

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR II QUARTER AND 6 MONTHS OF 2021
(UNAUDITED)

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AS Pro Kapital Grupp in brief

AS Pro Kapital Grupp (hereinafter as “the Company” and/or “Pro Kapital”) is the leading real estate development company in the Baltics, with a commitment and passion for developing high quality, uniquely designed residential and commercial buildings. The Company was established in 1994, which makes Pro Kapital the first professional real estate development company in the Baltics with over 25 years of experience. The key focus is on developing large-scale premium areas in the capitals of Baltic states – Tallinn, Riga and Vilnius, aimed at delivering maximum value for the stakeholders. Pro Kapital is the only real estate company with 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 the first six month of 2021 was 9 million euros, which is a slight decrease of 11 thousand euros compared to the reference period (2021 6M: 9.1 million euros). The total revenue of the second quarter was 2.5 million euros, a decrease of 22% compared to 3.2 million euros during the same period in 2020. 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 have been influenced by completion of Ratsuri Houses project, where all apartments were sold and handed over to new owners. In 2021, the Company has continued with sales of completed developments - River Breeze Residence in Riga and Šaltinių Namai Attico development in Vilnius and presales of ongoing development projects: first phases of Kalaranna District and Kindrali Houses in Tallinn.

The gross profit in the first six month of 2021 decreased by 24% amounting to 2.7 million euros compared to 3.5 million euros during the same period in 2020. In the second quarter the gross profit figures were 0.7 million euros and 1.4 million euros respectively.

The operating result in the first six month of 2021 was 0.9 million euros profit comparing to 0.3 million euros profit during the same period in 2020. The operating result of the second quarter was 1.0 million euros loss comparing to 94 thousand euros loss in 2020.

The net result in the first six month of 2021 was 21.3 million euros profit and in the second quarter 23.5 million euros profit. In the comparable period the net results were 7.9 million euros loss and 3.9 million euros loss respectively. The net result of the reporting period was influenced by loss of control and derecognition of the subsidiary AS Tallinna Moekombinaat.

Cash used in operating activities during the first six month was -3.9 million euros comparing to -2.6 million euros during the same period in 2020. In the second quarter of 2021 cash used in operating activities was -5.2 million euros and -4.6 million euros generated during the same period in 2020.

Net assets per share on 30 June 2021 totalled to 0.61 euros compared to 1.12 euros on 30 June 2020.

Key performance indicators (including discontinued operations)

	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Revenue, th EUR	9 042	9 053	2 479	3 180	19 234
Gross profit, th EUR	2 661	3 491	687	1 354	6 775
Gross profit, %	29%	39%	28%	43%	35%
Operating result, th EUR	877	250	-1 020	-96	-43 108
Operating result, %	10%	3%	-41%	-3%	-224%
Net result, th EUR	21 342	-7 903	23 454	-3 935	-59 456
Net result, %	236%	-87%	946%	-124%	-309%
Earnings per share, EUR	0.38	-0.13	0.42	-0.07	-0.98
		30.06.2021	30.06.2020	31.12.2020	
Total Assets, th EUR		125 105	210 575	179 048	
Total Liabilities, th EUR		90 677	149 173	169 477	
Total Equity, th EUR		34 428	61 402	9 571	
Debt / Equity *		4.00	2.17	14.15	
Return on Assets, % **		14%	-4%	-30.7%	
Return on Equity, % ***		97%	-12%	-141.2%	
Net asset value per share, EUR ****		0.61	1.11	0.23	

*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 **19 January 2021** the Company announced about publishing a listing prospectus in respect of its unsecured, callable, fixed rate non-convertible bonds “EUR 8.00 PRO KAPITAL GRUPP VÕLAKIRI 20-2024” and applying for admission to trading of these bonds on Nasdaq OMX Tallinn bond list. The prospectus was approved by the Estonian Financial Supervisory Authority on January 2021. The first day of trading was on **27 January 2021**.

On **3 February 2021** the Company announced about OÜ Marsi Elu, a company belonging to the AS Pro Kapital Grupp group, and Oma Ehitaja AS signing a contract for the construction of three five-storey building complexes (Kindrali Houses) located in Kristiine City, in Tondi, Estonia. The construction will be carried out in two stages with total cost of 20 million euros including the VAT. In the first construction phase 129 apartments and in the following 66 apartments with parking spaces under the houses and above-ground will be completed. Completion of the first two building complexes is planned for the summer of 2022 at the latest.

On **8 March 2021** the Company announced about redemption of 24 572 PKG6 convertible bonds in total nominal value of 15 726.08 euros and issue value of 68 801.60 euros.

On **29 January 2021** the Company announced about Tallinn District Court ruling from 29 January 2021, which decided not to satisfy the appeals of AS Tallinna Moekombinaat (TMK) and its three creditors - Elkorall OÜ, OÜ Kristiine KVH and AS Merko Ehitus Eesti - against the ruling in which Harju County Court decided to terminate the reorganization proceedings. On **15 February 2021** the Company announced about AS Tallinna Moekombinaat, the subsidiary of AS Pro Kapital Grupp, contesting the ruling of Tallinn District Court and its decision to file an appeal to the Supreme Court of Estonia. On **26 April 2021** the Company announced about the Supreme Court decision not to take AS Tallinna Moekombinaat’s appeal into proceedings. Without the reorganisation proceedings AS Tallinna Moekombinaat is not capable of fulfilling its obligations and has become permanently insolvent. On **2 June 2021** Harju County Court declared bankruptcy of AS Tallinna Moekombinaat.

On **25 May 2021** the Company announced about redemption of 5 400 PKG7 convertible bonds in total nominal value of 3 456 euros and issue value of 15 120 euros.

On **10 June 2021** the Company announced that holders of secured bonds planned to waive temporary covenant failure and that signed a standstill letter. On **15 June 2021** the Company initiated a written procedure to approve waivers regarding its secured

bonds 2020/2024 and on **5 July 2021** received confirmation that the waivers were approved by a requisite majority of the bondholders.

On **21 June 2021** the Company announced about the start of the second phase of construction of Kindrali Houses. Due to high demand for the residential premises in Kristiine City, OÜ Marsi Elu decided to speed up development process and notified Oma Ehitaja AS about the intention to start with the second construction phase i.e., third building of Kindrali Houses as per signed construction contract. In the second phase a residential building with 66 apartments will be built with estimated completion in February 2023. In total three buildings with 195 apartments will be built within this development project.

Chairman's summary

2021 has been a dynamic working period. We have continued with our ongoing developments, where we see remarkable results, but also had to face a setback as the decision of the Supreme Court terminated reorganisation proceedings of our subsidiary AS Tallinna Moekombinaat which led to the permanent insolvency and loss of control of the subsidiary.

