

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR 1 QUARTER AND 3 MONTHS OF 2020
(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 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 quarter of 2020 was 5.9 million euros, which is a decrease of 43% compared to the reference period (2019 3M: 10.4 million euros). 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 revenue was higher in the first quarter in 2019 due to completion of an apartment building in Kristina Houses. In 2020, the Company continues with sales of completed developments - River Breeze Residence in Riga and Šaltinių Namai Attico development in Vilnius.

The gross profit in the first quarter of 2020 decreased by 48% amounting to 2.1 million euros compared to 4.1 million euros during the same period in 2019.

The operating result in the first quarter of 2020 was 0.3 million euros profit comparing to 2.6 million euros profit during the same period in 2019. The decrease in operating result is influenced by the decrease in the total revenues and a slight increase in operating expenses.

The net result in the first quarter of 2020 was 4.0 million euros loss. In the comparable period the net result was 0.1 million euros loss. The net result of the reporting period was influenced by high interest expenses in AS Tallinna Moekombinaat.

Cash generated from operating activities during the reporting period was 2.0 million euros comparing to 0.4 million euros of cash used in operating activities in the first quarter of 2019.

Net assets per share on 31 March 2020 totalled to 1.19 euros compared to 1.78 euros on 31 March 2019.

Key performance indicators

	2020 3M	2019 3M	2019 12M
Revenue, th EUR	5 873	10 372	55 276
Gross profit, th EUR	2 137	4 142	15 809
Gross profit, %	36%	40%	29%
Operating result, th EUR	346	2 644	-15 193
Operating result, %	6%	25%	-27%
Net result, th EUR	-3 966	-113	-29 121
Net result, %	-68%	-1%	-53%
Earnings per share, EUR	-0.07	0.00	-0.48
	31.03.2020	31.03.2019	31.12.2019
Total Assets, th EUR	209 622	247 386	210 805
Total Liabilities, th EUR	142 022	146 761	139 187
Total Equity, th EUR	67 600	100 625	71 566
Debt / Equity *	2.10	1.46	1.94
Return on Assets, % **	-1.7%	-0.1%	-12.8%
Return on Equity, % ***	-4.7%	-0.1%	-34.4%
Net asset value per share, EUR ****	1.19	1.78	1.26

*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 17 January 2020 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 the Company announced about the 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 the Company informed about of successful issue of senior secured, callable, fixed rate bonds (New Bonds) in total amount of 28.5 million euros. The new bonds carry a fixed rated coupon of 8% and mature in February 2024.

On 20 February 2020 the Company notified of early redemption of the senior secured, callable fixed rate bonds (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 Existing Bonds were redeemed on 17 March 2020. In accordance with the terms and conditions for the Existing Bonds, these 279 bonds were redeemed at an amount equal to 101.00 per cent of the nominal amount, *i.e.* 101 000 euros per each bond. The total redemption amount per each Existing Bond, together with accrued and unpaid interest up to and including the early redemption date was 103 355.56 euros.

On 31 March 2020 the owner and operator of T1 Mall of Tallinn shopping centre, AS Tallinna Moekombinaat (TMK), submitted an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability of TMK. **On 3 April 2020** Harju County Court initiated reorganisation proceedings. In cooperation with the reorganization advisor TMK has prepared and submitted a reorganization plan to the creditors for review and formation of position and creditors are expected to vote until 26 May 2020. **On 2 June 2020** TMK has to submit to the Court a reorganisation plan on implementation of reorganisation measures, including impact of reorganisation to the creditors.

Chairman's summary

The first quarter of 2020 has been a very busy period for us in spite of the slow-down of businesses in many sectors due to the influence of the worldwide spread of the SARS-CoV-2 virus and COVID-19.

During the reporting period have refinanced senior secured bonds 2015/2020 with the new bonds 2020/2024 - each denominated 100 000 euros, carrying a fixed rate coupon of 8.00 per cent and maturing in February 2024. Pro Kapital intends to apply for the listing of the new bonds within 12 months from the issue date.

Our real estate developments have been carried on as per our plans. In February we signed a renovation and construction contract for Ratsuri Houses project in Tallinn, Kristiine City. The former stable house will be renovated to accommodate unique apartments with high ceilings and a modern New Holland style residential house with semi-underground parking will be built next to the renovated house. The total of 39 apartments will be completed next spring. Construction of Kalaranna District in Tallinn is continuing and going well so that we are looking forward to completion of the buildings in 2021. We do not foresee any delays in the completion timing and external financing has been secured for both developments.

Currently, we have no ongoing constructions in Riga. We continue sales of luxury apartments in River Breeze Residence and prepare to proceed with the development of further phases of Kliversala Quarter. The technical projecting process for Tallinnas residential quarter and Brivibas street business quarter are ongoing.

In Vilnius, more than 70% of the five houses of Šaltiniu Namai Attico project which were completed last year have been sold already and customers have remained active even in the current economic conditions.

Due to the restrictions in Germany, PK Parkhotel Kurhaus in Bad Kreuznach has been closed since the end of March and we estimate to reopen in the middle of June.

