b>	<b>55 276</b>	<b>27 991</b>

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

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2019 Q4	2018 Q4	2019 Q4	2018 Q4	2019 Q4	2018 Q4	2019 Q4	2018 Q4	2019 Q4	2018 Q4
Real estate	12 653	3 403	310	38	1 619	808	0	0	14 582	4 254
Rent	2 222	1 261	17	17	6	22	0	0	2 245	1 295
Hotel	0	0	0	0	0	0	1 078	1 082	1 078	1 082
Maintenance	14	8	0	0	57	36	0	0	71	44
Other	2	265	8	6	7	2	0	0	17	273
<b>Total</b>	<b>14 891</b>	<b>4 937</b>	<b>335</b>	<b>61</b>	<b>1 689</b>	<b>868</b>	<b>1 078</b>	<b>1 082</b>	<b>17 993</b>	<b>6 948</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. Revenue from rent and maintenance services of T1 Mall of Tallinn is included in the rent revenue.

The share of the Estonian segment as a percentage of total revenues of the Company in 2019 amounted to 52.3% compared to 55.2% in year 2018.

During twelve months of 2019 the total of 133 apartments, 164 parking lots and 83 storage rooms were sold (2018 12M: 112 apartments, 1 business premises, 111 parking lots and 54 storage rooms). At the end of the reporting period the stock consisting of 3 apartments, 1 business premises, several parking spaces and storage rooms were available for sale in Tallinn.

All ten apartment buildings have been completed in Kristina Houses development and all apartments are sold.

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 in 2019 amounted to 8.6% comparing to 20.6% last year. At the moment of issuing the current report 34 luxury apartments, several storage rooms and parking lots are available for sale in Latvia.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company in 2019 amounted to 32% comparing to 10.1% last year. The significant increase in total revenue was affected by the completion of five new buildings in Šaltinių Namai Attico development in June.

During the reporting period 83 apartments, 1 cottage, 77 storage rooms and 74 parking lots were sold in Lithuania (2018 12M: 10 apartments, 1 business premises and 1 cottage). There were 31 apartments, 2 cottages, 3 business premises, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

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

The share of the German segment as a percentage of total revenues of the Company in 2019 amounted to 7.1% comparing to 14.1% last year. The decrease in German segment is resulting from change in proportions within the group due to growing real estate sale segment in Baltic countries and opening of T1 Mall of Tallinn. The occupancy rate of 66% of PK Parkhotel Kurhaus has remained the same compared to year 2018, although in the fourth quarter the occupancy rate was 67% which is 12% higher than last year. The annual revenue remained at the same level as last year. Gross operating profit has decreased 3% and amounted to 700 thousand euros comparing to 725 thousand euros in 2018. Net result for 2019 was the same as in the year before.

## Other operative data of twelve months

	EST	EST	LV	LV	LT	LT	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018
	12M	12M	12M	12M	12M	12M	12M	12M
M2 sold*	9 425	6 673	1 391	1 508	6 080	959	16 896	9 140
Average price, m2/EUR*	1 898	1 860	3 049	3 470	2 544	2 558	2 225	2 199
M2 under maintenance	26 307	18 864	0	0	23 971	17 642	50 278	36 506

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

## Other operative data of the fourth quarter

	EST	EST	LV	LV	LT	LT	Total	Total
	2019 Q4	2018 Q4	2019 Q4	2018 Q4	2019 Q4	2018 Q4	2019 Q4	2018 Q4
M2 sold*	6 095	1 622	134	0	613	321	6 842	1 943
Average price, m2/EUR*	1 933	1 965	0	0	2 509	2 417	1 992	2 039
M2 under maintenance	26 307	18 864	0	0	23 971	17 642	50 278	36 506

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

## Financing sources and policies

Pro Kapital strives to pursue conservative financing policy, targeting on high ratio of equity in its projects, as compared to the industry standards. The objective of the Company is to use external financing in a manner that enables to avoid interest related risk during the low economic periods and to have sufficient additional external financing capacity when attractive business opportunities occur. The Company seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Company's credit standing.

During the reporting period, the Company borrowed 2.4 million euros from AB Luminor Bankas (Lithuania), Swedbank AS (Latvia) 0.6 million euros and 13.4 million euros from LHV Bank (Estonia). The Company has repaid 21.6 million euros of the bank loans during the year of 2019. As at 31 December 2019, the total debt to the banks was 83.4 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 31 December 2019 the Company had 10.1 million euros convertible bonds and 29.3 million euros secured, callable, fixed rate bonds with redemption date 1 June 2020 of which 1.4 million euros are held by Pro Kapital (Note 9).

## Shares and shareholders

As at 31 December 2019 Pro Kapital had issued 56 687 954 shares in total with the nominal value 0.20 euros. The registered share capital of the Company was 11 337 590.80 euros.

As at 31 December 2019 there were 177 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 31 December 2019 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	27 594 561	48.68%
Clearstream Banking Luxembourg S.A. Clients	11 791 869	20.80%
Nordea Bank AB (Publ)/ Non-treaty Clients	6 309 496	11.13%
Svalbork Invest OÜ	3 633 418	6.41%

The largest shareholders of AS Pro Kapital Grupp are Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as of 31 December 2019 Ernesto Preatoni and his affiliates control 39.69% 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 3 633 418 shares representing 6.41% of the total shares of the Company.
- 13 557 726 shares representing 23.91% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 5 310 985 shares representing 9.36% of the total shares of the Company held through a nominee account opened by Nordea Bank.

