

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR IV QUARTER AND 12 MONTHS OF 2022
(UNAUDITED)

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AS Pro Kapital Grupp in brief

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

Pro Kapital has to date, successfully completed close to 300 thousand square meters of living and commercial premises. 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 twelve months of 2022 was 65.7 million euros compared to 43.1 million euros in the reference period. The total revenue of the fourth quarter was 4 million euros compared to 23.7 million euros in 2021.

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

The gross profit for twelve months of 2022 has increased by 60% amounting to 17 million euros compared to 10.6 million euros in 2021. The gross profit in the fourth quarter reached 754 thousand euros (2021 Q4: 5.3 million euros).

The operating result in twelve months of 2022 has decreased to 17.7 million euros profit comparing to 39.8 million euros profit during the same period in 2021. Higher profit in 2021 was affected by one-time sales of investment property and related revenue and by the results of derecognition of AS Tallinna Moekombinaat after loss of control over the subsidiary on 2 June 2021. The operating result of the fourth quarter was 5.7 million euros comparing to 8.7 million euros in 2021.

The net result for the twelve months of 2022 was 13.4 million euros profit, comparing to 29.8 million euros (continuing operations 33.9 million euros) profit in the reference period. The net profit of the fourth quarter was 4.8 million euros comparing to 7.3 million euros in 2021.

Cash generated in operating activities during 2022 was 17.9 million euros comparing to 13.3 million euros during the same period in 2021. In the fourth quarter cash used in operating activities was 1.7 million euros comparing to 11.9 million euros generated in 2021.

Net assets per share on 31 December 2022 totalled to 0.98 euros compared to 0.76 euros on 31 December 2021.

Key performance indicators

	2022 12M	2021 12M	2022 Q4	2021 Q4
Revenue, th EUR	65 654	43 095	4 026	23 722
Gross profit, th EUR	16 965	10 576	754	5 321
Gross profit, %	26%	25%	19%	22%
Operating result, th EUR	17 657	39 820	5 666	8 666
Operating result, %	27%	92%	141%	37%
Net result, th EUR	13 452	29 757	4 800	7 292
Net result, %	20%	69%	119%	31%
Earnings per share, EUR	0.24	0.52	0.08	0.13
			31.12.2022	31.12.2021
Total Assets, th EUR			101 256	116 026
Total Liabilities, th EUR			45 933	73 183
Total Equity, th EUR			55 323	42 843
Debt / Equity *			0.83	1.71
Return on Assets, % **			12.4%	23.7%
Return on Equity, % ***			27.4%	113.5%
Net asset value per share, EUR ****			0.98	0.76

**debt / equity = total debt / total equity*

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

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

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

Main events

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

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

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

On **27 April 2022** the Company announced about signing a preliminary agreement with an intention to buy 100% of the shares of P.K. Sicily S.P.A. (registered office in Milan, Italy), which owns and operates hotel Domina Zagarella Sicily. With this agreement Pro Kapital, as a promissory buyer, reserves its rights to buy the shares for the price of 12 million euros and initiates legal and financial due diligence. Pro Kapital has time until 31 January 2023 to decide whether to proceed with the transaction or decline. Domina Zagarella with its 340 hotel rooms and various facilities is located in Santa Flavia, on the seaside, just a few kilometres from Palermo, Italy.

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

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

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

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

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

On **10 August 2022** the Company announced about redemption of 6 900 convertible bonds PKG3 10-2020 (with ISIN EE3300108711) with total nominal value of 69 000 Estonian kroons and issue value of 19 320 euros (issue price 2.80 euros per convertible bond). The redemption payment was made on 24 August 2022.

On **30 August 2022** the Company announced about purchase of historical Vilnius College building located in Vilnius city centre on Naugarduko street. The property was purchased via auction with the value of 6.25 million euros.

On **19 September 2022** the Company announced about redemption of 27 999 convertible bonds PKG4 10-2020 (with ISIN EE3300109248) in total nominal value of 279 990 Estonian kroons and issue value of 78 397.20 euros (issue price 2.80 per convertible bond). The redemption payment was made on 30 September 2022.

On **7 October 2022** the Company announced about extending the period of preliminary agreement for possible purchase of P.K. Sicily S.P.A. and now has until 31 January 2023 to decide whether to proceed with the transaction or decline.

On **2 December 2022** the Company announced about redemption of 24 500 PKG5 10-2020 (ISIN EE3300109917) convertible bonds with total nominal value of 245 000 Estonian kroons and issue value of 68 600 euros (issue price 2.80 euros per convertible bond). The redemption payment was made on 13 December 2022.

Chairman's summary

2022 has been a year to remember for AS Pro Kapital Grupp. The Estonian Chamber of Commerce awarded us the price as the most competitive real estate company in Estonia.

The Competitiveness Ranking is a part of the largest entrepreneurship competition in Estonia, which is organised in cooperation of three organisations: Eesti Kaubandus-Tööstuskoda (Estonian Chamber of Commerce and Industry), EAS (Enterprise Estonia) and Eesti Töandjate Keskkliit Estonian Employers' Confederation (Estonian Employers' Confederation). The Competitiveness Ranking calculations are based on the economic indicators of the participating companies.

We are proud of this achievement, and we'll use it to motivate us to obtain even better results in our future.

In line with the Company's history, we will focus on the main areas of activities in real estate developments in the three Baltics capitals (Tallinn, Riga and Vilnius) and the hotel operations in Bad Kreuznach, Germany.

Real estate development

In Tallinn, we have completed and handed over the first phase of Kalaranna project, where completion of eight buildings with the total of 240 apartments was achieved.

On 20 October 2022 we made a grand inauguration and invited the major stakeholders of the project as well as local media.

This development has been a great success, both in terms of sales (the project is entirely sold out) and in terms of having created a vibrant community for all the Tallinn residents.

We are grateful to the local authorities to have been helpful throughout the development process and we take pride in knowing that we are helping shape the landscape of this beautiful city.

In Kindrali houses in Kristiine City we are building 3 residential buildings for a total of 195 apartments. The project is entirely sold out (meaning reservations or pre-sales have been achieved for all the units), and the handover of the last building is confirmed by Q1 2023.

In Riga we are selling our luxury product River Breeze Residence which has been awarded the Baltics Prestige Award for its outstanding architecture.

We hold a building permit for City Oasis residential quarter, a project consisting of 326 apartments located in Tallinas iela – a tranquil and green living environment in the city centre. We will be ready to proceed with construction activities as soon as the market situation becomes fit for such an ambitious and vast project.