There has been a significant influence of the Emergency State (declared in all countries of our operations) on retail business and consequently on our T1 Mall of Tallinn shopping centre. The shopping centres in Estonia were closed since the end of March and reopened on 11 May. Meanwhile, only the food stores and pharmacies were allowed to remain open. AS Tallinna Moekombinaat, a subsidiary owning and operating T1 Mall of Tallinn, submitted an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability. On 3 April 2020 Harju County Court initiated reorganisation proceedings and AS Tallinna Moekombinaat has to submit a reorganisation plan on implementation of reorganisation measures, including impact of reorganisation to the creditors, to the Court by 2 June 2020. The creditors need to vote to accept the plan and the final decision on approval of the plan will be

taken by the Court. The initiation of reorganisation proceedings shall not influence the day-to-day economic activities of the T1 Mall of Tallinn, its tenants and partners – it means that T1 Mall of Tallinn continues its operations. The purpose of reorganisation proceedings is to ensure continuation of normal daily business by safeguarding the rights and interests of investors, employees, creditors and all cooperation partners. The reorganisation process involves only AS Tallinna Moekombinaat and has no direct influence to any other group company of AS Pro Kapital Grupp.

We have started the year 2020 with expected results in revenues and gross profit. The sales revenues for the first quarter of 2020 were 5.9 million euros, which is a decrease of 43% compared to the 10.4 million euros during the same period last year. The result of 2019 was influenced by completion of a new building in Kristina Houses project. 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. The operating profit for the first quarter of 2020 was 0.3 million euros comparing to 2.6 million euros during the same period in 2019. The net result was influenced by 2.6 million euros interest expenses related to T1 project. Consequently, the net result of the first quarter in 2020 was 3 966 thousand euros loss compared to 113 thousand euros loss during the same period in 2019.

In 2020 we do not foresee any completion of real estate projects and we concentrate on development of ongoing projects, make preparations to start new projects and contribute to re-establishing normal activities in rental and hotel operations.



Paolo Michelozzi
CEO
AS Pro Kapital Grupp
21 May 2020

Group structure

As at 31 March 2020



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

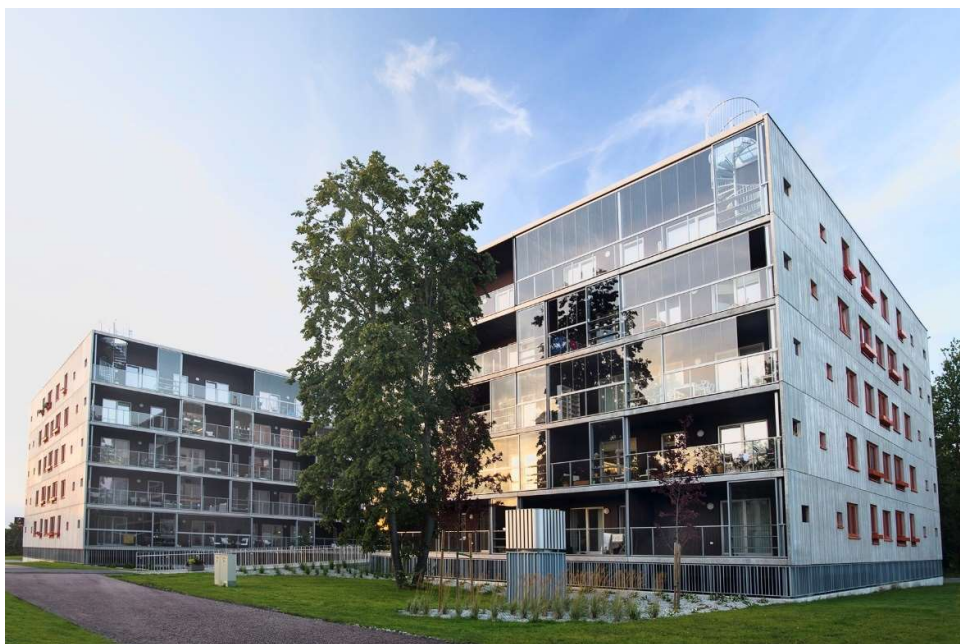
Ülemiste 5 land plot is closely connected to the T1 Mall of Tallinn property, located on Peterburi road 2. Ülemiste 5 will be developed for commercial premises with gross leasable area 14 thousand square meters. This development project will play a significant role in establishing the new public transportation 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.