Real estate development

We have continued construction of Kindrali Houses and Kalaranna projects and preparing project documentation for the following development phases **in Tallinn**. In March we completed Ratsuri Houses in Kristiine City where we had booked or presold all 39 apartments already prior to the completion. All apartments were sold and handed over within March and April. Soon we start handing over apartments in two first buildings of Kalaranna project, where completion of eight buildings with the total of 240 apartments will be achieved step by step in four phases. Today we have reservations or presales concluded for 88% of premises. This spring we concluded an agreement for sales of all business premises of Kalaranna project for 16.16 million euros (with VAT) including the option to sell also premises of the last phase, which we are preparing to launch in the near future. This year we started with construction of the new project Kindrali Houses in Kristiine City, where two building complexes with 129 apartments will be raised by next summer. In this project we had booked or presold more than half of the apartments before signing the construction agreement. Based on strong demand of our product we initiated also construction of the third building in this project with additional 66 apartments, which will be completed in the first quarter of 2023. Today over 82% of the apartments have been booked or presold in Kindrali.

In Riga we are selling our luxury product River Breeze Residence and prepare for the further development of Kliversala Residential Quarter. We have received a building permit for City Oasis residential quarter with 326 apartments – a tranquil and green living environment in the city centre. We are ready to proceed with construction activities as soon as the market situation becomes more favourable. Unfortunately, the Latvian real-estate market has not been as active as its neighbouring countries Estonia and Lithuania. However, we are observing some changes and recovery of the market.

In 2019 we completed five buildings in Šaltinių Namai Attico project **in Vilnius** with 115 apartments. Today we have only 5 apartments unsold. We are preparing for the following phase with city villas and commercial building and plan to start the construction this year.

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 notary deeds of sale are concluded. In 2021 we have already completed Ratsuri Houses project with

39 apartments and now we start handing over exclusive homes in prime location of Kalaranna project.

T1 Mall of Tallinn

On 3 April 2020 Harju County Court initiated reorganization proceedings of the operator of T1 Mall of Tallinn - AS Tallinna Moekombinaat (TMK). Reorganization proceedings were terminated a year later by the decision of 26 April 2021 of the Supreme Court not to take TMK's appeal into proceedings. Without the reorganisation proceedings AS Tallinna Moekombinaat is not capable to fulfil its obligations and has become permanently insolvent. On 2 June 2021 Harju County Court declared bankruptcy of AS Tallinna Moekombinaat and the Company lost control over subsidiary. AS Pro Kapital Eesti had written off an investment into subsidiary in amount of 13.4 million euros due to negative equity of TMK and as a result of adjusting event also receivables in the total amount of 26 million euros as at 31 December 2020 in its standalone reports. When bankruptcy was declared and the Company lost control over subsidiary, the subsidiary was derecognised in consolidated financial statements and write-off took effect in the second quarter. Although write-off influenced consolidated results negatively, discontinuing consolidation had positive effect to the Group financial results due to derecognition of negative equity of the subsidiary (Note 15).

Hotel operations

Last year had a significant impact on PK Parkhotel Kurhaus in Bad Kreuznach, Germany. Due to the COVID-19 restrictions, the hotel was closed from March until the end of June and due to new restrictions hotel is not operating since November 2020. The impact of COVID-19 has been 0.6 million euros in less hotel revenues in the first six months of 2021 comparing to last year. However, due to governmental support, the net result was better by 208 thousand euros. We reopened the hotel in the middle of June.



In the following months we continue construction works of ongoing development projects and plan to start with the following phases. In spite of losing T1 Mall of Tallinn, our real estate development is doing well, the Company is a going concern and we have an optimistic view for the future.

Paolo Michelozzi
CEO
AS Pro Kapital Grupp
12 August 2021

Group structure*

As at 30 June 2021



* On 2 June 2021 bankruptcy of AS Tallinna Moekombinaat, the subsidiary of Pro Kapital Eesti AS, was declared and the group lost control over the subsidiary.

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.

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 was renovated and constructed by OÜ Vanalinna Ehitus. The construction includes the reconstruction of a 20th-century, two-storey stables building on Talli 5 (former Marsi 5) property, the construction of an extension and partially underground car park. The project was completed this spring. Ratsuri Houses have a total of 39 apartments – 17 in the former stables and 22 in the modern New Holland style building. All apartments were reserved or presold already prior to the end of construction in March 2021. The apartments were handed over during March-April 2021.



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 will be built. The focus is on comfort, safety and living in harmony with environment. The contemporary and Nordic appearance of the buildings is complemented by carefully selected high-quality materials and details in interior design. There are both spacious five-room flats and ground floor studio apartments with separate entrances as well as a washing room for the four-legged friends. The two first buildings are scheduled for completion in summer 2022 and the third one for the first quarter in 2023. To date, 82% of apartments have been reserved or presold.



Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. 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. To date, close to 88% of apartments have been reserved or presold.



Ülemiste 5, Tallinn

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

Kliversala in Riga

The district of 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.

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 an office building. The construction of new office and commercial buildings will be carried out as a second phase of the project. The site is ready for construction, existing building is conserved. The building permit has been issued and the Company will start with construction when market conditions will be favourable.



City Oasis Quarter in Riga



City Oasis quarter lies in Tallinas street 5/7 and is a unique residential area in the central city of Riga, where new buildings, modern loft-style apartment buildings and also restored historical buildings can be found to create an extraordinary atmosphere in the area. The development foresees business premises on the first floors of the buildings. The building permit has been issued and 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 activities through the business activities: real estate sale and rent, hotel operations, maintenance of real estate and other services.

All information here is given including discontinued operations.

Revenue structure of six months, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
Real estate	4 985	489	727	931	1 203	3 224	0	0	6 915	4 644
Rent	1 730	3 454	39	39	9	14	0	0	1 778	3 507
Hotel	0	0	0	0	0	0	129	737	129	737
Maintenance	33	31	0	0	134	107	0	0	167	138
Other	42	8	8	12	3	7	0	0	53	27
Total	6 790	3 982	774	982	1 349	3 352	129	737	9 042	9 053

Revenue structure of second quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
Real estate	915	146	0	11	562	1 450	0	0	1 477	1 607
Rent	752	1 450	20	19	5	3	0	0	777	1 472
Hotel	0	0	0	0	0	0	96	13	96	13
Maintenance	17	16	0	0	71	55	0	0	88	71
Other	35	8	4	7	2	2	0	0	41	17
Total	1 719	1 620	24	37	640	1 510	96	13	2 479	3 180

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 for the six months amounted to 75% compared to 44% during the same period last year.

During the reporting period of six months the total of 39 apartments, 45 parking lots and 11 storage rooms were sold (2020 6M: 3 apartments, 4 parking lots and 4 storage rooms).

At the end of the reporting period the stock consisting of several parking spaces and storage rooms were available for sale in Tallinn.

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

The share of the Latvian segment as a percentage of total revenues of the Company for the six months amounted to 9% comparing to 11% in the same period last year. At the end of the reporting period the stock consisting of 28 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 for the six months amounted to 15% comparing to 37% during the same period last year.