Out of the three capitals (Tallinn, Riga, Vilnius), Riga seems to have the most challenges in terms of overall market conditions. However, our long-term outlook for the Latvian real estate sector remains bullish.

In 2019 we completed five buildings in Šaltinių Namai Attico project in Vilnius with 115 apartments. Today we have only 2 apartments unsold, out of which one is a model unit. We are preparing for the following phase with city villas (41 units) and a commercial building and plan to start the construction this year.

Vilnius market is extremely active, and we look forward to the next stage of our high-end development.

The Company has also expanded its land portfolio in Vilnius, purchasing a school in Naugarduko street for the price of 6.25M euros.

The school will be converted into a high-end residential property, consisting of circa 50 luxury apartments. An architectural competition is currently ongoing in order to award the project to the architect who provides the best possible design.

Hotel operations

After two hard years, which clearly affected the global sector of tourism because of the pandemic, there seems to be a strong demand in the hotel industry.

In Bad Kreuznach we have reached a substantial operational break even, despite the fact that a large portion of the rooms were not available to the public due to ongoing renovations.

A few years ago, we renovated half of the rooms and part of the common areas. The renovations of the remaining rooms will be completed by the end of Q1 2023, after which we will be able to have newly renovated rooms on the market for a higher Average Daily Rate.

The Baltic real estate sector showed great resilience throughout the pandemic period as well as during the turbulent geopolitical period we live in, and we are confident that we will manage to develop our pipeline of projects in line with the market's expectations, thus continuing to provide a stream of high-quality properties to the local

population. We are aware of the challenging historical times we live in; we will need to be fast to adapt to an ever-changing and fast paced world (especially in regards of the construction works and the related challenges to the supply chain and cost of materials), but we still have a very positive outlook on the Baltic region and thus far the market has been supporting our sentiment.

The economic outlook for the Baltic region is generally positive. The Baltic countries of Estonia, Latvia, and Lithuania have experienced steady economic growth in recent years, driven by a combination of factors such as increasing foreign investment, a growing service sector, and export-oriented manufacturing. The region has also benefited from its proximity to Northern Europe and its membership in the European Union, which has helped to boost trade and investment.

All the positive indicators above will not disappear despite the challenges that are posed to the real estate sector by the global macroeconomic outlook and the geopolitical turmoil caused by the war in Ukraine.

As the CEO of a successful development company, I see the future of real estate being heavily impacted by technology and changing consumer preferences. Smart home technology, virtual and augmented reality, and online marketplaces are becoming increasingly popular and will continue to shape the way we buy, sell, and experience real estate. Additionally, there is a growing demand for sustainable and energy-efficient homes, as well as for flexible living spaces that can adapt to the changing needs of residents. Overall, the future of real estate is exciting and dynamic, and we are constantly looking for innovative ways to stay ahead of the curve and meet the evolving needs of our customers.



Edoardo Preatoni
CEO
AS Pro Kapital Grupp
28 February 2023

Group structure

As at 31 December 2022



Overview of the development projects

Kristiine City in Tallinn

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

Kindrali Houses in Kristiine City

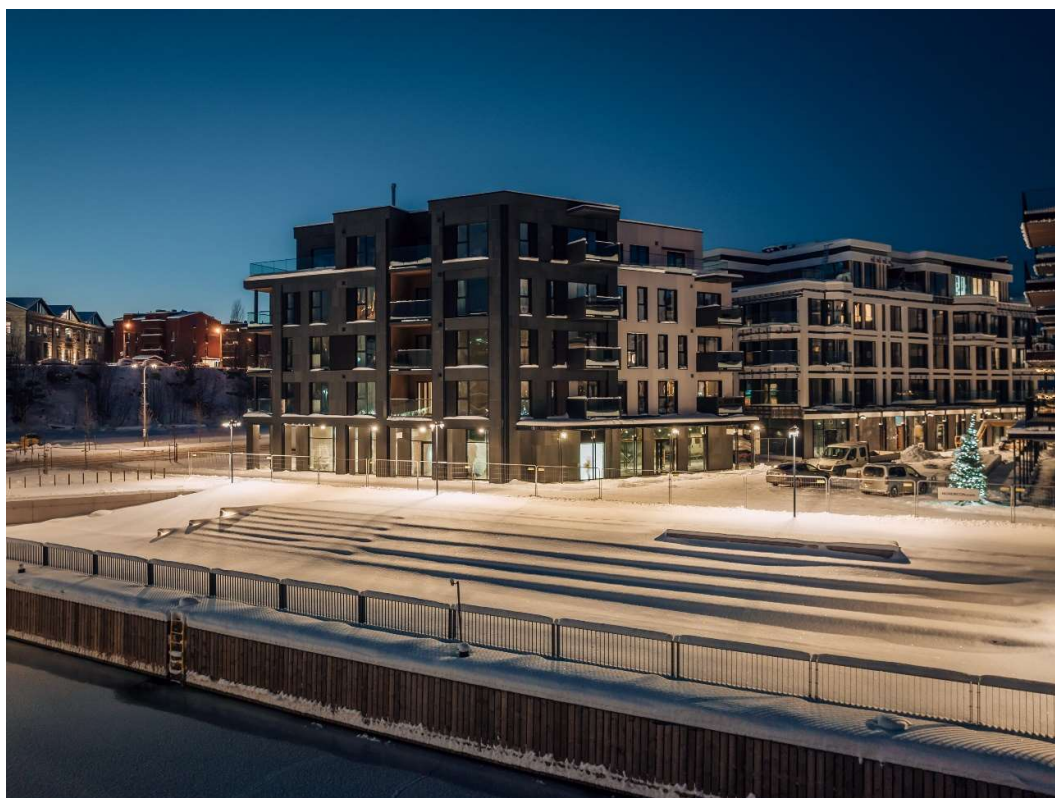
Located among the private houses and apple orchards of Kristiine district, the modern Kindrali Houses project has a warm and cosy heart. Kindrali Houses form a part of the Kristiine City district which is undergoing rapid development near the city centre and offering versatile opportunities for residents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



apartments with separate entrances, as well as a washing room for the four-legged friends. Two first buildings are completed and the third one is being handed over to the buyers. There are no apartments left for sale.

Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. Located at Kalaranna 8, the development will have twelve 4-5 storey buildings on nearly six hectares. The area is being developed in two stages. An integral part of the residential quarter is well-thought-out landscape architecture and a beach promenade that largely preserves the existing natural environment. During the first phase of construction, eight buildings are completed with 239 apartments, commercial premises and an underground car park. The area includes the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. There are no apartments available for sale in the first stage of the development due to high demand. Kalaranna Kvartal was recognised among nominees in the category "Development project 2022" at Tallinn City Enterprise Centre's business awards competition.

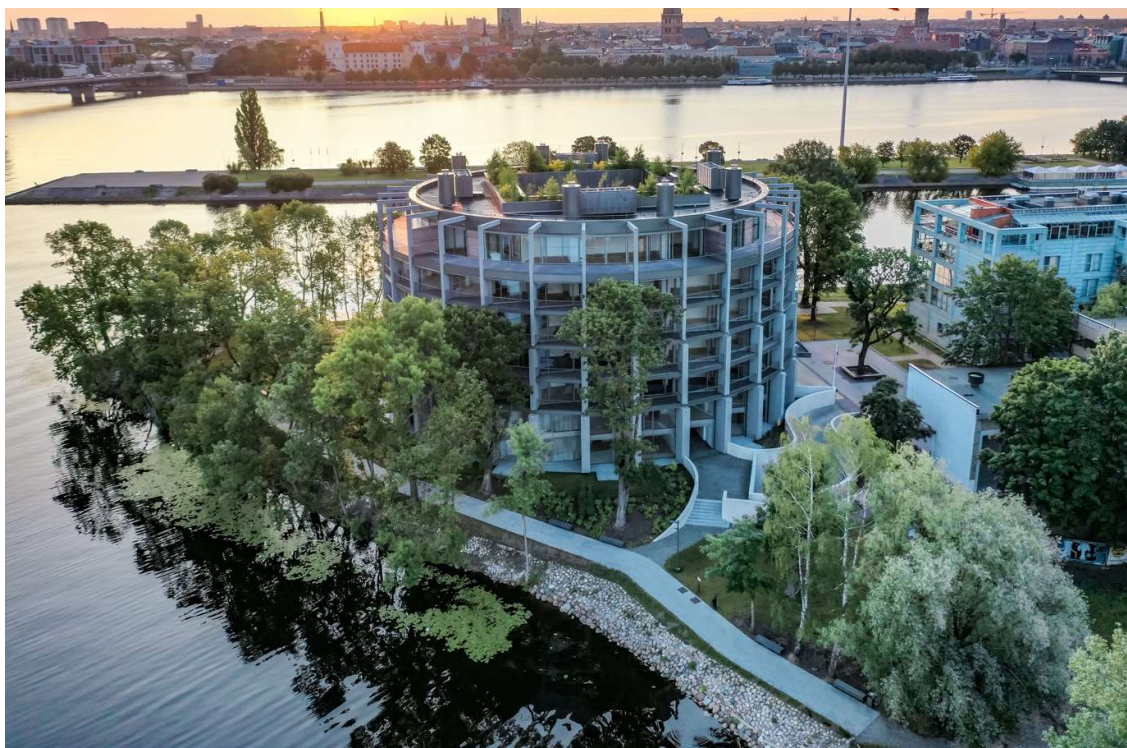


Ülemiste 5, Tallinn

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



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

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

Brīvības Business Quarter in Riga

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



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

City Oasis Quarter in Riga



City Oasis quarter lies in Tallinas street 5/7 and is a unique residential area in the central city of Riga, where new buildings, modern loft-style apartment buildings and also restored historical buildings can be found to create an extraordinary atmosphere in the area. The development foresees business premises on the first floors of the buildings. The building permit has been issued and the technical design is completed. Construction will start when market conditions are favourable.

Šaltinių Namai in Vilnius

Šaltinių Namai | Attico is a prestigious living area, surrounded by the nature in the most tranquil part of the Old Town, located within the UNESCO protection area. Šaltinių Namai | Attico is inspired by the baroque spirit of Vilnius Old Town and the tradition of Italian architecture in Lithuania. Homebuyers can choose from thoroughly planned apartments with exceptional views to spacious town houses. As an integral part of the landscape, this unique area has the first Italian courtyard garden in the city, designed by an Italian concept architect Gianmarco Cavagnino. To date we have completed five houses of the Šaltinių Namai | Attico project and are currently planning the following construction phase with city villas and a commercial building.



Naugarduko in Vilnius

The promising property in the centre of Vilnius will complement our portfolio of high-class residential buildings with impressive panoramas of the old town of Vilnius from the hill of Naugarduko street. After reconstruction the building will blend in with the Šaltinių Namai | Attico quarter located nearby. The location with cultural attractions, educational and entertainment possibilities within a walking distance, makes the location particularly attractive both for homebuyers and businesses. Planning is ongoing and we aim to start construction by the end of the year.



Segments and sales information

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

Revenue structure of twelve months, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	12M	12M	12M	12M	12M	12M	12M	12M	12M	12M
Real estate	59 676	36 971	1 673	2 314	359	1 331	0	0	61 708	40 616
Rent	1	3	177	78	39	18	0	0	217	99
Hotel	0	0	0	0	0	0	3 270	1 951	3 270	1 951
Maintenance	120	73	5	0	295	278	0	0	420	351
Other	22	54	12	12	5	12	0	0	39	78
Total	59 819	37 101	1 867	2 404	698	1 639	3 270	1 951	65 654	43 095

Revenue structure of the fourth quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4
Real estate	3	21 341	0	1 343	19	54	0	0	22	22 738
Rent	0	0	72	20	21	4	0	0	93	24
Hotel	0	0	0	0	0	0	965	844	965	844
Maintenance	36	21	5	0	73	75	0	0	114	96
Other	14	16	4	2	2	2	0	0	20	20
Total	53	21 378	81	1 365	115	135	965	844	1 214	23 722

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

The share of the Estonian segment as a percentage of total revenues of the Company for the twelve months in 2022 amounted to 91.1% compared to 86.1% during the same period last year.