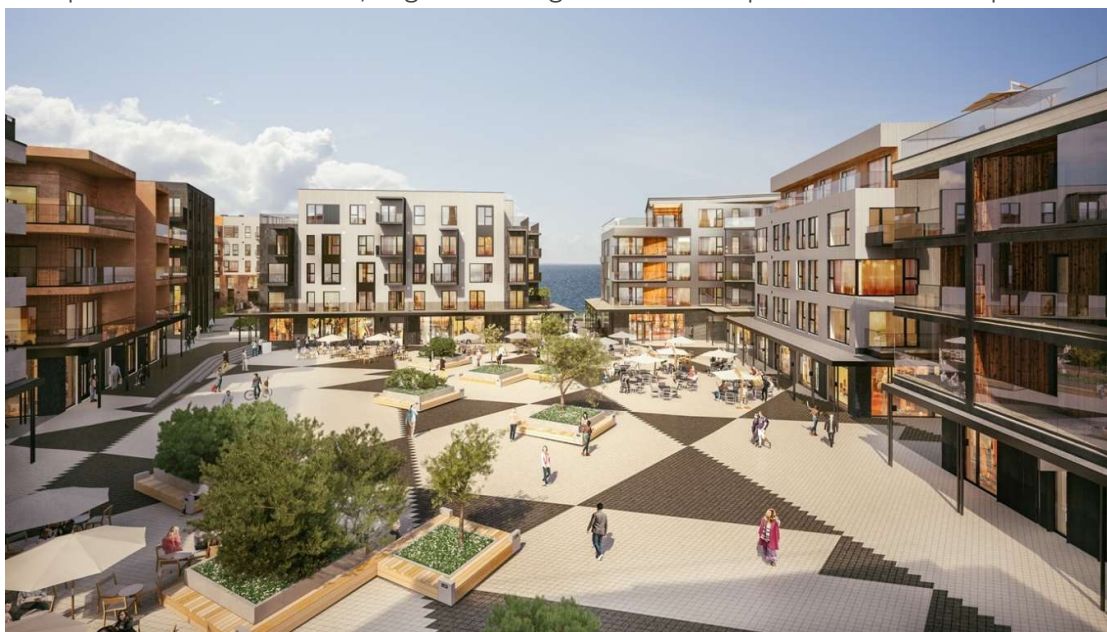
Ratsuri Houses in Kristiine City

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

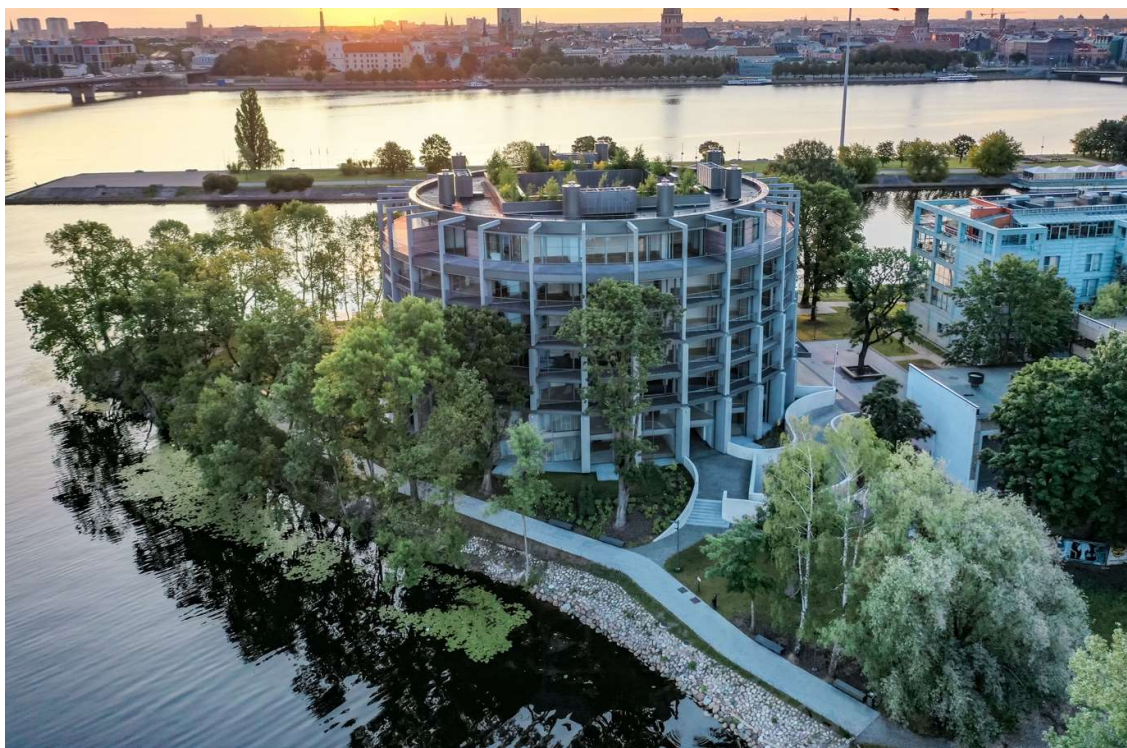
Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. Kalaranna District, located at Kalaranna 8, will have twelve 4-5 storey buildings on nearly six hectares. The area will be developed in two stages. An integral part of the residential quarter 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 the first quarter, in thousands of euros

	EST		LV		LT		GER		Total	
	2020 Q1	2019 Q1	2020 Q1	2019 Q1	2020 Q1	2019 Q1	2020 Q1	2019 Q1	2020 Q1	2019 Q1
Real estate	343	4 465	920	2 375	1 774	58	0	0	3 037	6 898
Rent	2 004	2 502	20	17	11	20	0	0	2 035	2 539
Hotel	0	0	0	0	0	0	724	864	724	864
Maintenance	15	10	0	0	52	36	0	0	67	46
Other	0	15	5	5	5	5	0	0	10	25
Total	2 362	6 992	945	2 397	1 842	119	724	864	5 873	10 372

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 the first quarter of 2020 amounted to 40.2% compared to 67.4% in the same period in 2019.

During three months of 2020 the total of 2 apartments, 4 parking lots and 3 storage rooms were sold (2019 3M: 32 apartments, 38 parking lots and 22 storage rooms). At the end of the reporting period the stock consisting of 1 apartment, 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 in the first quarter of 2020 amounted to 16.1% comparing to 23.1% in the same period last year. At the end of the reporting period the stock consisting of 32 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 the first quarter of 2020 amounted to 31.4% comparing to 1.1% last year.

During the reporting period 2 apartments, 1 cottage, 2 storage rooms and 2 parking lots were sold in Lithuania (2019 3M: 7 storage rooms). There were 29 apartments, 1 cottage, 1 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 the first quarter of 2020 amounted to 12.3% comparing to 8.3% last year. The occupancy rate of 53% of PK Parkhotel Kurhaus shows 5% decrease compared to the same period in year 2019. The revenue for three months was 724 thousand euros compared to 864 thousand euros last year. Gross operating profit in the first quarter of 2019 decreased by 57% and amounted to 30 thousand euros comparing to 69 thousand euros in 2019. Net result for the three months was 125 thousand euros loss (2019 3M: 96 thousand euros loss). Currently, the hotel is closed due to Emergency State and restrictions set by the German Government. It is planned to reopen the hotel in the middle of June.