Participation of Member of the Management Board and the Council Members as at 31 December 2019 is as follows:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi	CEO	281 647	0.50%
Allan Rimmelkoor	COO	0	0.00%
Edoardo Axel Preatoni	Board member	0	0.00%
Emanuele Bozzone	Chairman of the Council	0	0.00%
Petri Olkinuora	Council Member	30 000	0.05%
Ernesto Preatoni	Council Member	22 502 129	39.69%

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

Edoardo Axel Preatoni is holding 8 secured, callable, fixed rate bonds of the Company with the nominal value of 800 000 euros.

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

Earnings per share during the year of 2019 were -0.47 euros (2018 12M: 0.30 euros).

**Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 31 December 2019, NASDAQ Baltic Main List**



Source: [nasdaqbaltic.com](http://nasdaqbaltic.com)

On 23 November 2012 the Company was listed on the secondary list of Tallinn’s stock exchange. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn’s stock exchange. During the period 1 January – 31 December 2019 the shares were traded at the price range 1.00 - 1.71 euros, with the closing price of 1.39 euros per share on 30 December 2019. During the period 1.04 million of the Company’s shares were traded with their turnover amounting to 1.41 million 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 – 31 December 2019 the shares were traded at the price range of 1.02 - 1.62 euros, with the closing price 1.40 euros per share on 30 December 2019. During the period 205 thousand of the Company's shares were traded with the total turnover of 290 thousand euros.

## Legal overview and developments

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

AS Pro Kapital Grupp and its subsidiaries did not have any pending court litigation which might have financial effect of at least 100 000 euros as at the end of the reporting period.

## People

As at 31 December 2019 the Company employed 89 people - the same amount as at 31 December 2018. 40 of them were engaged in hotel and property maintenance services (40 also on 31 December 2018). The number of employees does not include council members.

## Risks

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

Due to long- term orientation in business model the Company can survive turbulences in the markets. The Company is further pursuing long term strategic approach, enabling it to acquire properties for development when market is low and sell the developed properties at the peak of business circle, thus naturally capitalising on market opportunities and hedging market risk. The size and the diversity of the Company's real estate portfolio allows to adjust itself according to the needs in the market.

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

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

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

Asset risks are covered by effective insurance contracts.

## Management Board's confirmation of the management report

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

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	27 February 2020
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	27 February 2020
Edoardo Preatoni	Member of the Management Board	27 February 2020

## Consolidated financial statements

### Consolidated interim statement of financial position

in thousands of euros	Notes	31.12.2019	31.12.2018
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		10 616	7 040
Current receivables		1 475	2 928
Inventories	5	41 031	59 331
<b>Total current assets</b>		<b>53 122</b>	<b>69 299</b>
Non-current assets			
Non-current receivables	6	2 297	216
Property, plant and equipment	7	7 665	7 128
Investment property	8	147 365	168 145
Intangible assets		372	324
<b>Total non-current assets</b>		<b>157 699</b>	<b>175 813</b>
<b>TOTAL ASSETS</b>	3	<b>210 821</b>	<b>245 112</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Current debt	9	36 403	10 328
Customer advances	10	3 974	5 707
Current payables		8 675	11 939
Tax liabilities		1 155	357
Short-term provisions		267	852
<b>Total current liabilities</b>		<b>50 474</b>	<b>29 183</b>
Non-current liabilities			
Long-term debt	9	86 227	112 009
Other non-current payables		1 013	1 039
Deferred income tax liabilities		1 348	2 004
Long-term provisions		127	139
<b>Total non-current liabilities</b>		<b>88 715</b>	<b>115 191</b>
<b>TOTAL LIABILITIES</b>	3	<b>139 189</b>	<b>144 374</b>
Equity attributable to owners of the Company			
Share capital in nominal value		11 338	11 338
Share premium		5 661	5 661
Statutory reserve		1 134	1 082
Revaluation reserve		3 262	3 262
Retained earnings		76 725	59 944
Profit/ Loss for the period		-26 915	16 827
<b>Total equity attributable to owners of the Company</b>		<b>71 205</b>	<b>98 114</b>
<b>Non-controlling interest</b>	4	<b>427</b>	<b>2 624</b>
<b>TOTAL EQUITY</b>		<b>71 632</b>	<b>100 738</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>210 821</b>	<b>245 112</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	2019 12M	2018 12M	2019 Q4	2018 Q4
<b>CONTINUING OPERATIONS</b>					
<b>Operating income</b>					
Revenue	10	55 276	27 991	17 993	6 948
Cost of goods sold	11	-39 467	-18 415	-13 924	-4 264
<b>Gross profit</b>	12	<b>15 809</b>	<b>9 576</b>	<b>4 069</b>	<b>2 684</b>
Marketing expenses		-728	-1 336	-240	-630
Administrative expenses	13	-6 013	-5 427	-1 674	-1 390
Other income	14	95	18 839	39	16 144
Other expenses	14	-24 341	-169	-24 257	-120
<b>Operating profit/ loss</b>		<b>-15 178</b>	<b>21 483</b>	<b>-22 063</b>	<b>16 688</b>
Financial income	15	4	4	1	1
Financial expense	15	-13 953	-3 473	-3 879	-925
<b>Profit/ loss before income tax</b>		<b>-29 127</b>	<b>18 014</b>	<b>-25 941</b>	<b>15 764</b>
Income tax		21	42	-90	-3
<b>Profit/ loss for the period</b>		<b>-29 106</b>	<b>18 056</b>	<b>-26 031</b>	<b>15 761</b>
Attributable to:					
Equity holders of the parent		-26 915	16 827	-24 181	14 491
Non-controlling interest		-2 191	1 229	-1 850	1 270
<b>Total comprehensive income/ loss for the year</b>		<b>-29 106</b>	<b>18 056</b>	<b>-26 031</b>	<b>15 761</b>
Attributable to:					
Equity holders of the parent		-26 915	16 827	-24 181	14 491
Non-controlling interest		-2 191	1 229	-1 850	1 270
Earnings per share for the period (EUR)	16	-0.47	0.30	-0.43	0.26