During the reporting period the total of 243 apartments, 262 parking lots, 20 business premises and 188 storage rooms were sold (2021 12M: 164 apartments, 4 parking lots and 8 storage rooms). At the end of the reporting period the stock consisting of two apartments, 29 storage rooms and 84 parking spaces in Tallinn were recorded as

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

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

The share of the Latvian segment as a percentage of total revenues of the Company for the twelve months amounted to 2.8% comparing to 5.6% in the same period last year. During the reporting period 6 apartments, 6 storage rooms and 7 parking lots were sold (2021 12M: 6 apartments, 6 parking spaces and 4 storage rooms). At the end of the reporting period the stock consisting of 18 luxury apartments, 29 storage rooms and 57 parking lots were available for sale in Latvia.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company for the twelve months amounted to 1.1% comparing to 3.8% during the same period last year. During the reporting period 1 apartment, 5 storage rooms and 4 parking lots were sold in Lithuania (2021 12M: 5 apartments, 9 storage rooms and 10 parking lots). There were 4 apartments, 1 business premise, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

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

The share of the German segment as a percentage of total revenues of the Company for the twelve months amounted to 5% comparing to 4.5% last year. The occupancy rate of 48.4% of PK Parkhotel Kurhaus has decreased by 7.6% compared to 56% during the same period in 2021. However, due to higher room rates total revenues of twelve months were 3.2 million euros compared to 1.9 million euros during the same period in 2021. Net result for 2022 was 435 thousand euros loss (2021 12M: 430 thousand euros profit). The results of comparable period were influenced by Covid-19 related subsidies provided by German government. In 2022 there have been ongoing renovation works in the Hotel, therefore the hotel has been operating only with partial capacity. The renovations are being finalised.

Other operative data of the fourth quarter and twelve months

	EST	EST	LV	LV	LT	LT	Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021
	12M	12M	12M	12M	12M	12M	12M	12M
M ² sold*	15 870	9 938	529	812	53	344	16 452	11 093
Average price, m ² /EUR*	2 877	3 166	2 827	2 563	4 905	3 013	2 881	2 914
M ² under maintenance	43 255	42 121	0	0	26 768	26 715	70 022	68 836

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

	EST	EST	LV	LV	LT	LT	Total	Total
	2022 Q4	2021 Q4	2022 Q4	2021 Q4	2022 Q4	2021 Q4	2022 Q4	2021 Q4
M ² sold*	1 201	5 000	0	452	0	0	1 201	10 452
Average price, m ² /EUR*	2 106	3 391	0	2 701	0	0	2 106	3 334
M ² under maintenance	43 255	42 121	0	0	26 768	26 715	70 022	68 836

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

The average price for a square meter sold in Estonia has decreased as in 2022 it is influenced by a different type of the product – sales in Kristiine City were concluded, while 2021 price was influenced by the high-end product sales in Kalaranna.

Financing sources and policies

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

During the reporting period, the Company borrowed 14.4 million euros from LHV Pank AS and repaid 26.6 million euros of the bank loans and 196 thousand euros convertible bonds. As at 31 December 2022, the total loan debt to the banks was 469 thousand euros (Note 8).

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

As at 31 December 2022 the Company had issued 28.5 million euros secured bonds with redemption date in February 2024 and 9.7 million euros unsecured bonds with redemption date in October 2024 (Note 8).

Shares and shareholders

As at 31 December 2022 Pro Kapital had issued 56 687 954 shares in total with the nominal value 0.20 euros. The registered share capital of the Company was 11 337 590.80 euros.

As at 31 December 2022 there were 976 shareholders registered in the shareholders' register. Many of the registered shareholders are nominee companies, which represent multiple non-resident investors.

Shareholders holding over 5% of the shares as at 31 December 2022 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	30 134 778	53.16%
Clearstream Banking AG	12 687 054	22.38%
Svalbork Invest OÜ	5 590 639	9.86%
Six Sis Ltd	3 914 931	6.91%

The largest shareholders of AS Pro Kapital Grupp are Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as of 31 December 2022 Ernesto Preatoni and his affiliates control 49.63% of shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 5 590 639 shares representing 9.86% of the total shares of the Company.
- 19 788 439 shares representing 34.93% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 2 734 623 shares representing 4.82% of the total shares of the Company held through a nominee account opened by Clearstream Bank.
- 12 220 shares representing 0.02% of the total shares of the Company held through a nominee account opened by Nordea Bank.

Participation of Member of the Management Board and the Council Members as at 31 December 2022 is as follows:

Name	Position	Number of shares	Participation in %
Edoardo Axel Preatoni	CEO	0	0.00%
Emanuele Bozzone	Chairman of the Council	0	0.00%
Petri Olkinuora	Council Member	30 000	0.05%
Oscar Crameri	Council Member	0	0.00%

Earnings per share during the twelve months of 2022 were 0.20 euros (2021 12M: 0.52 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 31 December 2022, NASDAQ Baltic Main List



Source: nasdaqbaltic.com

On 23 November 2012 the Company was listed on the secondary list of Tallinn's stock exchange. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn's stock exchange. During the period 1 January – 31 December 2022 the shares were traded at the price range 0.61-1.45 euros, with the closing price of 0.61 euros per share on 31 December 2022. During the period 876 thousand of the Company's shares were traded with their turnover amounting to 757 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 – 31 December 2022 the shares were traded at the price range of 0.54-1.41 euros, with the closing price 0.61 euros per share on 31 December 2022.

Legal overview and developments

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

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

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

4 236), the claim for compensation amounting to 874 152 euros in total in the principal sum plus 1 176 261.55 euros of interest in arrears. The court has ordered Land Board to reply to the company's revised complaint by 3 June 2021. The Land Board argued that since the company should have brought the complaint earlier, then as the company did not sue the state within the 10-year limitation period, the court should dismiss the case; and as the company has never been the owner of the plot, then bearing the associated cost (purchase price, notary fees, state fee and land tax) does not infringe on the company's rights. On 05 July, 2021, by order of the Tallinn Administrative Court the case was terminated due to the limitation period being exceeded and the court refused to reinstate the time limit for the appeal. On 22 July 2021, the company appealed the court order to the District Court, requesting reinstatement of the time limit since the company first found out about the infringement of its rights (and resulting damages) with the Land Board's 27 June 2018 decision whereby it refused to register one cadastral unit into the register in the process of division of the real estate into smaller plots. The Land Board responded on 10 August 2021, reinstating its claims and Tallinn District Court decided to terminate the case. On 22 September 2021 AS Pro Kapital Eesti appealed the District Court order from 7 September 2021 to the Supreme Court. In January 2022 the Supreme Court has decided to process the appeal. AS Pro Kapital Eesti submitted its additional written position to the Supreme Court on 14 February 2022.

The Supreme Court, by its decision of 11 October 2022, reinstated the time limit for the AS Pro Kapital Eesti appeal and referred the case back to Tallinn Administrative Court. The Supreme Court's decision means that the parties will no longer dispute the time limit for the AS Pro Kapital Eesti appeal and further dispute will primarily concerns the amount of the compensation and its verifiability.