Other operative data of the first quarter

	EST	EST	LV	LV	LT	LT	Total	Total
	2020 Q1	2019 Q1	2020 Q1	2019 Q1	2020 Q1	2019 Q1	2020 Q1	2019 Q1
M2 sold*	152	2 289	286	689	668	0	1 106	2 978
Average price, m2/EUR*	1 978	1 801	3 018	3 131	2 472	0	2 545	2 109
M2 under maintenance	26 307	21 048	0	0	24 127	17 844	50 434	38 892

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

Financing sources and policies

Pro Kapital Grupp pursues conservative financing policy. Company's goal is to use external financing in the way, which allows to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. In general, the 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 100 thousand euros from Colosseum Finance OÜ. The Company repaid 0.6 million euros of the bank loans, 0.1 million euros of non-convertible bonds which matured last year and refinanced non-convertible bonds with the nominal value of 27.9 million euros in the first quarter of 2020. As at 31 March 2020, the total loan debt to the banks was 82.9 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 March 2020 the Company had issued 10.25 million euros convertible bonds and 28.5 million euros secured, callable, fixed rate bonds with redemption date in February 2024 (Note 9).

Shares and shareholders

As at 31 March 2020 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 March 2020 there were 297 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 March 2020 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	29 370 274	51.81%
Clearstream Banking Luxembourg S.A. Clients	11 429 593	20.16%
Nordea Bank AB (Publ)/ Non-treaty Clients	4 799 696	8.47%
Svalbork Invest OÜ	3 633 387	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 March 2020 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 March 2020 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%
Ernesto Preatoni	Council Member	22 502 129	39.69%

Earnings per share for the three months of 2020 were -0.07 euros (2019 3M: 0.00 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares,
1 January – 31 March 2020, 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 – 31 March 2020 the shares were traded at the price range 0.65 – 1.39 euros, with the closing price of 0.68 euros per share on 31 March 2020. During the period 392 thousand of the Company's shares were traded with their turnover amounting to 416 thousand euros.

Since 13 March 2014 the Company's shares are available for trading on Frankfurt's stock exchange (*Frankfurt Wertpapierbörse*) Open Market trading platform Quotation Board. During the period of 1 January – 31 March 2020 the shares were traded at the price range of 0.59 – 1.35 euros, with the closing price 0.68 euros per share on 31 March 2020. During the period 230 thousand of the Company's shares were traded with the total turnover of 256 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 at 31 March 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 not started proceedings as at the date of publishing this report. The second court case is a claim of compensation against the state in relation to the same cadastral unit – court proceedings have been halted until a final court decision takes effect in the first court case. In case the Supreme Court takes the matter for review and decides in favour of the Land Board or if the Land Board should render its original decision from privatisation time invalid, then AS Pro Kapital Eesti will have unjustly paid land tax from this cadastral portion of land and the company shall have a right to claim that the state compensate 192 336 euros of land tax paid in excess during 2004-2018 and to claim that the state compensates 733 450 euros of the purchase price paid by the company for that portion of land, the claim for compensation amounting to 925 788 euros in total.

People

As at 31 March 2020 the Company employed 92 people (91 on 31 March 2019). 43 of them were engaged in hotel and property maintenance services (42 on 31 March 2019). 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 cycle, thus naturally capitalising on market opportunities and hedging market risk. The size and the diversity of the Company's real estate portfolio allows to adjust itself according to the needs in the market.

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

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

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

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	21 May 2020
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	21 May 2020
Edoardo Preatoni	Member of the Management Board	21 May 2020

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	31.03.2020	31.03.2019	31.12.2019
ASSETS				
Current assets				
Cash and cash equivalents		9 459	6 166	10 616
Current receivables		1 281	845	1 475
Inventories	5	40 329	59 962	41 031
Total current assets		51 069	66 973	53 122
Non-current assets				
Non-current receivables	6	2 942	677	2 297
Property, plant and equipment	7	7 100	7 108	7 146
Right-of-use assets	7	480	635	519
Investment property	8	147 667	171 672	147 365
Intangible assets		364	321	372
Total non-current assets		158 553	180 413	157 699
TOTAL ASSETS	3	209 622	247 386	210 821
LIABILITIES AND EQUITY				
Current liabilities				
Current debt	9	83 153	14 540	111 759
Customer advances		5 935	5 510	3 974
Current payables		10 837	8 188	8 741
Tax liabilities		849	395	1 155
Short-term provisions		329	903	267
Total current liabilities		101 103	29 536	125 896
Non-current liabilities				
Long-term debt	9	38 398	113 937	10 871
Other non-current payables		1 064	1 140	1 013
Deferred income tax liabilities		1 320	2 004	1 348
Long-term provisions		137	144	127
Total non-current liabilities		40 919	117 225	13 359
TOTAL LIABILITIES	3	142 022	146 761	139 255
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	1 082	1 134
Revaluation reserve		3 262	3 262	3 262
Retained earnings		49 744	76 771	76 725
Profit/ Loss for the period		-3 788	-43	-26 981
Total equity attributable to owners of the Company		67 351	98 071	71 139
Non-controlling interest	4	249	2 554	427
TOTAL EQUITY		67 600	100 625	71 566
TOTAL LIABILITIES AND EQUITY		209 622	247 386	210 821