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

## Consolidated interim statements of cash flows

in thousands of euros	Note	2019 12M	2018 12M	2019 Q4	2018 Q4
<b>Cash flows from operating activities</b>					
Profit/loss for the period		-29 106	18 056	-26 031	15 762
Adjustments for:					
Depreciation, amortisation of non-current assets		399	214	105	56
Gain from disposal of property, plant, equipment		0	-4	0	0
Gain from disposal of investment property		-3	-418	-3	0
Loss from write-off of PPE and intangible assets		6	0	6	0
Change in fair value of property, plant, equipment		-15	-13	-15	-13
Change in fair value of investment property	14	24 236	-17 995	24 236	-16 069
Finance income and costs	15	13 949	3 469	3 878	923
Changes in deferred tax assets and liabilities		-656	-54	-66	0
Other non-monetary changes (net amounts)		420	15 458	-2 026	-1 428
Changes in working capital:					
Trade receivables and prepayments		-630	1 781	1 155	931
Inventories		18 276	-21 307	10 685	-2 611
Liabilities and prepayments		-6 412	-128	1 842	-1 420
Provisions		-51	-107	-36	-609
<b>Net cash used/ generated in operating activities</b>		<b>20 413</b>	<b>-1 048</b>	<b>13 730</b>	<b>-4 478</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	7	-226	-206	-24	-40
Payments for intangible assets		-74	-24	-28	-17
Proceeds from disposal of property, plant, equipment		0	336	0	0
Payments for investment property		-6 019	-47 786	-523	-16 702
Proceeds from disposal of investment property		2 170	1 000	2 170	1 000
Interests received	15	4	4	0	1
<b>Net cash used in investing activities</b>		<b>-4 145</b>	<b>-46 676</b>	<b>1 595</b>	<b>-15 758</b>
<b>Cash flows from financing activities</b>					
Dividend payment		0	-850	0	0
Redemption of convertible bonds		0	-9	0	0
Redemption of non-convertible bonds		-500	-640	0	-6
Proceeds from borrowings		16 461	56 923	544	23 449
Repayment of borrowings		-21 551	-7 496	-8 912	-1 987
Repayment of lease liabilities		-192	0	-63	0
Interests paid		-6 910	-3 481	-3 548	-1 259
Deposited amount related to loan obligations		0	0	2 000	0
<b>Net cash used/ generated by financing activities</b>		<b>-12 692</b>	<b>44 447</b>	<b>-9 979</b>	<b>20 197</b>
<b>Net change in cash and cash equivalents</b>		<b>3 576</b>	<b>-3 277</b>	<b>5 346</b>	<b>-39</b>
Cash and cash equivalents at the beginning		7 040	10 317	5 270	7 079
Cash and cash equivalents at the end of the period		10 616	7 040	10 616	7 040

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

## Consolidated interim statements of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
<b>01 January 2017</b>	<b>10 854</b>	<b>1 816</b>	<b>1 082</b>	<b>9 462</b>	<b>55 191</b>	<b>78 405</b>	<b>1 799</b>	<b>80 204</b>
Changes in noncontrolling interests	0	0	0	0	-174	-174	-305	-479
Increase of share capita	484	3 845	0	0	0	4 329	0	4 329
Distribution of dividends	0	0	0	0	-850	-850	0	-850
Changes in revaluation reserve	0	0	0	-6 202	6 202	0	0	0
Comprehensive loss for the period	0	0	0	-4	-419	-423	-99	-522
<b>31 December 2017</b>	<b>11 338</b>	<b>5 661</b>	<b>1 082</b>	<b>3 256</b>	<b>59 950</b>	<b>81 287</b>	<b>1 395</b>	<b>82 682</b>
Changes in revaluation reserve	0	0	0	6	-6	0	0	0
Comprehensive profit for the period	0	0	0	0	16 827	16 827	1 229	18 056
<b>31 December 2018</b>	<b>11 338</b>	<b>5 661</b>	<b>1 082</b>	<b>3 262</b>	<b>76 771</b>	<b>98 114</b>	<b>2 624</b>	<b>100 738</b>
Changes in statutory reserve	0	0	52	0	-52	0	0	0
Changes in statutory reserve in non-controlling interests	0	0	0	0	6	6	-6	0
Comprehensive loss for the period	0	0	0	0	-26 915	-26 915	-2 191	-29 106
<b>31 December 2019</b>	<b>11 338</b>	<b>5 661</b>	<b>1 134</b>	<b>3 262</b>	<b>49 810</b>	<b>71 205</b>	<b>427</b>	<b>71 632</b>

Changes in non-controlling interests are described in Note 4.

## Notes to consolidated interim financial statements

### Note 1. General information

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

Shareholder	Country of incorporation	Ownership 31.12.2019	Ownership 31.12.2018
Raiffeisen Bank International AG	Austria	48.68%	49.44%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	20.80%	18.42%
Nordea Bank AB (Publ)/ Non-treaty Clients	Finland	11.13%	10.87%
Svalbork Invest OÜ	Estonia	6.41%	7.15%

For the purpose of comparable financial figures of these interim financial statements as at 31 December 2019, AS Pro Kapital Grupp is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting and to forward information to the investors.