During the reporting period 5 apartments, 8 storage rooms and 7 parking lots were sold in Lithuania (2020 6M: 6 apartments, 2 cottages, 2 business premises, 5 storage rooms and 11 parking lots). There were 5 apartments, 1 business premise, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

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

The share of the German segment as a percentage of total revenues of the Company for the six months amounted to 1% comparing to 8% last year. The occupancy rate of 28% of PK Parkhotel Kurhaus has decreased by 46% compared to 53% during the same period in 2020. Total revenues of six months were 129 thousand euros compared to 737 thousand euros during the same period in 2020. Net result for the six months was 247 thousand euros loss (2020 6M: 455 thousand euros loss). Due to the Emergency State and restrictions set by the German Government the hotel was closed during since the beginning of the year and was re-opened in the middle of June 2021.

Other operative data of six months

	EST		LV		LT		Total	Total
	2021 6M	2020 6M						
M ² sold*	2 110	228	250	286	344	1 140	2 704	1 655
Average price, m ² /EUR*	2 216	1 958	2 559	3 018	3 013	2 629	2 349	2 604
M ² under maintenance	33 927	26 307	0	0	26 549	24 946	60 476	51 253

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

Other operative data of second quarter

	EST		LV		LT		Total	Total
	2021 Q2	2020 Q2						
M ² sold*	406	76	0	0	178	472	584	3 018
Average price, m ² /EUR*	2 091	1 918	0	0	2 886	2 852	2 333	2 454
M ² under maintenance	33 927	26 307	0	0	26 549	24 946	60 476	44 352

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

Financing sources and policies

Pro Kapital pursues conservative financing policy, 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 11.8 million euros from LHV Pank AS and 612 thousand euros from Coop Pank AS. The Company repaid 2.9 million euros of the bank loans, 84 thousand euros of non-convertible bonds and refinanced non-convertible bonds with the nominal value of 1 million euros. As at 30 June 2021, the total loan debt to the banks was 30.5 million euros (Note 9).

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

As at 30 June 2021 the Company had issued 0.5 million euros convertible bonds, 28.5 million euros secured bonds with redemption date in February 2024 and 9.7 million euros unsecured bonds with redemption date in October 2024 (Note 9).

Shares and shareholders

As at 30 June 2021 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 2021 there were 623 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 2021 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	29 174 698	51.47%
Clearstream Banking AG	12 181 002	21.49%
Svalbork Invest OÜ	5 590 639	9.86%
Nordea Bank AB (Publ)/ Non-treaty Clients	4 987 996	8.80%

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 2021 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.
- 18 803 439 shares representing 33.17% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 3 510 985 shares representing 6.19% of the total shares of the Company held through a nominee account opened by Nordea Bank.

Participation of Member of the Management Board and the Council Members as at 30 June 2021 is as follows:

Name	Position	Number of shares	Participation in %
Paolo Vittorio Michelozzi	CEO	281 647	0.50%
Allan Remmelkoor	COO	0	0.00%
Edoardo Axel Preatoni	Board member	0	0.00%
Emanuele Bozzone	Chairman of the Council	0	0.00%
Petri Olkinuora	Council Member	30 000	0.05%
Oscar Cramer	Council Member	15 000	0.03%

Earnings per share during the six months of 2021 were 0.38 euros (2020 6M: -0.13 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 June 2021, NASDAQ Baltic Main List



Source: nasdaqbaltic.com

On 23 November 2012 the Company was listed on the secondary list of Tallinn's stock exchange. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn's stock exchange. During the period 1 January – 30 June 2021 the shares were traded at the price range 0.68-1.14 euros, with the closing price of 1.03 euros per share on 30 June 2021. During the period 1 260 thousand of the Company's shares were traded with their turnover amounting to 1 024 thousand euros.

Since 13 March 2014 the Company's shares are available for trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 30 June 2021 the shares were traded at the price range of 0.65-1.09 euros, with the closing price 1.01 euros per share on 30 June 2021. During the period 173 thousand of the Company's shares were traded with the total turnover of 126 thousand euros.

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 Group has set the policy to disclose in its reporting pending court litigation disputes which might have material financial effect on the Company and its share price. As per the policy all disputes which might have financial effect of at least 100 000 euros (at once or during the period of one financial year) are disclosed in the reporting.

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

The second court case is a claim of compensation against the state in relation to the same cadastral unit – court proceedings were halted until 23 March 2021 when a final court decision took effect in the first court case. Since the Supreme Court in the preceding case has decided in favour of the Land Board, then AS Pro Kapital Eesti has unjustly paid a portion of the purchase price and land tax from this cadastral unit. Following the Supreme Court decision in the previous case, the Administrative Court ordered AS Pro Kapital Eesti to submit a revised complaint by 15 April 2021. For purposes of gathering additional evidence, AS Pro Kapital Eesti applied for and was granted the extension of the deadline until 30 April 2021 and submitted required documents on time. The company is claiming from the state compensation of 192 338 euros of land tax paid in excess during 01.01.2004-31.12.2018 as well as that the state compensate 681 816 euros of the purchase price overpaid by the company for that portion of land (including notary and state fees paid in excess = 675 546 + 2 034 + 4 236), the claim for compensation amounting to 874 152 euros in total in the principal

sum plus 1 176 261.55 euros of interest in arrears. The court has ordered Land Board to reply to the company's revised complaint by 3 June 2021. The Land Board argued that since the company should have brought the complaint earlier, then as the company did not sue the state within the 10-year limitation period, the court should dismiss the case; and as the company has never been the owner of the plot, then bearing the associated cost (purchase price, notary fees, state fee and land tax) does not infringe on the company's rights. On 05 July, 2021, by order of the Tallinn Administrative Court the case was terminated due to the limitation period being exceeded and the court refused to reinstate the time limit for the appeal. On 22 July 2021, the company appealed the court order to the District Court, requesting reinstatement of the time limit since the company first found out about the infringement of its rights (and resulting damages) with the Land Board's 27 June 2018 decision whereby it refused to register one cadastral unit into the register in the process of division of the real estate into smaller plots. The Land Board responded on 10 August, reinstating its claims. The company awaits the decision of the Tallinn District Court.

People

As at 30 June 2021 the Company employed 70 people compared to 88 people on 30 June 2020. 31 of them were engaged in hotel and property maintenance services (38 on 30 June 2020). The number of employees does not include council members.