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

Consolidated interim statements of profit and loss and other comprehensive income

in thousands of euros	Notes	2020 3M	2019 3M	2019 12M
CONTINUING OPERATIONS				
Operating income				
Revenue	10	5 873	10 372	55 276
Cost of goods sold	11	-3 736	-6 230	-39 467
Gross profit	12	2 137	4 142	15 809
Marketing expenses		-161	-142	-728
Administrative expenses	13	-1 562	-1 353	-6 013
Other income	14	3	27	95
Other expenses	14	-71	-30	-24 341
Operating profit/ loss		346	2 644	-15 178
Financial income	15	1	1	4
Financial expense	15	-4 244	-2 757	-14 019
Loss before income tax		-3 897	-112	-29 193
Income tax		-69	-1	21
Loss for the period		-3 966	-113	-29 172
Attributable to:				
Equity holders of the parent		-3 788	-43	-26 981
Non-controlling interest	4	-178	-70	-2 191
Total comprehensive loss for the year		-3 966	-113	-29 172
Attributable to:				
Equity holders of the parent		-3 788	-43	-26 981
Non-controlling interest		-178	-70	-2 191
Earnings per share for the period (EUR)	16	-0.07	0.00	-0.48

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2020 3M	2019 3M	2019 12M
Cash flows from operating activities				
Profit/loss for the period		-3 966	-113	-29 172
Adjustments for:				
Depreciation, amortisation of non-current assets		105	94	399
Gain from disposal of investment property		0	0	-3
Loss from write-off of PPE and intangible assets		0	0	6
Change in fair value of property, plant, equipment		0	0	-15
Change in fair value of investment property		0	0	24 236
Finance income and costs	15	4 243	2 756	14 016
Changes in deferred tax assets and liabilities		-27	0	-656
Other non-monetary changes (net amounts)		-1	31	419
Changes in working capital:				
Trade receivables and prepayments		-409	1 572	-630
Inventories		703	-582	18 276
Liabilities and prepayments		1 336	-4 145	-6 412
Provisions		10	10	-51
Net cash used/ generated in operating activities		1 994	-377	20 413
Cash flows from investing activities				
Payments for property, plant and equipment	7	-10	-31	-226
Payments for intangible assets		-2	-1	-74
Payments for investment property	8	-302	-3 533	-6 019
Proceeds from disposal of investment property		0	0	2 170
Interests received	15	1	1	4
Net cash used in investing activities		-313	-3 564	-4 145
Cash flows from financing activities				
Proceeds from bonds		28 500	0	0
Redemption of non-convertible bonds		-28 000	0	-500
Proceeds from borrowings		100	7 570	16 461
Repayment of borrowings		-648	-3 843	-21 551
Repayment of lease liabilities		-48	-36	-192
Interests and finance costs paid		-2 742	-624	-6 910
Net cash used/ generated by financing activities		-2 838	3 067	-12 692
Net change in cash and cash equivalents		-1 157	-874	3 576
Cash and cash equivalents at the beginning		10 616	7 040	7 040
Cash and cash equivalents at the end of the period		9 459	6 166	10 616

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
01 January 2018	11 338	5 661	1 082	3 256	59 950	81 287	1 395	82 682
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
31 December 2018	11 338	5 661	1 082	3 262	76 771	98 114	2 624	100 738
Comprehensive loss for the period	0	0	0	0	-43	-43	-70	-113
31 March 2019	11 338	5 661	1 082	3 262	76 728	98 071	2 554	100 625
Changes in statutory 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	0	0	0	0	-26 938	-26 938	-2 121	-29 059
31 December 2019	11 338	5 661	1 134	3 262	49 744	71 139	427	71 566
Comprehensive loss for the period	0	0	0	0	-3 788	-3 788	-178	-3 966
31 March 2020	11 338	5 661	1 134	3 262	45 956	67 351	249	67 600

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 31.03.2020	Ownership 31.03.2019
Raiffeisen Bank International AG	Austria	51.81%	49.31%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	20.16%	19.13%
Nordea Bank AB (Publ)/ Non-treaty Clients	Finland	8.47%	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 March 2020, 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 three 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 2019.

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 2019.

Note 3. Segment reporting

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2020 3M							
Revenue	0	2 363	945	1 842	851	-128	5 873
<i>incl. sale of real estate</i>	0	343	920	1 774	0		3 037
<i>incl. rental income</i>	0	2 004	20	11	0		2 035
<i>incl. hotel operations</i>	0	0	0	0	851	-127	724
<i>incl. maintenance services</i>	0	15	0	52	0		67
<i>incl. other revenue</i>	0	1	5	5	0	-1	10
Other operating income & expenses (net)	0	-62	0	0	-6		-68
Segment operating profit/ loss	-491	222	243	457	-87	2	346
Financial income & expense (net)	-1 773	-2 305	-113	-14	-35	-3	-4 243
Profit/ loss before income tax	-2 264	-2 083	130	443	-122	-1	-3 897
Income tax	0	0	0	-68	-1		-69
Non-controlling interest	0	-178	0	0	0		-178
Net profit/ loss for the financial year attributable to equity holders of the parent	-2 264	-1 905	130	375	-123	-7	-3 788
31.03.2020							
Assets	56 570	240 437	29 573	15 771	6 932	-139 661	209 622
Liabilities	121 951	98 223	20 435	5 425	4 103	-108 115	142 022
Acquisition of non-current assets	0	5	1	0	7		13
Depreciation and amortisation	-1	-26	-13	-8	-57		-105