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

### Note 2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 „Interim Financial Reporting” as adopted by the European Union. The consolidated interim financial statements do not include all of the information required by complete set of financial statements and should be read in conjunction with annual consolidated financial statements of the Company as at and for the year ended 31 December 2018.

The accounting policies applied by the Company in these consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2018, except for application of the new standard IFRS 16.



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

### Note 3. Segment reporting

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
<b>2019 12M</b>							
<b>Revenue</b>	<b>760</b>	<b>28 911</b>	<b>4 739</b>	<b>17 688</b>	<b>4 451</b>	<b>-1 273</b>	<b>55 276</b>
<i>incl. sale of real estate</i>	0	19 367	4 640	17 412	0		41 419
<i>incl. rental income</i>	0	9 467	71	49	0		9 587
<i>incl. hotel operations</i>	0	0	0	0	4 451	-507	3 944
<i>incl. maintenance services</i>	0	48	0	172	0		220
<i>incl. other revenue</i>	760	29	28	55	0	-766	106
Other operating income and expenses (net)	-3	-23 537	-696	-26	16		-24 246
Segment operating profit/ loss	-1 354	-16 660	381	2 336	110	9	-15 178
Financial income and expense (net)	-5 042	-8 056	-495	-200	-140	-16	-13 949
<b>Profit/ loss before income tax</b>	<b>-6 396</b>	<b>-24 716</b>	<b>-114</b>	<b>2 136</b>	<b>-30</b>	<b>-7</b>	<b>-29 127</b>
Income tax	0	0	-30	50	1		21
Non-controlling interest	0	-2 191	0	0	0		-2 191
<b>Net profit/ loss for the financial year attributable to equity holders of the parent</b>	<b>-6 396</b>	<b>-22 525</b>	<b>-144</b>	<b>2 186</b>	<b>-29</b>	<b>-7</b>	<b>-26 915</b>
<b>31.12.2019</b>							
Assets	58 336	238 504	29 810	17 048	7 106	-139 983	210 821
Liabilities	121 454	94 139	20 803	7 076	4 154	-108 437	139 189
Acquisition of non-current assets	1	133	2	2	162		300
Write-off of non-current assets	0	-7	0	-1	0		-8
Depreciation and amortisation	-5	-78	-54	-32	-230		-399

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
<b>2018 12M</b>							
<b>Revenue</b>	<b>705</b>	<b>15 464</b>	<b>5 771</b>	<b>2 828</b>	<b>4 457</b>	<b>-1 234</b>	<b>27 991</b>
<i>incl. sale of real estate</i>	0	13 284	5 616	2 553	0		21 453
<i>incl. rental income</i>	0	1 271	69	118	0		1 458
<i>incl. hotel operations</i>	0	0	0	0	4 457	-522	3 935
<i>incl. maintenance services</i>	0	644	10	141	0	-1	794
<i>incl. other revenue</i>	705	265	76	16	0	-711	351
Other operating income and expenses (net)	-1	20 599	-1 934	0	6		18 670
Segment operating profit/loss	-1 592	23 294	-300	-136	217		21 483
Financial income and expense (net)	-1 741	2 086	-383	-265	-140	-3 026	-3 469
<b>Profit/Loss before income tax</b>	<b>-3 333</b>	<b>25 380</b>	<b>-683</b>	<b>-401</b>	<b>77</b>	<b>-3 026</b>	<b>18 014</b>
Income tax	0	0	-3	48	-3		42
Non-controlling interest	0	1 229	0	0	0		1 229
<b>Net profit/loss for the financial year attributable to equity holders of the parent</b>	<b>-3 333</b>	<b>24 151</b>	<b>-686</b>	<b>-353</b>	<b>74</b>	<b>-3 026</b>	<b>16 827</b>
<b>31.12.2018</b>							
Assets	60 057	255 324	32 409	27 156	7 034	-136 868	245 112
Liabilities	116 780	86 244	23 258	19 369	4 052	-105 329	144 374
Acquisition of non-current assets	0	56	40	2	132		230
Disposal of non-current assets	0	0	0	-358	0		-358
Depreciation and amortisation	-5	-39	-7	-11	-152		-214

## Note 4. Changes in minority shareholding

### AS Tallinna Moekombinaat

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

in thousands of euros

<b>Non-controlling interest as at 1 January 2018</b>	<b>1 395</b>
Profit for the reporting period	1 229
<b>Non-controlling interest as at 31 December 2018</b>	<b>2 624</b>
Loss for the reporting period	-2 191
Changes in statutory reserve in non-controlling interests	-6
<b>Non-controlling interest as at 31 December 2019</b>	<b>427</b>

## Note 5. Inventories

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

in thousands of euros	31.12.2019	31.12.2018
<b>Property held for resale</b>	<b>17 782</b>	<b>16 604</b>
<i>incl. Kristina Houses, Tallinn</i>	459	1 242
<i>incl. River Breeze, Riga</i>	9 890	12 513
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	7 209	2 115
<i>incl. other properties</i>	224	734
<b>Works in progress</b>	<b>23 090</b>	<b>42 665</b>
<i>incl. Kristina Houses, Tallinn</i>	722	4 917
<i>incl. Kalaranna Quarter, Tallinn</i>	16 398	15 681
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	5 970	22 067
<b>Goods bought for resale</b>	120	58
<b>Prepayments for inventories</b>	39	4
<b>Total</b>	<b>41 031</b>	<b>59 331</b>

Three buildings in the Kristina Houses development project in Tallinn were completed in the fourth quarter. Most of the apartments have been sold and handed over to new owners.