Risks

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

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

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

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

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

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	12 August 2021
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	12 August 2021
Edoardo Preatoni	Member of the Management Board	12 August 2021

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	30.06.2021	30.06.2020 (Restated*)	31.12.2020
ASSETS				
Current assets				
Cash and cash equivalents		13 842	7 061	9 393
Current receivables		967	1 077	1 797
Inventories	5	67 967	45 381	58 352
Total current assets		82 776	53 519	69 542
Non-current assets				
Non-current receivables	6	23	3 716	3 517
Property, plant and equipment	7	6 648	7 047	6 745
Right-of-use assets	7	266	438	357
Investment property	8	35 038	145 501	98 512
Intangible assets		354	354	375
Total non-current assets		42 329	157 056	109 506
TOTAL ASSETS	3	125 105	210 575	179 048
LIABILITIES AND EQUITY				
Current liabilities				
Current debt	9	1 262	83 162	107 581
Customer advances		13 070	6 059	7 866
Current payables		4 882	15 430	22 211
Tax liabilities		111	167	458
Short-term provisions		475	325	459
Total current liabilities		19 800	105 143	138 575
Non-current liabilities				
Long-term debt	9	67 085	41 179	27 255
Other non-current payables		2 577	1 416	2 295
Deferred income tax liabilities		1 133	1 289	1 170
Long-term provisions		82	146	182
Total non-current liabilities		70 877	44 030	30 902
TOTAL LIABILITIES	3	90 677	149 173	169 477
Equity attributable to owners of the Company				
Share capital in nominal value		11 338	11 338	11 338
Share premium		5 661	5 661	5 661
Statutory reserve		1 134	1 216	1 134
Revaluation reserve		2 984	3 262	2 984
Retained earnings		-8 031	47 564	47 647
Profit / Loss for the period		21 342	-7 554	-55 678
Total equity attributable to owners of the Company		34 428	61 487	13 086
Non-controlling interest	4	0	-85	-3 515
TOTAL EQUITY		34 428	61 402	9 571
TOTAL LIABILITIES AND EQUITY		125 105	210 575	179 048

* See Note 2 for details regarding restatement.

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

Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
CONTINUING OPERATIONS						
Operating income						
Revenue	10, 16	7 307	5 597	1 727	1 727	13 637
Cost of goods sold	11, 16	-5 494	-4 060	-1 505	-1 294	-9 424
Gross profit	12, 16	1 813	1 537	222	433	4 213
Marketing expenses		-239	-277	-114	-126	-611
Administrative expenses	13, 16	-2 463	-2 118	-1 470	-1 024	-4 372
Other income	14, 16	1 508	4	176	3	384
Other expenses	14, 16	-49	-12	-28	-2	2 876
Operating profit/ loss		570	-866	-1 214	-716	2 490
Financial income	15, 16	53 810	2	53 809	1	4
Financial expense	15, 16	-27 753	-2 817	-26 362	-1 203	-5 419
Profit / loss before income tax		26 627	-3 681	26 234	-1 918	-2 925
Income tax		-28	-79	-11	-10	-354
Net profit / loss from continuing operations		26 599	-3 760	26 223	-1 928	-3 279
Profit from discontinued operations	16	-5 257	-4 143	-2 768	-2 011	-56 177
Net profit / loss for the period		21 342	-7 903	23 455	-3 939	-59 456
Attributable to:						
Equity holders of the parent		21 627	-7 554	23 577	-3 769	-55 678
Non-controlling interest	4	-285	-349	-123	-170	-3 778
Other comprehensive income, net of income tax						
Items that will not be reclassified subsequently to profit or loss						
Net change in properties revaluation reserve	7	0	0	0	0	-278
Total comprehensive income / loss for the year		21 342	-7 903	23 455	-3 937	-59 734
Attributable to:						
Equity holders of the parent		21 627	-7 554	23 577	-3 769	-55 956
Non-controlling interest		-285	-349	-123	-170	-3 778
Earnings per share (continuing operations) €		0.47	-0.07	0.46	-0.03	-0.06
Earnings per share for the period €		0.38	-0.13	0.41	-0.07	-0.99

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Cash flows from operating activities						
Profit/loss for the period		21 342	-7 903	23 454	-3 937	-59 456
Adjustments for:						
Depreciation, amortisation of non-current assets		194	208	94	104	416
Gain from disposal of investment property		-1 092	0	0	0	0
Loss from write-off of plant, property, equipment		0	0	0	0	8
Change in fair value of property, plant, equipment		0	0	0	0	-16
Change in fair value of investment property		0	0	0	0	43 127
Gain from derecognition of subsidiary	15	-53 808	0	-53 808	0	0
Finance income and costs	15	33 314	8 074	29 321	3 831	15 994
Changes in deferred tax assets and liabilities		-37	-59	-19	-32	-178
Other non-monetary changes (net amounts)		1 545	1	1 544	1	-3 110
Changes in working capital:						
Trade receivables and prepayments		4 319	-980	4 266	-570	-1 514
Inventories		-9 616	-4 350	-6 487	-5 053	-13 011
Liabilities and prepayments		64	2 348	-3 442	1 012	10 025
Provisions		-100	19	-113	10	59
Net cash used in operating activities		-3 875	-2 642	-5 190	-4 634	-7 656
Cash flows from investing activities						
Payments for property, plant and equipment	7	-34	-12	-6	-3	-94
Payments for intangible assets		-5	-2	-3	0	-43
Payments for investment property	8	-246	-397	-36	-95	-844
Proceeds from disposal of investment property		2 000	0	0	0	0
Change in cash from derecognition of subsidiary		-183	0	-183	0	0
Interests received	15	1	2	0	0	1
Net cash used in investing activities		1 533	-409	-228	-98	-980
Cash flows from financing activities						
Net proceeds from secured bonds		0	28 500	0	0	28 500
Redemption of convertible bonds		-84	0	-15	0	-33
Repurchase of non-convertible bonds		0	-28 000	0	0	-28 000
Proceeds from borrowings		12 411	2 857	6 573	2 757	14 410
Repayment of borrowings		-2 865	-656	-8	-8	-1 376
Repayment of lease liabilities		-87	-84	-41	-36	-135
Interests paid		-2 584	-3 121	-580	-379	-5 953
Net cash used/ generated by financing activities		6 791	-504	5 929	2 334	7 413
Net change in cash and cash equivalents		4 449	-3 555	511	-2 398	-1 223
Cash and cash equivalents at the beginning		9 393	10 616	13 331	9 459	10 616
Cash and cash equivalents at the end of the period		13 842	7 061	13 842	7 061	9 393

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

Consolidated interim statements of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2019	11 338	5 661	1 082	3 256	76 771	98 114	2 624	100 738
Changes in revaluation reserve	0	0	52	0	-52	0	0	0
Changes in non-controlling interests	0	0	0	0	6	6	-6	0
Comprehensive loss for the period (Restated*)	0	0	0	0	-29 078	-29 078	-2 355	-31 433
31 December 2019 (Restated*)	11 338	5 661	1 134	3 262	47 647	69 042	263	69 305
Allocation of funds to statutory reserve	0	0	82	0	-82	0	0	0
Comprehensive loss for the period	0	0	0	0	-7 554	-7 554	-349	-7 903
30 June 2020	11 338	5 661	1 216	3 262	40 011	61 487	-85	61 402
Correction of allocation of funds to statutory reserve	0	0	-82	0	82	0	0	0
Comprehensive loss for the period	0	0	0	-278	-48 124	-48 402	-3 429	-51 831
31 December 2020	11 338	5 661	1 134	2 984	-8 031	13 085	-3 515	9 570
Changes in non-controlling interests	0	0	0	0	0	0	3 515	3 515
Comprehensive profit for the period	0	0	0	0	21 342	21 342	0	21 342
30 June 2021	11 338	5 661	1 134	2 984	13 311	34 428	0	34 428

* See Note 2 for details regarding restatement.