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2019 3M							
Revenue	0	6 992	2 399	119	990	-128	10 372
<i>incl. sale of real estate</i>	0	4 465	2 375	58	0		6 898
<i>incl. rental income</i>	0	2 502	17	20	0		2 539
<i>incl. hotel operations</i>	0	0	0	0	990	-397	593
<i>incl. maintenance services</i>	0	10	0	36	0	-1	45
<i>incl. other revenue</i>	0	15	7	5	0	-4	23
Other operating income & expenses (net)	-1	-6	9	-2	-3		-3
Segment operating profit/loss	-491	2 382	854	-55	-48	2	2 644
Financial income & expense (net)	-1 253	-1 293	-116	-55	-34	-5	-2 756
Profit/Loss before income tax	-1 744	1 089	738	-110	-82	-3	-112
Income tax	0	0	0	-1			-1
Non-controlling interest	0	-70	0	0	0		-70
Net profit/loss for the financial year attributable to equity holders of the parent	-1 744	1 159	738	-111	-82	-3	-43
31.03.2019							
Assets	59 195	258 098	32 528	27 307	6 924	-136 666	247 386
Liabilities	117 661	87 930	22 639	19 631	4 025	-105 125	146 761
Acquisition of non-current assets	1	2	2	1	26		32
Depreciation and amortisation	-2	-15	-13	-8	-56		-94

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2018 12M							
Revenue	760	28 911	4 739	17 688	4 451	-1 273	55 276
<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 & expenses (net)	-3	-23 537	-696	-26	16		-24 246
Segment operating profit/loss	-1 354	-16 660	381	2336	110	9	-15 178
Financial income & expense (net)	-5 042	-8 123	-495	-200	-140	-16	-14 015
Profit/Loss before income tax	-6 396	-24 781	-114	2136	-30	-7	-29 192
Income tax	0	0	-30	50	1		21
Non-controlling interest	0	-2 191	0	0	0		-2 191
Net profit/loss for the financial year attributable to equity holders of the parent	-6 396	-22 591	-144	2 186	-29	-7	-26 981
31.12.2018							
Assets	31 976	138 250	19 623	14 844	6 128		210 821
Liabilities	39 127	93 812	2 819	2 189	1 308		139 255
Acquisition of non-current assets	1	133	2	2	162		300
Write off of non-current assets	0	-14	0	-1	0		-15
Depreciation and amortisation	-5	-78	-54	-32	-230		-399

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 31 December 2018	6.65%
Minority (%) as at 31 March 2019	6.65%
Minority (%) as at 31 December 2019	6.65%
Minority (%) as at 31 March 2020	6.65%

in thousands of euros

Non-controlling interest as at 31 December 2018	2 624
Loss for the reporting period	-70
Non-controlling interest as at 31 March 2019	2 554
Loss for the reporting period	-2 121
Changes in statutory reserve in non-controlling interests	-6
Non-controlling interest as at 31 December 2019	427
Loss for the reporting period	-178
Non-controlling interest as at 31 March 2020	249

Note 5. Inventories

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
Property held for resale	15 889	15 140	17 782
<i>incl. Kristina Houses, Tallinn</i>	279	1 161	459
<i>incl. River Breeze, Riga</i>	9 382	11 160	9 890
<i>incl. Šaltinių Namai, Vilnius</i>	6 115	2 100	7 209
<i>incl. other properties</i>	113	719	224
Works in progress	24 319	44 718	23 091
<i>incl. Kristiine City, Tallinn</i>	734	5 843	722
<i>incl. Kalaranna District, Tallinn</i>	17 614	15 825	16 399
<i>incl. Šaltinių Namai, Vilnius</i>	5 971	23 050	5 970
Goods bought for resale	119	55	119
Prepayments for inventories	2	49	39
Total	40 329	59 962	41 031

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.

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

Works in progress include two development projects under construction – Ratsuri Houses and Kalaranna District. The planned completion of both development projects is in 2021.

Note 6. Non-current receivables

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
Accrued income	2 913	644	2 265
Finance leases	29	33	30
Other non-current receivables	0	0	2
Total	2 942	677	2 297

Accrued income has increased for 0.6 million euros in the first quarter of 2020 due to 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 31 March 2020 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn.

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
Acquisition value of property, plant and equipment	10 382	10 185	10 372
Accumulated depreciation	-3 282	-3 077	-3 226
Residual value of property, plant and equipment	7 100	7 108	7 146
Acquisition value of right-of-use assets	674	674	674
Accumulated depreciation	-194	-39	-155
Residual value of right-of-use assets	480	635	519

On 1 January 2019 the Company 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	Prepayments	Total	Right-of-use assets
Acquisition value 31.12.2018	8 956	918	280	0	10 154	0
Initial application of IFRS 16	0	0	0	0	0	674
Adjusted acquisition value 01.01.2019	8 956	918	280	0	10 154	674
Additions:						
Acquired	0	3	5	23	31	0
Acquisition value 31.03.2019	8 956	921	285	23	10 185	674
Additions:						
Acquired	121	38	59	-23	195	0
Disposals:						
Written off	0	0	-8	0	-8	0
Acquisition value 31.12.2019	9 077	959	336	0	10 372	674
Additions:						
Acquired	3	3	0	4	10	0
Acquisition value 31.03.2020	9 080	962	336	4	10 382	674