Five buildings in the second stage of Šaltinių Namai development project in Vilnius were completed in June. Sold apartments were handed over to the new owners during the third and fourth quarter.

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

## Note 6. Non-current receivables

in thousands of euros	31.12.2019	31.12.2018
Deposit - bank account	0	5
Accrued income	2 265	176
Finance leases	30	34
Other non-current receivables	2	1
<b>Total</b>	<b>2 297</b>	<b>216</b>

Accrued income has increased by 2.1 million euros due to the changes in estimation of rental income according to IFRS 15.

## Note 7. Property, plant and equipment

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

in thousands of euros	31.12.2019	31.12.2018
Acquisition value	11 046	10 154
Accumulated depreciation	-3 381	-3 026
<b>Residual value</b>	<b>7 665</b>	<b>7 128</b>

On 31 December 2019 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn.

On comparable date 31 December 2018, property, plant and equipment did not include right-of-use assets. On 1 January 2019 the Group recognised initial balances of leases in total amount of 674 thousand euros as right-of-use assets using modified retrospective approach as per implementation of IFRS 16 “Leases” requirements.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Right-of-use assets	Prepayments	Total
<b>Acquisition value 01.01.2018</b>	<b>9 267</b>	<b>880</b>	<b>344</b>	<b>0</b>	<b>9</b>	<b>10 500</b>
<b>Additions:</b>						
Acquired	94	38	74	0	-9	197
Changes in fair value	-2	0	0	0	0	-2
Reclassification	-45	0	-123	0	0	-168
<b>Disposals:</b>						
Sold	-358	0	0	0	0	-358
Written off	0	0	-15	0	0	-15
<b>Acquisition value 31.12.2018</b>	<b>8 956</b>	<b>918</b>	<b>280</b>	<b>0</b>	<b>0</b>	<b>10 154</b>
Initial application of IFRS 16 (Note 2)	0	0	0	674	0	674
<b>Adjusted acquisition value 01.01.2019</b>	<b>8 956</b>	<b>918</b>	<b>280</b>	<b>674</b>	<b>0</b>	<b>10 828</b>
<b>Additions:</b>						
Acquired	121	41	64	0	0	226
<b>Disposals:</b>						
Written off	0	0	-8	0	0	-8
<b>Acquisition value 31.12.2019</b>	<b>9 077</b>	<b>959</b>	<b>336</b>	<b>674</b>	<b>0</b>	<b>11 046</b>

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Right-of-use assets	Prepayments	Total
<b>Accumulated depreciation 01.01.2018</b>	<b>1 934</b>	<b>843</b>	<b>288</b>	<b>0</b>	<b>0</b>	<b>3 065</b>
<b>Additions:</b>						
Depreciation charge for the period	147	21	30	0	0	198
Changes in fair value	-15	0	0	0	0	-15
Reclassification	-44	0	-123	0	0	-167
<b>Disposals and write offs:</b>						
Sold	-40	0	0	0	0	-40
Written off	0	0	-15	0	0	-15
<b>Accumulated depreciation 31.12.2018</b>	<b>1 982</b>	<b>864</b>	<b>180</b>	<b>0</b>	<b>0</b>	<b>3 026</b>
<b>Additions:</b>						
Depreciation charge for the period	148	25	49	155	0	377
Changes in fair value	-15	0	0	0	0	-15
<b>Disposals and write offs:</b>						
Written off	0	0	-7	0	0	-7
<b>Accumulated depreciation 31.12.2019</b>	<b>2 115</b>	<b>889</b>	<b>222</b>	<b>155</b>	<b>0</b>	<b>3 381</b>

## Note 8. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
<b>Balance at 01.01.2018</b>	<b>114 140</b>	<b>0</b>	<b>114 140</b>
<b>Additions:</b>			
Investments	50 200	0	50 200
Capitalised interests	4 070	0	4 070
<b>Changes in fair value:</b>			
Profit from change in fair value (Note 14)	17 995	0	17 995
<b>Disposals:</b>			
Sold	-582	0	-582
Reclassified into inventories	-17 678	0	-17 678
Start of operating lease	-129 200	129 200	0
<b>Balance at 31.12.2018</b>	<b>38 945</b>	<b>129 200</b>	<b>168 145</b>
<b>Additions:</b>			
Investments	1 273	4 746	6 019
<b>Changes in fair value:</b>			
Loss from change in fair value (Note 14)	-1 190	-23 046	-24 236
Reclassified into inventories	-396	0	-396
<b>Disposals:</b>			
Sold	-2 167	0	-2 167
<b>Balance at 31.12.2019</b>	<b>36 465</b>	<b>110 900</b>	<b>147 365</b>

The fair values of the Group's investment property at 31 December 2019 have been derived on the basis of valuations carried out by Colliers International, an independent valuator not related to the Group. The valuations were performed by reference to recent market information. Mainly discounted cash flow method was used due to low number of comparable market transactions. As a result, the total of 24 million euros loss was recorded of which 23 million euros was related to the T1 Mall of Tallinn decrease in value. The valuation of the last year was made based on estimations and expectations. With the first year of operations now concluded, it has become apparent that the financial performance of the shopping mall has been below the initial estimates. The underperformance is partially explained by higher vacancies than originally anticipated, largely driven by lower demand for retail spaces than estimated. In order to reduce vacancies, the operator has offered new tenants rebates as well as tenant improvements to tailor vacant areas to the tenant's desired needs; all of which have come at the expense of a lower operating profit in the short term, and which in turn has led to a decrease in property value. Investments into property in 2019 include mainly costs of AS Tallinna Moekombinaat with the total amount of ca 4.7 million euros.