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 30.06.2021	Ownership 30.06.2020	Ownership 31.12.2020
Raiffeisen Bank International AG	Austria	51.47%	51.88%	54.70%
Clearstream Banking AG	Germany	21.49%	20.28%	20.06%
Svalbork Invest OÜ	Estonia	9.86%	6.41%	6.63%
Nordea Bank AB (Publ)/ Non-treaty Clients	Finland	8.80%	8.45%	8.45%

For the purpose of comparable financial figures of these interim financial statements as at 30 June 2021, AS Pro Kapital Grupp is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting and to forward information to the investors.

For the comparable period of six months of 2020, 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 2020.

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 2020.

Prior period errors

When determining the fair value of investment property, double counting of assets or liabilities that are separately recognised in the balance sheet should be avoided. When making the adjustment to the fair value of investment property in the balance sheet as at 31 December 2019, the Management did not take into account the fact that a receivable had already been recognised for a portion of the future cash flows. The carrying amount of the T1 Mall of Tallinn investment property is therefore 108 639 thousand euros as at 31 December 2019, restated by 2 261 thousand euros already recognised in the balance sheet.

The following table summarises the impact of the prior period error on the financial statements of the Group.

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	2019 (Restated)	2019
Other operating expenses	-26 602	-24 341
<i>Including net result from fair value adjustments from investment property</i>	-26 497	-24 236
Operating profit/ loss	-17 439	-15 178
Profit/ loss before income tax	-31 454	-29 193
Profit/ loss from continuing operations	-31 433	-29 172
Total comprehensive loss for the year	-31 433	-29 172
Attributable to:		
Owners of the Company	-29 078	-26 981
Non-controlling interests	-2 355	-2 191
Earnings per share		
Basic (euros per share)	-0.51	-0.48
Diluted (euros per share)	-0.51	-0.48

Consolidated statement of financial position

in thousands of euros	31.12.2019 (Restated)	31.12.2019
Non-current assets		
Investment property	145 104	147 365
Total non-current assets	155 438	157 699
TOTAL ASSETS	208 560	210 821
Equity attributable to owners of the Company		
Profit/ loss for the financial year	-29 078	-26 981
Total equity attributable to owners of the Company	69 042	71 139
Non-controlling interest	263	427
TOTAL EQUITY	69 305	71 566
TOTAL LIABILITIES AND EQUITY	208 560	210 821

Note 3. Segment reporting

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2021 6M							
Revenue	0	6 790	777	1 349	366	-240	9 042
<i>incl. sale of real estate</i>	0	4 985	727	1 203	0		6 915
<i>incl. rental income</i>	0	1 730	39	9	218	-218	1 778
<i>incl. hotel operations</i>	0	0	0	0	129	0	129
<i>incl. maintenance services</i>	0	33	0	134	0		167
<i>incl. other revenue</i>	0	42	11	3	19	-22	53
Other operating income and expenses (net)	-18	941	0	5	406		1 334
Segment operating profit/loss	-942	1 835	-42	167	-150	10	878
Financial income and expense (net)	-2 796	23 574	-224	21	-77	-5	20 493
Profit/Loss before income tax	-3 738	25 409	-266	188	-227	5	21 371
Income tax	0	0	0	-26	-3		-29
Non-controlling interest	0	0	0	0	0		0
Net profit/loss for the financial year attributable to equity holders of the parent	-3 738	25 409	-266	162	-230		21 342
30.06.2021							
Assets	54 437	166 303	27 930	13 564	7 187	-144 316	125 105
Liabilities	128 579	48 286	20 278	1 006	5 299	-112 771	90 677
Acquisition of non-current assets	0	7	0	4	28		39
Reclassification	0	0	-2	0	0		-2
Depreciation and amortisation	-3	-41	-24	-14	-112		-194
2020 6M							
Revenue	0	3 982	982	3 352	746	-9	9 053
<i>incl. sale of real estate</i>	0	489	931	3 224	0		4 643
<i>incl. rental income</i>	0	3 454	39	14	0		3 507
<i>incl. hotel operations</i>	0	0	0	0	746	-5	741
<i>incl. maintenance services</i>	0	31	0	107	0		138
<i>incl. other revenue</i>	0	8	12	7	0	-4	23
Other operating income and expenses (net)	0	2	0	0	-6		-4
Segment operating profit/loss	-1 010	601	97	916	-359	5	250
Financial income and expense (net)	-3 146	-4 606	-230	-15	-70	-7	-8 074
Profit/Loss before income tax	-4 156	-4 005	-133	901	-429	-2	-7 824
Income tax	0	0	0	-76	-3		-79
Non-controlling interest	0	-349	0	0	0		-349
Net profit/loss for the financial year attributable to equity holders of the parent	-4 156	-3 656	-133	825	-432	-2	-7 554
30.06.2020							
Assets (Restated*)	56 136	243 274	29 389	13 551	6 853	-138 628	210 575
Liabilities	123 410	105 243	20 514	2 754	4 333	-107 081	149 173
Acquisition of non-current assets	0	6	0	1	7		14
Depreciation and amortisation	-3	-52	-26	-14	-113		-208

* See Note 2 for details regarding restatement.

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2020 12M							
Revenue	736	6 687	2 007	8 874	1 684	-754	19 234
<i>incl. sale of real estate</i>	0	1 002	1 903	8 574	0		11 479
<i>incl. rental income</i>	0	5 588	78	23	0		5 689
<i>incl. hotel operations</i>	0	0	0	0	1 684	-12	1 672
<i>incl. maintenance services</i>	0	62	0	224	0		286
<i>incl. other revenue</i>	736	35	26	53	0	-742	108
Other operating income and expenses (net)	22	-42 874	-602	0	346		-43 108
Segment operating profit/loss	-1 369	-43 517	-613	2 786	-404	9	-43 108
Financial income and expense (net)	-5 917	-9 425	-475	-15	-148	-14	-15 994
Profit/Loss before income tax	-7 286	-52 942	-1 088	2 771	-552	-5	-59 102
Income tax	0	0	-2	-348	-4		-354
Non-controlling interest	0	-3 778	0	0	0		-3 778
Net profit/loss for the financial year attributable to equity holders of the parent	-7 286	-49 164	-1 090	2 423	-556	-5	-55 678
31.12.2020							
Assets	53 832	214 948	28 224	13 518	7 492	-138 966	179 048
Liabilities	124 237	125 854	20 306	1 401	5 096	-107 417	169 477
Acquisition of non-current assets	0	60	1	3	73		137
Disposal of non-current assets	0	-33	-11	0	0		-44
Depreciation and amortisation	-5	-62	-49	-29	-227		-372

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 31 December 2019	6.65%
Minority (%) as at 30 June 2020	6.65%
Minority (%) as at 31 December 2020	6.65%
<i>Loss of control on 2 June 2021</i>	<i>-6,65%</i>
Minority (%) as at 30 June 2021	0%

in thousands of euros

Non-controlling interest as at 31 December 2019 (restated*)	263
Loss for the reporting period	-349
Non-controlling interest as at 30 June 2020	-85
Loss for the reporting period	-3 429
Non-controlling interest as at 31 December 2020	-3 515
Loss for the reporting period	-285
Loss of control on 2 June 2021	-3 800
Non-controlling interest as at 30 June 2021	0

* See Note 2 for details regarding restatement.