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	Total	Right-of-use assets
Accumulated depreciation 31.12.2018	1 982	864	180	0	3 026	0
Additions:						
Depreciation charge for the period	37	5	9	0	51	39
Accumulated depreciation 31.03.2019	2 019	869	189	0	3 077	39
Additions:						
Depreciation charge for the period	111	20	40	0	171	116
Changes in fair value	-15	0	0	0	-15	0
Disposals and write offs:						
Written off	0	0	-7	0	-7	0
Accumulated depreciation 31.12.2019	2 115	889	222	0	3 226	155
Additions:						
Depreciation charge for the period	38	5	13	0	56	39
Accumulated depreciation 31.03.2020	2 153	894	235	0	3 282	194

Note 8. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
Balance at 01.01.2019	38 945	129 200	168 145
Additions:			
Investments	293	3 234	3 527
Balance at 31.03.2019	39 238	132 434	171 672
Additions:			
Investments	980	1 512	2 492
Changes in fair value:			
Loss from change in fair value (Note 14)	-1 190	-23 046	-24 236
Reclassified into inventories	-396	0	-396
Disposals:			
Sold	-2 167	0	-2 167
Balance at 31.12.2019	36 465	110 900	147 365
Additions:			
Investments	292	10	302
Balance at 31.03.2020	36 757	110 910	147 667

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 2019. 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. Although the lease market has significantly changed since the last

valuation was performed, the Company maintains the policy to value its properties once a year, at the end of the financial reporting period.

Note 9. Current and non-current debt

Current debt

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
Bank loans and overdrafts	77 084	9 486	77 726
Convertible bonds (discounted)	5 893	4 306	5 875
Non-convertible bonds	0	600	27 967
Lease liabilities	176	148	191
Total	83 153	14 540	111 759

Non-current debt

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
Bank loans and overdrafts	5 779	79 333	5 687
Convertible bonds (discounted)	4 238	5 819	4 250
Non-convertible bonds (discounted)	27 470	27 789	0
Payables to non-controlling interest	520	483	510
Lease liabilities	391	513	424
Total	38 398	113 937	10 871

Creditors

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
Luminor Bank AS (EE)	409	438	416
LHV Bank AS (EE)	5 300	7 074	5 300
AS Swedbank (LV)	1 698	3 276	2 339
Lintgen Adjacent Investments (Agent) incl long-term interests	75 356	71 947	75 356
Colosseum Finance OÜ	100	0	0
Fiducaria Emiliana S.r.l including long-term interests	335	312	330
Anndare Limited including long-term interests	185	171	181
Convertible bonds, various investors (discounted value)	10 131	10 125	10 125
Non-convertible bonds, various investors	0	600	100
Secured bonds, various investors (discounted value)	27 470	27 789	27 867
Lease agreements	567	661	615
Swedbank (EE), credit cards	0	3	1
Total	121 551	128 477	122 630

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 15) for the reporting period was 4.2 million euros (2019 3M: 2.8 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 TMK 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 results of TMK (before non-monetary revaluation effect at the end of 2019 and the interest costs) is positive. TMK 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 the negotiations with the lender TMK 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. After realising that long negotiations with the lender are leading nowhere and uncertainty related to COVID-19 increased significantly (restrictions were set for the shopping centres), TMK submitted on 31 March 2020 an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability of TMK. On 3 April 2020 Harju County Court initiated reorganisation proceedings. In co-operation with the reorganization advisor TMK has prepared and submitted a conservative but fair reorganization plan to the creditors for review and formation of position. Creditors are expected to vote until 26 May 2020. On 2 June 2020 TMK has to submit to the Court a reorganisation plan on implementation of reorganisation measures, including impact of reorganisation to the creditors.

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 nominal value of the bonds is 10.25 million euros. The balance sheet value is 10.1 million euros - 127 thousand euros of prolongation fees have been discounted from the value of the convertible bonds. On 17 January 2020 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

All unsecured non-convertible bonds issued in 2014 with total face value of 600 thousand euros have been redeemed. The balance of current liabilities as at 31 December 2019 included part of the redeemed bonds in total value of 100 thousand euros, which were transferred to the bondholder in January 2020 with a delay due to the technical issues related to the counterparty.

Secured non-convertible bonds

In February 2020, the Company secured refinancing of the existing 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. The Old Bonds were redeemed on 17 March 2020. Remaining balance of the non-convertible bonds is 28.5 million euros on 31 March 2020. The balance sheet value is 27.5 million euros - 1 million euros of refinancing costs are being discounted over the effective period of the New Bonds. According to New Bonds terms and conditions, the Company has to maintain the equity ratio above 30% at all times. For calculation consolidated figures are used excluding AS Tallinna Moekombinaat (TMK). As at the end of the reporting period the calculated equity ratio was 57.3%.