On 16 January 2023, a preliminary hearing was held in Tallinn Administrative Court in Pro Kapital Eesti AS's claim for compensation against the Republic of Estonia (through the Land Board). The court gave the parties time to submit their additional submissions by 28 February 2023 at the latest. If the parties agree to compromise negotiations, the court is ready to extend the deadline.

People

As at 31 December 2022 the Company employed 75 people compared to 67 people on 31 December 2021. 39 of them were engaged in hotel and property maintenance services (31 on 31 December 2021). The number of employees does not include council members.

Risks

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

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

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

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

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

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Edoardo Preatoni

Chief Executive Officer
and Member of the Management Board

28 February 2023

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	31.12.2022	31.12.2021
ASSETS			
Current assets			
Cash and cash equivalents		10 589	9 626
Current receivables		955	680
Prepaid expenses		64	122
Inventories	4	34 224	57 533
Total current assets		45 832	67 961
Non-current assets			
Non-current receivables	5	2 016	21
Property, plant and equipment	6	7 294	6 754
Right-of-use assets	6	195	202
Investment property	7	45 575	40 734
Goodwill		262	262
Intangible assets		82	92
Total non-current assets		55 424	48 065
TOTAL ASSETS	3	101 256	116 026
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	8	173	3 955
Customer advances	9	1 659	12 419
Current payables	10	4 120	7 297
Tax liabilities		111	1 143
Short-term provisions		511	713
Total current liabilities		6 574	25 527
Non-current liabilities			
Non-current debt	8	38 184	46 455
Other non-current payables		0	20
Deferred income tax liabilities		1 130	1 133
Long-term provisions		45	48
Total non-current liabilities		39 359	47 656
TOTAL LIABILITIES	3	45 933	73 183
Equity			
Share capital in nominal value		11 338	11 338
Share premium		5 661	1 748
Statutory reserve		1 134	0
Revaluation reserve		2 012	2 984
Retained earnings		35 178	26 773
Total equity		55 323	42 843
TOTAL LIABILITIES AND EQUITY		101 256	116 026

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

Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2022 12M	2021 12M	2022 Q4	2021 Q4
CONTINUING OPERATIONS					
Operating income					
Revenue	11	65 654	43 095	4 026	23 722
Cost of sales	12	-48 689	-32 519	-3 272	-18 401
Gross profit	13	16 965	10 576	754	5 321
Marketing expenses		-498	-502	-153	-144
Administration expenses	14	-4 946	-5 592	-1 203	-2 043
Other operating income	15	6 278	35 615	6 278	5 541
Other operating expenses	15	-142	-277	-10	-9
Operating profit		17 657	39 820	5 666	8 666
Finance income	16	3	6	1	1
Finance cost	16	-4 211	-5 964	-875	-1 408
Profit before income tax		13 449	33 862	4 792	7 259
Income tax		3	10	8	33
Profit from continuing operations		13 452	33 872	4 800	7 292
Loss from discontinued operations	17	0	-4 115	0	0
Net profit for the period		13 452	29 757	4 800	7 292
Other comprehensive income, net of income tax					
Items that will not be reclassified subsequently to profit or loss					
Net change in asset revaluation reserve		-972	0	-972	0
Total comprehensive profit for the period		12 480	29 757	3 828	7 292
Earnings per share (continuing operations) €	18	0.24	0.60	0.08	0.13
Earnings per share for the period (including discontinued operations) €	18	0.24	0.52	0.08	0.13

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2022 12M	2021 12M	2022 Q4	2021 Q4
Cash flows from operating activities					
Profit for the period		13 452	29 757	4 800	7 302
Adjustments for:					
Depreciation and amortisation of PPE, ROU and intangible assets		406	374	136	92
Gain from disposal of investment property		-2 329	-1 092	-2 329	0
Change in fair value of property, plant, equipment		13	-56	13	-56
Change in fair value of investment property		-3 841	-5 484	-3 841	-5 484
Gain from loss of control of subsidiary		0	-27 748	0	0
Finance income and costs	16	4 207	10 380	873	1 407
Change in deferred tax assets and liabilities		-3	-37	-8	0
Other non-monetary changes (net amounts)		1	1 537	-1	-7
Movements in working capital:					
Change in receivables and prepayments		-2 212	4 492	631	686
Change in inventories		23 310	818	1 004	10 278
Change in liabilities and prepayments		-12 106	477	-2 901	-2 323
Change in provisions		-2 927	-127	10	12
Net cash generated by/ used in operating activities		17 971	13 291	-1 613	11 907
Cash flows from investing activities					
Payments for property, plant, equipment	7	-1 777	-178	-474	-71
Payments for intangible assets		-16	-20	0	-45
Payments for investment property	8	-1 000	-459	-464	-187
Proceeds from disposal of PPE		8	0	0	0
Proceeds from disposal of investment property		2 329	2 000	2 329	0
Less cash balances of disposed subsidiaries		0	-182	0	0
Interests received	16	1	3	1	0
Net cash used in/ generated by investing activities		-455	1 164	1 392	-132
Cash flows from financing activities					
Redemption of convertible bonds		-196	-337	-68	0
Proceeds from borrowings		14 427	22 340	546	3 843
Repayment of borrowings		-26 641	-30 581	-702	-18 726
Repayment of lease liabilities		-147	-163	-35	-34
Interests paid		-3 996	-5 481	-19	-515
Net cash used in financing activities		-16 553	-14 222	-278	-15 432
Net change in cash and cash equivalents		963	233	-499	-3 657
Cash and cash equivalents at the beginning of the period		9 626	9 393	11 088	13 283
Cash and cash equivalents at the end of the period		10 589	9 626	10 589	9 626

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

Consolidated interim statements of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2020	11 338	5 661	1 134	3 262	47 647	69 042	263	69 305
Comprehensive loss for the period	0	0	0	-278	-55 678	-55 956	-3 778	-59 734
31 December 2020	11 338	5 661	1 134	2 984	-8 031	13 086	-3 515	9 571
Changes in non-controlling interest	0	0	0	0	0	0	3 515	3 515
Allocation of previous period losses	0	-3 913	-1 134	0	5 047	0	0	0
Comprehensive income for the period	0	0	0	0	29 757	29 757	0	29 757
31 December 2021	11 338	1 748	0	2 984	26 773	42 843	0	42 843
Allocation of previous periods profit	0	3 913	1 134	0	-5 047	0	0	0
Comprehensive income for the period	0	0	0	-972	13 452	12 480	0	12 480
31 December 2022	11 338	5 661	1 134	2 012	35 178	55 323	0	55 323

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

Notes to consolidated interim financial statements

Note 1. General information

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

Shareholder	Country of incorporation	Ownership 31.12.2022	Ownership 31.12.2021
Raiffeisen Bank International AG	Austria	53.16%	51.42%
Clearstream Banking AG	Germany	22.38%	22.01%
Svalbork Invest OÜ	Estonia	9.86%	9.86%
Six Sis Ltd	Switzerland	6.91%	8.68%

For the purpose of comparable financial figures of these interim financial statements as at 31 December 2022, AS Pro Kapital Grupp is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting and to forward information to the investors.