On 2 June AS Tallinna Moekombinaat was declared bankrupt and the Company lost control over the subsidiary.

Note 5. Inventories

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Property held for resale	10 212	15 098	11 534
<i>incl. Kristina Houses, Tallinn</i>	24	68	58
<i>incl. River Breeze, Riga</i>	8 253	9 382	8 705
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	1 827	5 540	2 663
<i>incl. other properties</i>	108	108	108
Works in progress	57 639	30 133	46 694
<i>incl. Kristiine City, Tallinn</i>	5 465	1 209	7 059
<i>incl. Kalaranna Quarter, Tallinn</i>	46 183	22 953	33 663
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	5 991	5 971	5 972
Goods bought for resale	55	149	124
Prepayments for inventories	61	1	0
Total	67 967	45 381	58 352

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

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

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

Note 6. Non-current receivables

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Accrued income (rental income)	0	3 688	3 490
Finance leases	23	28	26
Other non-current receivables	0	0	1
Total	23	3 716	3 517

Accrued income was related to the recognition of estimation of rental income in T1 Mall of Tallinn according to IFRS 15.

Note 7. 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 2021 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn, Estonia.

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Acquisition value of property, plant and equipment	10 116	10 384	10 154
Accumulated depreciation	-3 468	-3 337	-3 409
Residual value of property, plant and equipment	6 648	7 047	6 745

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Acquisition value of right-of-use assets	610	669	664
Accumulated depreciation	-344	-231	-307
Residual value of right-of-use assets	266	438	357

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

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	Total	Right-of-use assets
Acquisition value 31.12.2019	9 077	959	336	0	10 372	674
Acquired	0	3	5	4	12	-5
Acquisition value 30.06.2020	9 077	962	341	4	10 384	669
Acquired	43	24	15	0	82	-5
Reclassification	4	0	0	-4	0	0
Change in fair value	-278	0	0	0	-278	0
Written off	0	0	-34	0	-34	0
Acquisition value 31.12.2020	8 846	986	322	0	10 154	664
Acquired	0	23	6	5	34	-2
Derecognition of the subsidiary	0	0	-70	0	0	-52
Written off	0	0	-2	0	0	0
Acquisition value 30.06.2021	8 846	1 009	256	5	10 116	610

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	Total	Right-of-use assets
Accumulated depreciation 31.12.2019	2 115	889	222	0	3 226	155
Depreciation charge for the period	76	10	25	0	111	76
Accumulated depreciation 30.06.2020	2 191	899	247	0	3 337	231
Depreciation charge for the period	76	10	27	0	113	76
Changes in fair value	-16	0	0	0	-16	0
Written off	0	0	-25	0	-25	0
Accumulated depreciation 31.12.2020	2 251	909	249	0	3 409	307
Depreciation charge for the period	72	12	21	0	106	73
Derecognition of the subsidiary	0	0	-46	0	-46	-34
Written off	0	0	-2	0	-2	0
Accumulated depreciation 30.06.2021	2 325	921	222	0	3 468	344

Note 8. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
Balance at 31.12.2019	36 465	110 900	147 365
Restatement (Note 2)	0	-2 261	-2 261
Restated balance at 31.12.2019	36 465	108 639	145 104
Additions:			
Investments	388	9	397
Balance at 30.06.2020	36 853	108 648	145 501
Additions:			
Investments	299	148	447
Changes in fair value:			
Profit/ loss from change in fair value	2 880	-42 520	-39 640
Double-counted adjustment	0	-3 487	-3 487
Reclassified into inventories	-4 309	0	-4 309
Balance at 31.12.2020	35 723	62 789	98 512
Additions:			
Investments	223	23	246
Disposals:			
Sales	-908	0	-908
Derecognition of the subsidiary	0	-62 812	-62 812
Balance at 30.06.2021	35 038	0	35 038

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 2020, except for the property of AS Tallinna Moekombinaat, which was valued by its Management Board. The valuations were performed by reference to recent market

information by external valuator. Mainly discounted cash flow method was used due to low number of comparable market transactions.

On 2 June 2021 bankruptcy of AS Tallinna Moekombinaat was declared and control over the subsidiary as well as the related property was lost.

Note 9. Current and non-current debt

Current debt

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Bank loans and overdrafts	849	77 085	78 458
Convertible bonds	280	5 909	1 296
Secured non-convertible bonds	0	0	27 542
Unsecured non-convertible bonds	0	0	100
Lease liabilities	133	168	185
Total	1 262	83 162	107 581

Non-current debt

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Bank loans and overdrafts	29 687	8 428	17 888
Convertible bonds	163	4 255	191
Secured non-convertible bonds	27 772	27 512	8 293
Unsecured non-convertible bonds	9 301	0	0
Payables to non-controlling interest	0	630	651
Lease liabilities	162	354	232
Total	67 085	41 179	27 255

Creditors

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Luminor Bank AS (EE)	371	402	387
AS LHV Pank (EE)	29 187	7 963	17 388
AS Swedbank (LV)	477	1 698	993
Coop Pank AS (EE)	0	94	1 722
Sparkasse (DE)	500	0	500
Lintgen Adjacent Investments (Agent) incl long-term interests	0	75 356	75 356
Colosseum Finance OÜ including long-term interests	0	101	104
Fiducaria Emiliana S.r.l including long-term interests	0	341	353
Ernesto Achille Preatoni including long-term interests	0	188	194
Convertible bonds, various investors (discounted value)	443	10 164	1 487
Secured bonds, various investors (discounted value)	27 772	27 512	27 642
Unsecured bonds, various investors (discounted value)	9 301	0	8 293
Lease agreements (related to right-of-use assets)	296	522	417
Total	68 347	124 341	134 836

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 15) for the reporting period was 7.2 million euros (2020 6M: 8.1 million euros).

On 2 June 2021 AS Tallinna Moekombinaat was declared bankrupt and the Company lost control over the subsidiary.

Convertible bonds

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

On 30 November 2020 the Company announced about the start of the third subscription period for private placement of non-convertible bonds with the aggregate nominal value of 1 502 015.20 euros. The Bonds were to be subscribed for only in exchange for the existing Pro Kapital convertible bonds. The subscription period of the Bonds started on 1 December 2020 and ended on 13 December 2020. During the third subscription period 345 938 bonds with the total issue value of 968 626.40 euros were subscribed. The issue date of the third tranche of the Bonds took place on **15 January 2021**.