During the reporting period the property at Tondi street 49a in Tallinn was reclassified from investment properties into inventories in amount of 0.4 million euros.

In the fourth quarter AS Tondi Kvartal sold the property at Tammsaare tee 56/58.

## Note 9. Current and non-current debt

### Current debt

in thousands of euros	31.12.2019	31.12.2018
Bank loans and overdrafts	2 370	5 397
Convertible bonds	5 875	4 331
Non-convertible bonds	27 967	600
Lease liabilities (Note 2)	191	0
<b>Total</b>	<b>36 403</b>	<b>10 328</b>

### Non-current debt

in thousands of euros	31.12.2019	31.12.2018
Bank loans and overdrafts	81 043	77 970
Convertible bonds	4 250	5 802
Non-convertible bonds	0	27 763
Payables to non-controlling interest	510	474
Lease liabilities (Note 2)	424	0
<b>Total</b>	<b>86 227</b>	<b>112 009</b>

On comparable date 31 December 2018, current and non-current debt didn't include lease liabilities which are related to right-of-use assets according to IFRS 16 "Leases" (Note 2). On 1 January 2019, the Group recognised these leases in amount of 673 thousand euros. The total balance of lease liabilities as at 31 December 2019 is 615 thousand euros.

## Creditors

in thousands of euros	31.12.2019	31.12.2018
Luminor Bank AS (EE)	416	446
LHV Bank AS (EE)	5 300	3 855
AS Swedbank (LV)	2 339	4 494
AS DNB Bankas (LT)	0	4 347
Lintgen Adjacent Investments (Agent) incl long-term interests	75 356	70 222
Fiducaria Emiliana S.r.l including long-term interests	330	306
Anndare Limited including long-term interests	181	168
Convertible bonds, various investors (discounted value)	10 125	10 133
Non-convertible bonds, various investors	0	600
Secured bonds, various investors (discounted value)	27 967	27 763
Lease agreements (Note 2)	615	0
Swedbank (EE), credit cards	1	3
<b>Total</b>	<b>122 630</b>	<b>122 337</b>

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 15) for the reporting period was 14.0 million euros (2018 12M: 3.5 million euros).

The most significant creditor of the Company has financed AS Tallinna Moekombinaat (TMK) for the construction of T1 Mall of Tallinn. The total amount provided with the facility agreement was 65 million euros to which accumulated interests have been added until interest payment obligation started (September 2019). The lower operating profitability of AS Tallinna Moekombinaat triggered non-fulfilment of two financial maintenance covenants under the loan facility agreement with the subsidiary's main creditor (DSCR or Debt Service Coverage Ratio and NLR or Net Leverage Ratio – which are ratios to assess the health of the investment in conformity with expected operating results.) However, the operating result of AS Tallinna Moekombinaat in 2019 before non-monetary revaluation effect and the interest costs is positive. AS Tallinna Moekombinaat is also in payment default under the above-mentioned loan facility agreement. While the first regular interest payment under the loan facility agreement was duly made in September 2019, during ongoing negotiations with the lender AS Tallinna Moekombinaat has made no further interest or default interest payments. Such non-payment and the above described non-fulfilment of financial covenants entitle the creditor to accelerate its claims under the facility agreement, but until now

it has chosen not to do so. AS Tallinna Moekombinaat is in active discussions with the lender and negotiations are in progress.

### **Convertible bonds**

The Company has issued convertible bonds with issue price of 2.80 euros. Each convertible bond entitles the holder to redeem and exchange one bond to one share of the Company and for that purpose to subscribe for 1 share as provided in Terms and Conditions of the Convertible Bond Issue by AS Pro Kapital Grupp. Convertible bonds carry interest rate of 7%. Remaining balance sheet value is 10.1 million euros and redemption value 10.3 million euros. The balance value includes 159 thousand euros of prolongation fees that are discounted over the effective period of convertible bonds.

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

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

On 13 August 2019 the Company prolonged the redemption date of 1 081 076 PKG1 convertible bonds by 2 years. New redemption date is 13 August 2021.

On 17 January 2020, after the reporting period, the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2022.

All other conditions for convertible bonds have remained unchanged.

### **Unsecured non-convertible bonds**

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

On 24 September 2019 the Company redeemed 30 “AS Pro Kapital Grupp bond 09.2019” bonds in total issue price of 300 000 euros. The maturity date of 5% non-convertible bonds was 24 September 2019.

During the reporting period all unsecured non-convertible bonds have been redeemed.

### **Secured non-convertible bonds**

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



million euros. As at 31 December 2019 the Company has issued 293 bonds with the total value of 29.3 million euros with redemption date on 1 June 2020 and with a fixed rate of 8%. At the end of the reporting period 14 bonds were held by the Company itself and the liability on the balance sheet has been reduced by 1.4 million euros. The last emission of the bonds was issued with a discount, therefore 150 bonds are accounted for at a discounted rate. The total value of the bonds on the balance sheet on 31 December 2019 was 27.9 million euros.