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

Note 2. Basis of preparation

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

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

Note 3. Segment reporting

CONTINUING OPERATIONS in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2022 12M							
Revenue	805	59 819	1 873	698	3 762	-1 303	65 654
<i>incl. sale of real estate</i>	0	59 676	1 673	359	0		61 708
<i>incl. rental income</i>	0	1	177	39	436	-436	217
<i>incl. hotel operations</i>	0	0	0	0	3 270		3 270
<i>incl. maintenance services</i>	0	120	5	295	0		420
<i>incl. other revenue</i>	805	22	187	5	56	-867	39
Other operating income and expenses (net)	-2	6 549	-523	0	112		6 136
Segment operating profit/loss	-1 818	20 771	-547	-352	-412	15	17 657
Financial income and expense (net)	-6 178	2 561	-407	-6	-172	-6	-4 208
Profit/Loss before income tax	-9 996	23 332	-954	-358	-584	9	13 449
Income tax	0	0	0	1	2		3
Net profit/loss for the period	-9 996	23 332	-954	-357	-582		13 452

31.12.2022

Assets	57 567	157 409	25 954	15 537	8 420	-163 631	101 256
Liabilities	143 951	3 874	16 204	3 568	6 124	-127 788	45 933
Acquisition of non-current assets	3	20	24	129	1 744		1 920
Decrease of non-current assets	0	-10	-14	0	-30		-54
Depreciation and amortisation	-5	-45	-43	-35	-277		-405

CONTINUING OPERATIONS

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2021 12M							
Revenue	749	37 101	2 411	1 639	1 998	-803	43 095
<i>incl. sale of real estate</i>	0	36 971	2 314	1 331	0		40 616
<i>incl. rental income</i>	0	3	78	18	0		99
<i>incl. hotel operations</i>	0	0	0	0	1 951		1 951
<i>incl. maintenance services</i>	0	73	0	278	0		351
<i>incl. other revenue</i>	749	54	19	12	47	-803	78
Other operating income and expenses (net)	-21	33 953	272	5	1 002	2	35 213
Segment operating profit/loss	-2 020	41 443	252	-135	571	16	40 127
Financial income and expense (net)	-5 964	-3 849	-454	52	-156	-9	-10 380
Profit/Loss before income tax	-7 984	37 594	-202	-83	415	7	29 747
Income tax	0	0	-1	16	-5		10
Net profit/loss for the financial year attributable to equity holders of the parent	-7 984	37 594	-203	-67	410		29 757

31.12.2021

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

Note 4. Inventories

in thousands of euros	31.12.2022	31.12.2021
Property held for sale	9 313	20 635
<i>incl. Kristina and Kindrali Houses, Tallinn</i>	237	19
<i>incl. Kalaranna, Tallinn</i>	1 215	11 548
<i>incl. River Breeze, Riga</i>	6 171	7 213
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	1 604	1 747
<i>incl. other properties</i>	86	108
Works in progress	24 854	36 731
<i>incl. Kristiine City, Tallinn</i>	7 182	11 361
<i>incl. Kalaranna, Tallinn</i>	5 192	19 352
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	5 859	6 018
<i>Incl. Naugarduko, Vilnius</i>	6 621	0
Goods bought for resale	57	52
Prepayments for inventories	0	115
Total	34 224	57 533

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

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

Works in progress include later development stages of the projects being currently under construction in Tallinn – Kindrali Houses in Kristiine City and Kalaranna District. The third building of Kindrali Houses in Kristiine City will be completed in the first quarter of 2023 the latest. Construction of last four buildings in Kalaranna District will start as soon as possible, presale has started. The following phase of Šaltinių Namai is waiting for the start of development. New property has been purchased in Naugarduko Street in Vilnius, with a plan to start renovation works in 2023.

Note 5. Non-current receivables

in thousands of euros	31.12.2022	31.12.2021
Finance leases	16	21
Other non-current receivables	2 000	0
Total	2 016	21

Non-current receivables include 2 million euros prepayment for potential purchase of a new subsidiary PK Sicily. After reporting date, it was decided not to go on with the purchase and prepayment should be returned in few months.

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

Land and buildings held for providing services or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. On 31 December 2022 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn, Estonia.

in thousands of euros	31.12.2022	31.12.2021
Acquisition value of property, plant and equipment	11 038	10 299
Accumulated depreciation	-3 744	-3 545
Residual value of property, plant and equipment	7 294	6 754

in thousands of euros	31.12.2022	31.12.2021
Acquisition value of right-of-use assets	701	574
Accumulated depreciation	-506	-372
Residual value of right-of-use assets	195	202

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

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Total	Right-of-use assets
Acquisition value 31.12.2020	8 846	986	322	10 154	664
Acquired	125	40	22	250	0
Change in fair value	40	0	0	40	0
Derecognition of subsidiary	0	0	-70	-70	-66
Written off	0	0	-12	-71	-24
Acquisition value 31.12.2021	9 011	1 026	262	10 299	574
Acquired	1 584	160	33	1 777	127
Change in fair value	-984	0	0	-984	0
Sold	0	0	-14	-14	0
Written off	0	-30	-10	-40	0
Acquisition value 31.12.2022	9 611	1 156	271	11 038	701

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Total	Right-of-use assets
Accumulated depreciation 31.12.2020	2 251	909	249	3 409	307
Depreciation charge for the period	149	26	33	208	138
Changes in fair value	-15	0	0	-15	0
Derecognition of Subsidiary	0	0	-46	-46	-50
Written off	0	0	-11	-11	-23
Accumulated depreciation 31.12.2021	2 385	935	225	3 545	372
Depreciation charge for the period	186	37	22	245	134
Written off	0	-30	-16	-46	0
Accumulated depreciation 31.12.2022	2 571	942	231	3 744	506

Note 7. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
Balance at 31.12.2020	35 723	62 789	98 512
Additions:			
Investments	435	23	458
Changes in fair value	5 484	0	5 484
Disposals:			
Sold	-908	0	-908
Derecognition of the subsidiary	0	-62 812	-62 812
Balance at 31.12.2021	40 734	0	40 734
Additions:			
Investments	1 000	0	1 000
Changes in fair value	6 170	0	6 170
Disposals	-2 329	0	-2 329
Balance at 30.09.2022	45 575	0	45 575

The fair value of the Company's investment properties has been derived on the basis of valuations carried out by Colliers International, an independent valuator, at the end of 2022. The valuations were performed by reference to recent market information by external valuator.