On **8 March 2021** the Company announced about redemption of 24 572 PKG6 convertible bonds in total nominal value of 15 726.08 euros and issue value of 68 801.60 euros.

On **25 May 2021** the Company announced about redemption of 5 400 PKG7 convertible bonds in total nominal value of 3 456 euros and issue value of 15 120 euros.

Unsecured non-convertible bonds

Due to the refinancing of PKG1-PKG7 convertible bonds as described in the chapter "Convertible bonds" above, new 2 925 641 unsecured and non-convertible bonds with the total face value of 8 191 794.80 euros were issued on 3 August 2020. During the second subscription period, 187 502 bonds with the total issue value of 525 005.60 euros were issued. The total value of the unsecured non-convertible bonds was 8.7 million euros on 31 December 2020. During the third subscription period, 345 938 bonds with the total issue value of 968 626.40 euros were issued. The third tranche subscription results were notified at 14 December 2020 and bonds were issued at 15

January 2021. New unsecured non-convertible bonds with the total issue value of 9 685 426.80 euros have been listed on Nasdaq Tallinn bond list since January 2021. The balance sheet value on the reporting date is 9.3 million euros - nominal value 9.7 million euros minus 0.4 million euros of refinancing costs.

On **19 January 2021** the Company announced about publishing a listing prospectus in respect of its unsecured, callable, fixed rate non-convertible bonds “EUR 8.00 PRO KAPITAL GRUPP VÕLAKIRI 20-2024” and applying for admission to trading of these bonds on Nasdaq OMX Tallinn bond list. The prospectus was approved by the Estonian Financial Supervisory Authority on January 2021. The first day of trading was on **27 January 2021**.

Secured non-convertible bonds

In February 2020, the Company refinanced the senior secured bonds 2015/2020 (the “Old Bonds”) in full by issuing new senior secured, called, fixed rate bonds 2020/2024 (the “New Bonds”) in total amount of 28.5 million euros. The New Bonds are similar to the Old Bonds with minor differences. All shares of Pro Kapital subsidiaries with and exception of shares of AS Tallinna Moekombinaat have been pledged. 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 2021. The balance sheet value is 27.8 million euros - nominal value minus 0.7 million euros of refinancing costs are being discounted over the effective period of the New Bonds (until the maturity period). According to New Bonds terms and conditions, the Company has to maintain the equity ratio above 35% at all times. For calculation consolidated figures are used excluding AS Tallinna Moekombinaat (TMK). The Company is temporarily not meeting financial covenants. However, in July 2021 the bondholders voted in favour of the waiver according to which the Company has time to reach the necessary equity ratio level by the end of the year. As at the end of the reporting period the calculated equity ratio was 27.5%.

Pledged assets in balance sheet value

in thousands of euros

Beneficiary	Collateral description	30.06.2021	30.06.2020	31.12.2020
Bank accounts				
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	22	320	25
Inventory				
LHV Pank AS	Kalaranna 8, 22, Tallinn	46 194	22 953	16 398
AS Swedbanka (Latvia)	Trijadibas St. 5, Riga	21 672	23 489	23 527
Coop Pank AS*	Marsi 5, Tallinn	N/A	764	3 310
Property, plant and equipment and intangible assets				
Nordea Bank Finland Estonian branch	Sõjakooli 11, Tallinn	730	730	730
Colosseum Finance OÜ **	Assets of AS Tallinna Moekombinaat	N/A	96	67
Investment Property				
Lintgen Adjacent Investments **	AS Tallinna Moekombinaat	N/A	108 649***	62 789

*Loan has been repaid during reporting period.

** Subsidiary has been derecognised.

*** See Note 2 for details regarding restatement.

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

		30.06.2021	30.06.2020	31.12.2020
NTA	Pro Kapital Germany Holdings OÜ	11	11	11
NTA	Pro Kapital Germany GmbH	25	25	25
NTA	PK Hotel Management Services GmbH	116	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3	3
NTA	Pro Halduse OÜ	26	26	26
NTA	AS Tondi Kvartal	160	160	160
NTA	OÜ Marsi Elu	20	20	20
NTA	Kalaranna Kvartal OÜ	3	3	3
NTA	Dunte Arendus OÜ	3	3	3
NTA	Pro Kapital Latvia JSC	9 960	9 960	9 960
NTA	Kliversala SIA	14 531	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	10 300	7 500	10 300
NTA	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	6 100	4 300	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
NTA	Pro Kapital Bonum UAB*	N/A	800	N/A

* Pro Kapital Bonum UAB has been merged with its parent company PK Invest UAB as at 25 September 2020

Note 10. Revenue

Segment revenue

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Revenue from contracts with customers					
Revenue from sale of real estate	6 915	4 643	1 477	1 606	11 479
Hotel operating revenue	129	741	96	17	1 672
Revenue from maintenance and other services	220	161	129	84	394
Total revenue from contracts with customers	7 264	5 545	1 702	1 707	13 545
Rental income	1 778	3 508	777	1 473	5 689
Total	9 042	9 053	2 479	3 180	19 234

Timing of revenue recognition

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
At a point in time					
Revenue from sale of real estate	6 915	4 643	1 477	1 606	11 479
Hotel operating revenue	129	741	96	17	1 672
Revenue from other services	53	24	41	14	108
Total revenue recognised at a point in time	7 097	5 408	1 614	1 637	13 259
Over time					
Rental income	1 778	3 508	777	1 473	5 689
Revenue from maintenance fees	167	137	88	70	286
Total	9 042	9 053	2 479	3 180	19 234

Revenues include discontinued operations. Revenue from discontinued operations is disclosed in note 16.

Revenue from sale of real estate has increased by 49% as Ratsuri Houses were completed and relevant revenues recorded in spring 2021. Sales of available inventory have continued in Kliversala in Riga and in Šaltinių Namai in Vilnius. Revenue from hotel operations has decreased by 83% compared to the previous comparable period due to COVID-19 as the hotel has been closed since the beginning of the year and reopened in the middle of June. COVID-19 has affected also rental revenue. Rental revenue includes provision of future rental revenues as per IFRS 15 rental revenue recording principles.

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 11. Cost of sales

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Cost of real estate sold	4 874	3 138	1 155	1 059	7 385
Cost of providing rental services	912	1 508	309	532	3 011
Cost of hotel operations	496	831	276	191	1 852
Cost of maintenance services	97	80	51	40	163
Cost of other services	2	5	1	4	48
Total	6 381	5 562	1 792	1 826	12 459

Cost of sales includes discontinued operations. Discontinued operations are disclosed in note 16.