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

Pro Kapital has recently announced, that we have secured refinancing of the existing senior secured bonds 2015/2020 (the "Existing Bonds") in full by issuing new senior secured bonds 2020/2024 (the "New Bonds"). Until redemption, the terms and conditions of the Existing Bonds still apply and we are required to report breaches of such terms and conditions. Therefore, we inform that in Q4'2019, due to the non-monetary revaluation loss of assets of one of Pro Kapital's subsidiaries, AS Tallinna Moekombinaat, it failed the Maintenance test, which requires at least 40% equity to total assets ratio. We also inform that due to lower than expected operating results of AS Tallinna Moekombinaat, the subsidiary is in payment default under the above-mentioned loan facility agreement, which constitutes an event of default under the Existing Bond. The non-compliance under the terms of the Existing Bonds technically entitles the agent of the bonds to terminate the Existing Bonds and to declare them due for payment immediately (acceleration). As the Existing Bonds are being refinanced in their entirety with proceeds from the issue of the New Bonds and the Existing Bonds will be redeemed on 17 March 2020, then we do not foresee the risk of acceleration of the Existing Bonds. We would like to emphasise that Pro Kapital has fulfilled all monetary obligations arising from the Existing Bonds 2015/2020 in a timely manner. Going forward, under the terms and conditions of the New Bonds, AS Tallinna Moekombinaat is excluded from the ratio of equity to total assets calculation and from the event of default catalogue. Therefore, AS Tallinna Moekombinaat's future performance and the outcome of the negotiations with its lender shall have no negative influence on the fulfilment of the terms and conditions of the New Bonds.

## Pledged assets, balance sheet value

in thousands of euros

Beneficiary	Collateral description	31.12.2019	31.12.2018
<b>Bank accounts</b>			
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	37	37
Lintgen Adjacent Investments	AS Swedbank	3	919
<b>Inventory</b>			
Luminor Bank*	Sõjakooli 12, 12a, 12b, 12c, Tallinn	N/A	3 176
Luminor Bank*	Sammu 6, 6a, 6b, Tallinn	N/A	2 807
LHV Bank AS	Kalaranna 5, 7, 8, 22, Tallinn	16 398	15 681
AS Swedbanka	Trijadibas St.5, Riga	23 527	25 956
AB DNB Bankas*	Aguonu 8 & 10, Vilnius	N/A	12 916
<b>Property, plant and equipment</b>			
Nordea Bank Finland Estonian branch	Sõjakooli 11, Tallinn	730	730
<b>Investment property</b>			
Lintgen Adjacent Investments	AS Tallinna Moekombinaat	110 900	129 200
<i>*Loans have been repaid during the reporting period.</i>			
<b>Share pledges to Nordic Trustee &amp; Agency AB (NTA) related to secured callable fixed rate bonds:</b>			
NTA	Pro Kapital Germany Holdings OÜ	c	10
NTA	Pro Kapital Germany GmbH	25	25
NTA	PK Hotel Management Services GmbH	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3
NTA	Pro Halduse OÜ	26	26
NTA	AS Tondi Kvartal	160	160
NTA	OÜ Marsi Elu	20	20
NTA	AS Tallinna Moekombinaat	11 975	11 975
NTA	Kalaranna Kvartal OÜ	3	3
NTA	Dunte Arendus OÜ	3	3
NTA	Pro Kapital Latvia JSC	9 960	9 960
NTA	Kliversala SIA	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	4 700	4 000
NTA	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	2 500	2 500
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335
NTA	In Vitam UAB	3	3
NTA	PK Invest UAB	823	823
NTA	Pro Kapital Bonum UAB	800	800

## Note 10. Revenue

<b>Segment revenue</b> in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
<b>Revenue from contracts with customers</b>				
Revenue from sale of real estate	41 419	21 453	14 582	4 254
Hotel operating revenue	3 944	3 935	1 078	1 082
Revenue from maintenance and other services	326	1 145	88	317
<b>Total revenue from contracts with customers</b>	<b>45 689</b>	<b>26 533</b>	<b>15 748</b>	<b>5 653</b>
Rental related revenues	9 587	1 458	2 245	1 295
<b>Total</b>	<b>55 276</b>	<b>27 991</b>	<b>17 993</b>	<b>6 948</b>

<b>Timing of revenue recognition</b> in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
<b>At a point in time</b>				
Revenue from sale of real estate	41 419	21 453	14 582	4 254
Hotel operating revenue	3 944	3 935	1 077	1 082
Revenue from other services	106	351	17	273
<b>Total revenue recognised at a point in time</b>	<b>45 469</b>	<b>25 739</b>	<b>15 677</b>	<b>5 609</b>
<b>Over time</b>				
Rental related revenues	9 587	1 458	2 245	1 295
Revenue from maintenance fees	220	794	71	44
<b>Total</b>	<b>55 276</b>	<b>27 991</b>	<b>17 993</b>	<b>6 948</b>

Revenue from sale of real estate has increased 93% year-over-year due to active sales in Kristina Houses in Tallinn, Kliversala in Riga and in Šaltinių Namai in Vilnius.

Rental income has increased by 8.1 million euros compared to the same period in the last year due to the rental revenues of T1 Mall of Tallinn, which was opened in November 2018.

Customer advances decrease when real right agreements are signed and real estate have been handed over to the customers and is the point in time when the Group is entitled for consideration and revenue from sale of real estate is recognised. Customer advances have decreased by 2.7 million euros compared to the end of 2018.