Note 8. Current and non-current debt

Current debt

in thousands of euros	31.12.2022	31.12.2021
Bank loans and overdrafts	63	3 638
Convertible bonds	0	194
Lease liabilities	110	123
Total	173	3 955

Non-current debt

in thousands of euros	31.12.2022	31.12.2021
Bank loans and overdrafts	406	9 110
Secured non-convertible bonds	28 157	27 888
Unsecured non-convertible bonds	9 466	9 360
Lease liabilities	155	97
Total	38 184	46 455

Creditors

in thousands of euros	31.12.2022	31.12.2021
AS LHV Pank (EE)	0	12 248
Sparkasse (DE)	469	500
Convertible bonds, various investors (discounted value)	0	194
Secured bonds, various investors (discounted value)	28 157	27 888
Unsecured bonds, various investors (discounted value)	9 466	9 360
Lease agreements (related to right-of-use assets)	265	220
Total	38 292	50 410

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 16) for the reporting period was 4.2 million euros (2021 12M: 5.9 million euros).

Convertible bonds

The Company had issued convertible bonds with issue price of 2.80 euros. Each convertible bond entitled 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 carried interest rate of 7%.

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

On **20 August 2022** the Company announced about redemption of 6 900 PKG3 convertible bonds in total nominal value of 69 000 Estonian kroons and issue value of 19 320 euros. The issue price for each convertible bond was 2.80 euros. Redemption payment was made on 24 August 2022.

On **19 September 2022** the Company announced about redemption of 27 999 PKG4 convertible bonds in total nominal value of 279 990 Estonian kroons and issue value of 78 397.20 euros. The issue price for each convertible bond was 2.80 euros. Redemption payment was made on 30 September 2022.

On **2 December 2022** the Company announced about redemption of 24 500 PKG5 10-2020 convertible bonds with total nominal value of 245 000 Estonian kroons and issue value of 68 600 euros (issue price 2.80 euros per convertible bond). The redemption payment was made on 13. December 2022.

By the end of the reporting period, all convertible bonds were redeemed.

Unsecured non-convertible bonds

Due to the refinancing of PKG1-PKG7 convertible bonds in three tranches new 2 925 641 unsecured and non-convertible bonds with the total face value of 8 191 794.80 euros were issued on 3 August 2020. During the second subscription period, 187 502 bonds with the total issue value of 525 005.60 euros were issued. During the third subscription period, 345 938 bonds with the total issue value of 968 626.40 euros were issued. New unsecured non-convertible bonds with the total issue value of 9 685 426.80 euros have been listed on Nasdaq Tallinn bond list since January 2021. The balance sheet value on the reporting date is 9.3 million euros - nominal value 9.7 million euros minus 0.4 million euros of refinancing costs.

Secured non-convertible bonds

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

Remaining balance of the secured non-convertible bonds is 28.5 million euros on 31 December 2022. The balance sheet value is 27.9 million euros equalling to nominal value 28.5 million euros minus 0.6 million euros of refinancing costs which are being discounted over the effective period of the bonds (until the maturity period). According to terms and conditions, the Company has to maintain the equity ratio above 35% at all times. As at the end of the reporting period the calculated equity ratio was 54.6%. The equity ratio is positively influenced, when construction is completed and revenues are recorded on the balance sheet.

Pledged assets in balance sheet value in thousands of euros

Beneficiary	Collateral description	31.12.2022	31.12.2021
Bank accounts			
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	23	23
Inventory			
LHV Pank AS*	Kalaranna 8, 22, Tallinn	N/A	30 901
LHV Pank AS *	Rivi 6, Sammu 5, Sõjakooli 14/16, Tallinn	N/A	11 361

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

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

		31.12.2022	31.12.2021
NTA	Pro Kapital Germany Holdings OÜ	12	11
NTA	Pro Kapital Germany GmbH	25	25
NTA	PK Hotel Management Services GmbH	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3
NTA	Pro Halduse OÜ	26	26
NTA	AS Tondi Kvartal	160	160
NTA	OÜ Marsi Elu	20	20
NTA	Kalaranna Kvartal OÜ	3	3
NTA	Dunte Arendus OÜ	3	3
NTA	Pro Kapital Latvia JSC	12 948	9 960
NTA	Kliversala SIA	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	10 300	10 300
NTA	Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	6 100	6 100
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335
NTA	In Vitam UAB	3	3
NTA	PK Invest UAB	823	823
Total		63 288	60 299

Note 9. Customer advances

in thousands of euros	31.12.2022	31.12.2021
Advances for real estate	1 629	12 382
Advances for hotel services	30	37
Total	1 659	12 419

Customer advances are recorded in the financial statements from receiving deposit and instalment payments until the properties are handed over to customers. The advances have decreased significantly due to completions in Kalaranna District and Kindrali Houses. Advances for real estate as at the end of reporting period are mostly related to development in Kristiine City and will decrease upon completion and handover of the premises.

Note 10. Current payables

in thousands of euros	31.12.2022	31.12.2021
Trade payables	2 134	4 416
Accrued expenses	766	1 522
Accrued interests	1 211	1 359
Payables to employees	8	0
Other	1	0
Total	4 120	7 297

Note 11. Revenue

Segment revenue (continuing operations)

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Revenue from contracts with customers				
Revenue from sale of real estate	61 708	40 616	2 835	22 738
Hotel operating revenue	3 270	1 951	965	844
Revenue from maintenance and other services	460	429	134	115
Total revenue from contracts with customers	65 438	42 996	3 934	23 697
Rental income	216	99	92	25
Total	65 654	43 095	4 026	23 722

Timing of revenue recognition

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
At a point in time				
Revenue from sale of real estate	61 708	40 616	2 835	22 738
Hotel operating revenue	3 270	1 951	965	844
Revenue from other services	40	78	20	19
Total revenue recognised at a point in time	65 018	42 645	3 820	23 601
Over time				
Rental income	216	99	92	25
Revenue from maintenance fees	420	351	114	96
Total	65 654	43 095	4 026	23 722

Revenue from discontinued operations is disclosed in note 17.