In thousands of euros	PKG consolidated	PKG consolidated without TMK	Difference
Revenue	5 873	3 037	-48%
Gross profit	2 137	1 103	-48%
Net result	-3 966	-1 498	62%
Total Assets	209 622	133 009	-37%
Current Assets	51 069	52 103	2%
Non-Current Assets	158 553	80 906	-49%
Total Liabilities	142 022	56 729	-60%
Current Liabilities	101 103	17 410	-83%
Non-Current Liabilities	40 919	39 319	-4%
Equity	67 600	76 280	13%
Equity ratio	32.2%	57.3%	77.8%

Pledged assets, balance sheet value

in thousands of euros

Beneficiary	Collateral description	31.03.2020	31.03.2019	31.12.2019
Bank accounts				
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	322	35	37
Lintgen Adjacent Investments (TPG)	AS Swedbank	3	245	3
Inventory				
LHV Bank AS	Kalaranna 5, 7, 8, 22, Tallinn	17 614	15 825	16 398
AS Swedbanka	Trijadibas St.5, Riga	23 489	24 578	23 527
Property, plant and equipment				
Nordea Bank Finland Estonian branch	Sõjakooli 11, Tallinn	730	730	730
Investment property				
Lintgen Adjacent Investments (TPG)	AS Tallinna Moekombinaat	110 910	132 434	110 900

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

NTA	Pro Kapital Germany Holdings OÜ	11	11	10
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	7 500	4 000	4 000
NTA	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	4 300	2 500	2 500
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	800	800	800

Note 10. Revenue

Segment revenue

in thousands of euros

	2020 3M	2019 3M	2019 12M
Revenue from contracts with customers			
Revenue from sale of real estate	3 037	6 898	41 419
Hotel operating revenue	724	864	3 944
Revenue from maintenance and other services	77	71	326
Total revenue from contracts with customers	3 838	7 833	45 689
Rental related revenues	2 035	2 539	9 587
Total	5 873	10 372	55 276

Timing of revenue recognition in thousands of euros	2020 3M	2019 3M	2019 12M
At a point in time			
Revenue from sale of real estate	3 037	6 898	41 419
Hotel operating revenue	724	864	3 944
Revenue from other services	10	25	106
Total revenue recognised at a point in time	3 771	7 787	45 469
Over time			
Rental related revenues	2 035	2 539	9 587
Revenue from maintenance fees	67	46	220
Total	5 873	10 372	55 276

Revenue from sale of real estate has decreased by 66% as in the comparable period an apartment building in Kristina Houses was completed and handed over. Sales are continuing in Kliversala in Riga and in Šaltinių Namai in Vilnius.

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 increased by 2.0 million euros compared to the end of 2019.

Note 11. Cost of sales

in thousands of euros	2020 3M	2019 3M	2019 12M
Cost of real estate sold	2 079	4 238	31 857
Cost of providing rental services	976	1 235	4 522
Cost of hotel operations	640	732	2 937
Cost of maintenance services	40	24	135
Cost of other services	1	1	16
Total	3 736	6 230	39 467

Note 12. Gross profit

in thousands of euros	2020 3M	2019 3M	2019 12M
Real estate	958	2 659	9 562
Rental revenue	1 059	1 304	5 067
Hotel operating	84	132	1 006
Maintenance services	27	22	85
Other services	9	25	89
Total	2 137	4 142	15 809

Note 13. Administration expenses

in thousands of euros	2020 3M	2019 3M	2019 12M
Staff costs	700	695	2 869
Land and real estate taxes	92	88	404
Allowance of doubtful debt and written-off debt	184	160	649
Depreciation charge	33	33	137
Other	553	377	1 954
Total	1 562	1 353	6 013

Note 14. Other income and expenses

Other income

in thousands of euros	2020 3M	2019 3M	2019 12M
Fines collected	2	7	37
Profit from sale of investment property	0	0	3
Gain from fair value adjustments of non-current assets	0	0	15
Other	1	20	40
Total	3	27	95

Other expenses

in thousands of euros	2020 3M	2019 3M	2019 12M
Fines paid	61	3	36
Loss from write-off of non-current assets	0	0	6
Loss from fair value adjustments of investment property (Note 8)	0	0	24 236
Other	10	27	63
Total	71	30	24 341

Note 15. Finance income and cost

Finance income

in thousands of euros	2020 3M	2019 3M	2019 12M
Interest income	1	1	4
Total	1	1	4

Finance cost

in thousands of euros	2020 3M	2019 3M	2019 12M
Interest expenses	4 021	2 676	13 590
Other financial expenses	223	0	429
Total	4 244	2 757	14 019

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	01.01.2020-31.03.2020	(56 687 954 x 91/91)	= 56 687 954
For the period	01.01.2019-31.03.2019	(56 687 954 x 90/90)	= 56 687 954
For the period	01.01.2019-31.12.2019	(56 687 954 x 365/365)	= 56 687 954

Indicative earnings per share:

For the period	01.01.2020-31.03.2020	-3 788 thousand euros / 56 687 954 = -0.07 euros
For the period	01.01.2019-31.03.2019	-43 thousand euros / 56 687 954 = 0.00 euros
For the period	01.01.2019-31.12.2019	-26 981 thousand euros / 56 687 954 = -0.48 euros

The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2019 and 2020, 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. 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	2020 3M	2019 3M	2019 12M
Significant owners and owner related companies			
Revenues	6	11	194
Administrative expenses	0	0	1
Minority shareholders			
Interest expenses	9	9	37
Other shareholders/ bondholders			
Interest expenses	179	177	733
Redemption of non- convertible bonds	100	0	500
Interest payments	362	362	755
Members of the Management Board and Council			
Salaries and bonuses paid to management	322	289	988
Administrative expenses	5	6	13

Payables to related parties

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
Long-term payables			
To minority shareholders	520	483	510
Total	10 872	10 735	10 862
Shareholding in the Company %			
Members of the Council and individuals related them	39.69%	0.10%	39.69%
Members of the Board and individuals related them	0.50%	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 three months and the first quarter of 2020.

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	21 May 2020
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Allan Remmelkoor	Member of the Management Board	21 May 2020
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Edoardo Preatoni	Member of the Management Board	21 May 2020
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