## Note 11. Cost of sales

in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
Cost of real estate sold	31 857	14 021	11 995	2 775
Cost of providing rental services	4 522	782	1 074	679
Cost of hotel operations	2 937	2 889	804	779
Cost of maintenance services	135	664	49	23
Cost of other services	16	59	2	8
<b>Total</b>	<b>39 467</b>	<b>18 415</b>	<b>13 924</b>	<b>4 264</b>

## Note 12. Gross profit

in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
Real estate	9 562	7 432	2 587	1 479
Rental revenue	5 067	676	1 173	616
Hotel operating	1 006	1 046	273	303
Maintenance services	85	130	22	21
Other services	89	292	14	265
<b>Total</b>	<b>15 809</b>	<b>9 576</b>	<b>4 069</b>	<b>2 684</b>

## Note 13. Administration expenses

in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
Staff costs	2 869	2 814	707	817
Land and real estate taxes	404	450	89	106
Bad debt allowance	649	15	216	12
Depreciation charge	137	63	36	15
Other	1 954	2 085	626	440
<b>Total</b>	<b>6 013</b>	<b>5 427</b>	<b>1 674</b>	<b>1 390</b>

## Note 14. Other income and expenses

### Other income

in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
Fines collected	37	348	6	37
Profit from sale of non-current assets	0	4	0	0
Profit from sale of investment property	3	418	3	0
Gain from fair value adjustments of non-current assets	15	13	15	12
Gain from fair value adjustments of investment property (Note 8)	0	17 995	0	16 069
Other	40	61	15	26
<b>Total</b>	<b>95</b>	<b>18 839</b>	<b>39</b>	<b>16 144</b>

## Other expenses

in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
Fines paid	36	92	31	87
Loss from write-off of non-current assets	6	0	6	0
Loss from fair value adjustments of investment property (Note 8)	24 236	0	24 236	0
Other	63	77	-16	33
<b>Total</b>	<b>24 341</b>	<b>169</b>	<b>24 257</b>	<b>120</b>

## Note 15. Finance income and cost

### Finance income

in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
Interest income	4	4	1	1
<b>Total</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>

### Finance cost

in thousands of euros	2019 12M	2018 12M	2019 Q4	2018 Q4
Interest expenses	13 590	3 260	3 661	848
Other financial expenses	363	213	218	77
<b>Total</b>	<b>13 953</b>	<b>3 473</b>	<b>3 879</b>	<b>925</b>

AS Tallinna Moekombinaat finished capitalisation of interest expenses on 31 December 2018 due to the completion of T1 Mall of Tallinn shopping centre. The effect from the change in recognition of the finance cost is 9.5 million euros for twelve months and 2.6 million euros for the fourth quarter.

## Note 16. Earnings per share

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

### Average number of shares:

For the period	01.10.2019-31.12.2019	(56 687 954 x 92/92)	= 56 687 954
For the period	01.10.2018-31.12.2018	(56 687 954 x 92/92)	= 56 687 954
For the period	01.01.2019-31.12.2019	(56 687 954 x 365/365)	= 56 687 954
For the period	01.01.2018-31.12.2018	(56 687 954 x 365/365)	= 56 687 954

### Indicative earnings per share:

For the period	01.10.2019-31.12.2019	-24 181 thousand euros / 56 687 954 = -0.43 euros
For the period	01.10.2018-31.12.2018	14 491 thousand euros / 56 687 954 = 0.26 euros
For the period	01.01.2019-31.12.2019	-26 915 thousand euros / 56 687 954 = -0.47 euros
For the period	01.01.2018-31.12.2018	16 827 thousand euros / 56 687 954 = 0.30 euros

The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2019, therefore they have not been included in the calculation of the diluted net profit (loss) per share and diluted net profit (loss) per share equals the net profit (loss) per share indicator.

## Note 17. Shareholders meetings

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

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

Minutes of the annual shareholders meeting have been published on AS Pro Kapital Grupp web page [www.prokapital.com](http://www.prokapital.com).

## Note 18. Transactions with related parties

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

### Transactions with related parties

in thousands of euros	2019 12M	2018 12M
<b>Significant owners and owner related companies</b>		
Revenues	194	62
Administrative expenses	1	8
Purchase of real estate	0	1 978
Payment for real estate	0	1 776
Dividend payment	0	851
<b>Minority shareholders</b>		
Interest expenses	37	37
<b>Other shareholders/ bondholders</b>		
Interest expenses	733	718
Redemption of convertible bonds	0	9
Redemption of non- convertible bonds	500	640
Interest payments	755	718
<b>Members of the Management Board and Council</b>		
Salaries and bonuses paid to management	988	974
Administrative expenses	13	18

### Receivables from related parties

in thousands of euros	31.12.2019	31.12.2018
<b>Short-term receivables</b>		
From significant owners and owner related companies	0	2
<b>Total</b>	<b>0</b>	<b>2</b>

### Payables to related parties

in thousands of euros	31.12.2019	31.12.2018
<b>Short-term payables</b>		
To significant owner related company	0	203
<b>Long-term payables</b>		
To minority shareholders	510	474
<b>Total</b>	<b>510</b>	<b>677</b>

Shareholding in the Company %	31.12.2019	31.12.2018
Members of the Council and individuals related them	39.74%	0.10%
Members of the Board and individuals related them	0.50%	0.50%

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



## Management Board's confirmation of the financial statements

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

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

Paolo Michelozzi	Chairman of the Management Board	27 February 2020
Allan Remmelkoor	Member of the Management Board	27 February 2020
Edoardo Preatoni	Member of the Management Board	27 February 2020