Revenue from sale of real estate has increased by 52% compared to reference period due to notarisation of sales in Kalaranna District and Kindrali Houses. Sales of available inventory have continued in Kliversala in Riga and in Šaltinių Namai in Vilnius. Revenue from hotel operations has increased significantly compared to the previous reference period as due to COVID-19 restrictions the hotel was closed since the beginning of the year 2021 until reopening in the middle of June 2021.

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

Note 12. Cost of sales

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Cost of real estate sold	45 420	30 469	2 235	17 652
Cost of providing rental services	66	36	18	14
Cost of hotel operations	2 977	1 807	960	680
Cost of maintenance services	221	201	57	54
Cost of other services	5	6	2	1
Total	48 689	32 519	3 272	18 401

Information about discontinued operations is disclosed in Note 17.

Note 13. Gross profit

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Real estate	16 288	10 147	600	5 086
Rental revenue	150	63	74	11
Hotel operating	293	144	5	164
Maintenance services	199	150	57	42
Other services	35	72	18	18
Total	16 965	10 576	754	5 321

Information about discontinued operations is disclosed in Note 17.

Note 14. Administration expenses

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Staff costs	3 189	3 563	688	1 612
Land and real estate taxes	306	334	96	83
Allowance of doubtful debt and written-off debt	0	505	0	1
Depreciation charge	138	126	43	32
Other	1 313	1 064	376	315
Total	4 946	5 592	1 203	2 043

Information about discontinued operations is disclosed in Note 17.

Note 15. Other income and expenses

Other income

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Fines collected	0	6	0	0
Profit from sale of investment property	2 329	1 092	2 329	0
Gain from fair value adjustments	3 828	5 540	3 828	5 539
Gain from derecognition of subsidiary	0	27 747	0	0
Other	121	1 230	121	2
Total	6 278	35 615	6 278	5 541

Other expenses

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Fines paid	2	21	0	0
Other	140	256	10	9
Total	142	277	10	9

Information about discontinued operations is disclosed in Note 17.

Note 16. Finance income and cost

Finance income

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Interest income	3	6	1	1
Total	3	6	1	1

Finance cost

in thousands of euros	2022 12M	2021 12M	2022 Q4	2021 Q4
Interest expenses	4 112	5 945	868	1 327
Foreign currency loss	1	0	0	1
Other financial expenses	98	19	7	80
Total	4 211	5 964	875	1 408

Information about discontinued operations is disclosed in Note 17.

Note 17. Discontinued operations

On 2 June 2021 bankruptcy of AS Tallinna Moekombinaat was declared and the Company lost control over its subsidiary. As a consequence, the subsidiary was derecognised from the group since 2 June 2021 and T1 Mall of Tallinn related operations are considered as discontinued operations.

In thousands of euros	2021 12M	2021 Q4
DISCONTINUED OPERATIONS		
Operating income		
Revenue	1 735	0
Cost of goods sold	-887	0
Gross profit	848	0
Marketing expenses	-1	0
Administrative expenses	-415	0
Other income	60	0
Other expenses	-185	0
Operating profit	307	0
Financial income	0	0
Financial expense	-4 422	0
Loss before income tax	-4 115	0
Income tax	0	0
Loss from discontinued operations	-4 115	0
Earnings per share from discontinued operations	-0.07	0

Note 18. Earnings per share

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

Average number of shares:

For the period	01.01.2022-31.12.2022	(56 687 954x365/365)	=56 687 954
For the period	01.01.2021-31.12.2021	(56 687 954x 365/365)	= 56 687 954
For the period	01.10.2022-31.12.2022	(56 687 954x 92/92)	=56 687 954
For the period	01.10.2021-31.12.2021	(56 687 954x 92/92)	=56 687 954

Indicative earnings per share from continuing operations:

For the period	01.01.2022-31.12.2022	13 452 thousand euros/ 56 687 954 = 0.24 euros
For the period	01.01.2021-31.12.2021	33 872 thousand euros/ 56 687 954 = 0.60 euros
For the period	01.10.2022-31.12.2022	4 800 thousand euros/56 687 954 = 0.08 euros
For the period	01.10.2021-31.12.2021	7 292 thousand euros/ 56 687 954 = 0.13 euros

Indicative earnings per share including discontinued operations:

For the period	01.01.2022-31.12.2022	13 452 thousand euros/ 56 687 954=0.24 euros
For the period	01.01.2021-31.12.2021	29 757 thousand euros/ 56 687 954 = 0.52 euros
For the period	01.10.2022-31.12.2022	4 800 thousand euros/ 56 687 954 = 0.08 euros
For the period	01.10.2021-31.12.2021	7 292 thousand euros/ 56 687 954 = 0.13 euros

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

Note 19. Shareholders meetings

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

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

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

Note 20. Transactions with related parties

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

Transactions with related parties

in thousands of euros	2022 12M	2021 12M
Significant owners and owner related companies		
Revenues	8	13
Interest expenses incurred	0	8
Minority shareholders		
Interest expenses incurred	0	10
Other shareholders / bondholders		
Interest expenses incurred	892	912
Redemption of convertible bonds	196	337
Interest payments	794	746
Members of the Management Board and Council		
Salaries and bonuses paid to management	650	1 733
Revenues	0	161

Receivables from related parties

in thousands of euros	2022 12M	2021 12M
Significant owners and owner related companies		
Prepayments	2 000	0

In 2022 the Group investigated an opportunity to purchase shares of PK Sicily SpA from a related party for 12 million euros. To secure the transaction and reserve the shares, the Group paid a prepayment in amount of 2 million euros to the seller. The Group has performed a thorough due diligence to evaluate potential gain on transaction and in 2023 has decided not to buy the shares of hotel company. The seller has to return the prepayment no later than three years from prepayment. The Group has the right to set the second rank pledge on the property to secure its receivable.

Shareholding in the Company %	31.12.2022	31.12.2021
Significant owner and owner related companies	49.63%	49.59%
Members of the Council and individuals related them	0.05%	0.05%

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

Management Board's confirmation of the financial statements

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

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

Edoardo Preatoni Member of the Management Board 28 February 2023