Note 12. Gross profit

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Real estate	2 041	1 505	322	547	4 094
Rental revenue	866	2 000	468	941	2 678
Hotel operating	-367	-90	-180	-174	-180
Maintenance services	70	57	37	30	123
Other services	51	19	40	10	60
Total	2 661	3 491	687	1 354	6 775

Gross profit includes discontinued operations. Discontinued operations are disclosed in note 16.

Note 13. Administration expenses

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Staff costs	1 365	1 354	663	654	2 953
Land and real estate taxes	172	171	87	79	391
Allowance of doubtful debt and written-off debt	732	400	671	216	998
Depreciation charge	63	65	32	32	128
Other	546	960	282	407	1 684
Total	2 878	2 950	1 735	1 388	6 154

Administration expenses include discontinued operations. Discontinued operations are disclosed in note 16.

Note 14. Other income and expenses

Other income

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Fines collected	61	41	41	38	63
Profit from sale of investment property	1 092	0	0	0	0
Gain from fair value adjustments of non-current assets	0	0	0	0	16
Other	415	29	176	29	399
Total	1 568	70	217	67	478

Other expenses

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Fines paid	205	62	66	1	445
Loss from write-off of non-current assets	0	0	0	0	9
Net loss from fair value adjustments - investment property	0	0	0	0	43 128
Other	29	12	9	2	4
Total	234	74	75	3	43 586

Other income and expenses include discontinued operations. Discontinued operations are disclosed in note 16.

Note 15. Finance income and cost

Finance income

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Interest income	3	2	2	1	4
Profit from derecognition of subsidiary	53 808	0	53 808	0	0
Total	53 811	2	53 810	1	4

Finance cost

in thousands of euros	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Interest expenses	7 247	7 636	3 408	3 615	15 965
Foreign currency loss	0	0	0	0	1
Other financial expenses	26 071	440	25 916	217	32
Total	33 318	8 076	29 324	3 832	15 998

Finance income and cost include discontinued operations. Discontinued operations are disclosed in note 16.

Note 16. Discontinued operations

On 2 June 2021 bankruptcy of AS Tallinna Moekombinaat was declared and the Company lost control over its subsidiary. Accordingly, T1 Mall of Tallinn related operations are considered as discontinued operations.

in thousands of euros	Notes	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
DISCONTINUED OPERATIONS						
Operating income						
Revenue	10	1 735	3 456	752	1 453	5 597
Cost of goods sold	11	-887	-1 502	-287	-532	-3 035
Gross profit	12	848	1 954	465	921	2 562
Marketing expenses		-1	-10	0	0	-11
Administrative expenses	13	-415	-832	-265	-364	-1 782
Other income	14	60	66	41	64	94
Other expenses	14	-185	-62	-46	-1	-46 462
Operating profit		307	1 116	195	620	-45 599
Financial income	15	0	0	0	0	0
Financial expense	15	-5 564	-5 259	-2 963	-2 630	-10 578
Loss before income tax		-5 257	-4 143	- 2 768	-2 010	-56 177
Income tax		0	0	0	0	0
Loss from discontinued operations		-5 257	-4 143	-2 768	-2 010	-56 177
Earnings per share (discontinued operations) €		-0.09	-0.07	-0.05	-0.04	-0.99

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	01.01.2021-30.06.2021	(56 687 954x 182/182)	= 56 687 954
For the period	01.01.2020-30.06.2020	(56 687 954x181/181)	= 56 687 954
For the period	01.04.2021-30.06.2021	(56 687 954x 91/91)	= 56 687 954
For the period	01.04.2020-30.06.2020	(56 687 954x 91/91)	= 56 687 954
For the period	01.01.2020-31.12.2020	(56 687 954 x 366/366)	= 56 687 954

Indicative earnings per share from continuing operations:

For the period	01.01.2021-30.06.2021	26 627 thousand euros/ 56 687 954 = 0.47 euros
For the period	01.01.2020-30.06.2020	-3 760 thousand euros/ 56 687 954 = -0.07 euros
For the period	01.04.2021-30.06.2021	26 222 thousand euros/ 56 687 954 = 0.46 euros
For the period	01.04.2020-30.06.2020	-1 928 thousand euros/ 56 687 954 = -0.03 euros
For the period	01.01.2020-31.12.2020	-3 279 thousand euros / 56 687 954 = -0.06 euros

Indicative earnings per share:

For the period	01.01.2021-30.06.2021	21 627 thousand euros/ 56 687 954 = 0.38 euros
For the period	01.01.2020-30.06.2020	-7 554 thousand euros/ 56 687 954 = -0.13 euros
For the period	01.04.2021-30.06.2021	23 577 thousand euros/ 56 687 954 = 0.42 euros
For the period	01.04.2020-30.06.2020	-3 769 thousand euros/ 56 687 954 = -0.07 euros
For the period	01.01.2020-31.12.2020	-55 678 thousand euros / 56 687 954 = -0.98 euros

The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2021 and 2020 (unaudited), 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 18. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place on 7 July 2021. In total 33 268 913 votes were represented, which forms 58,69% of all votes attached to the shares. The main decisions adopted at the meeting were as follows:

1. The audited annual report of the Company for the financial year of 2020 was approved.
2. It was decided to cover net loss for the financial year which ended 31 December 2019 in the amount of 2 096 645 euros with retained earnings of previous periods.
3. It was decided to cover net loss for the financial year which ended 31 December 2020 in the amount of 55 677 271 euros with retained earnings of previous periods in the amount of 47 646 533 euros, from the revaluation reserve in the amount of 2 983 778 euros, from the statutory reserve in the amount of 1 133 759 euros and from share premium in the amount of 3 913 201 euros.
4. It was decided to elect Ernst & Young Baltic AS as the auditor of the Company for the financial year of 2021.

Minutes of the annual shareholders meeting have been published on AS Pro Kapital Grupp web page 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	2021 6M	2020 6M	2020 12M
Significant owners and owner related companies			
Revenues	4	10	14
Loans received	0	100	100
Interest expenses incurred	8	1	4
Minority shareholders			
Interest expenses incurred	10	18	37
Other shareholders / bondholders			
Interest expenses incurred	461	358	754
Redemption of convertible bonds	84	0	33
Redemption of non- convertible bonds	0	100	100
Interest payments	344	362	789
Members of the Management Board and Council			
Salaries and bonuses paid to management	511	436	915
Administrative expenses	8	10	19
Revenues	150	0	0

Payables to related parties

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Long-term payables			
To significant owner related company	0	101	104
To minority shareholders	0	529	547
Total	10 135	630	651

Shareholding in the Company %	30.06.2021	30.06.2020	31.12.2020
Significant owner and owner related companies	49.22%	42.83%	45.99%
Members of the Board and individuals related them	0.50%	0.50%	0.50%
Members of the Council and individuals related them	0.08%	0.08%	0.08%

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

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for the six months and the second quarter of 2021.

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	12 August 2021
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Allan Remmelkoor	Member of the Management Board	12 August 2021
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Edoardo Preatoni	Member of the Management Board	12 August 2021
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