

# AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT  
FOR III QUARTER AND 9 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 over 25 years of experience. The key focus is on developing large-scale premium areas in the capitals of Baltic states – Tallinn, Riga and Vilnius, aimed at delivering maximum value for the stakeholders. Pro Kapital is the only real estate company with eight large ongoing and upcoming projects in its portfolio.

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



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## Management report

### Key highlights

**The total revenue** of the Company for nine months of 2020 was 13.6 million euros, which is a decrease of 63% compared to the reference period (2019 9M: 37.3 million euros). The total revenue of the third quarter was 4.6 million euros, a decrease of 69% compared to 14.8 million euros during the same period in 2019. 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 nine months in 2019 due to completion of apartment buildings in Kristina Houses and Šaltinių Namai projects. 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** for nine months of 2020 decreased by 54% amounting to 5.4 million euros compared to 11.7 million euros during the same period in 2019. In the third quarter the gross profit figures were 1.9 million euros and 3.6 million euros respectively. Gross profit margin has increased by 25%.

**The operating result** for nine months of 2020 was 1.1 million euros profit comparing to 6.9 million euros profit during the same period in 2019. The operating result of the third quarter was 0.9 million euros comparing to 1.8 million euros in 2019. The decrease in operating result is influenced mainly by the lower total revenues.

**The net result** for nine months of 2020 was 11.1 million euros loss and in the third quarter 3.2 million euros loss. In the comparable periods the net result was respectively 3.1 million euros loss and 2.8 million euros loss. The net result of the reporting period was influenced by the high interest expenses in AS Tallinna Moekombinaat.

**Cash used in operating activities** during nine months was 4.5 million euros comparing to 6.8 million euros cash generated during the same period in 2019. In the third quarter of 2020 cash used in operating activities was 1.9 million euros while 6.3 million euros cash was generated during the same period in 2019.

**Net assets per share** on 30 September 2020 totalled to 1.07 euros compared to 1.72 euros on 30 September 2019.

## Key performance indicators

	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Revenue, th EUR	13 615	37 283	4 562	14 771	55 276
Gross profit, th EUR	5 371	11 740	1 880	3 561	15 809
Gross profit, %	39%	31%	41%	24%	29%
Operating result, th EUR	1 136	6 885	885	1 764	-15 178
Operating result, %	8%	18%	19%	12%	-27%
Net result, th EUR	-11 085	-3 075	-3 183	-2 799	-29 172
Net result, %	-81%	-8%	-70%	-19%	-53%
Earnings per share, EUR	-0.19	-0.05	-0.06	-0.05	-0.48
		30.09.2020	30.09.2019	31.12.2019	
Total Assets, th EUR		218 026	243 213	210 821	
Total Liabilities, th EUR		157 545	145 549	139 255	
Total Equity, th EUR		60 481	97 664	71 566	
Debt / Equity *		2.60	1.49	1.94	
Return on Assets, % **		-5.2%	-1.4%	-12.8%	
Return on Equity, % ***		-17.3%	-3.4%	-34.4%	
Net asset value per share, EUR ****		1.07	1.72	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 was set for 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 the spring of 2021.

**On 19 February 2020** the Company informed about a 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 rate coupon of 8% and will 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. **On 12 June 2020** Harju County Court appointed two experts to evaluate the reorganization plan who have provided their opinion to the court in time. Based on experts' opinions the court should have decided on the approval of the reorganization plan.

**On 22 May 2020** the Company announced about the intention to issue new non-convertible bonds to refinance its PKG1-PKG7 convertible bonds in the aggregate value up to 10 252 258.80 euros. The bonds are expected to be issued in several tranches,

whereby the value of first tranche should be at least 5 million euros. During the first subscription period, which ended on **7 July 2020**, 2 925 641 bonds with the total issue value of 8 191 794.80 euros were subscribed. The issue date of the first tranche of the Bonds took place on **3 August 2020**. New non-convertible bonds are issued against PKG1-PKG7 convertible bonds. New bonds carry an interest of 8%, they are non-convertible and not secured, the final redemption date is 31 October 2024.

**On 28 May 2020** the Company announced about the decision of the Annual General Meeting in regards to election of Oscar Crameri as the new member of the Supervisory Council of AS Pro Kapital Grupp with the term until 5 July 2023.

**On 30 June 2020** the holders of senior secured bonds 2020/2024 decided to approve to amend the terms and conditions of the Company's senior secured bonds. The amendments were related to the maintenance test definition in respect of the Company's German hotel operations. The amended version of the terms and conditions took effect on 30 June 2020.

**On 7 July 2020** the Company announced about publishing a listing prospectus in respect of its senior secured bonds 2020/2024 and applying for admission to trading of these bonds on Nasdaq Stockholm. The prospectus and application for trading were approved by the Swedish Financial Supervisory Authority. The first day of trading was on **9 July 2020**.

**On 20 July 2020** the Company announced the merger of its subsidiaries in Lithuania – Pro Kapital Bonum Ltd to be integrated into its parent company PK Invest Ltd. PK Invest Ltd was a 100% subsidiary of Pro Kapital Vilnius Real Estate Ltd. Following the merger, the share capital of PK Invest Ltd remains the same and all the assets, rights and obligations of Pro Kapital Bonum Ltd are taken over by PK Invest Ltd. The merger was finalised on **25 September 2020**.

**On 30 July 2020** the Company announced about the ruling of the Tallinn District Court in relation to the reorganization proceedings of its subsidiary AS Tallinna Moekombinaat. The district court did not find that the county court had incorrectly appointed the experts, but held that the county court should have further analyzed and substantiated some of the preconditions for initiating expert proceedings. Therefore, the district court has referred the matter back to the county court for a new decision.

**On 14 August 2020** the county court made a new ruling in the matter and terminated the reorganization proceedings because it has established that AS Tallinna Moekombinaat is allegedly permanently insolvent. AS Tallinna Moekombinaat

disagreed with the views expressed in the county court ruling and has disputed the termination of the reorganisation proceedings.

**On 10 August 2020** the Company prolonged the redemption date of 37 423 PKG3 and 50 504 PKG4 convertible bonds by 2 years. New redemption date for convertible bonds PKG3 is set as 10 August 2022 and for PKG4 - 16 September 2022. 1 100 PKG3 convertible bonds were redeemed with the total value of 3 080 euros.

**On 30 September 2020** the Company announced about the start of the second subscription period for private placement of non-convertible bonds with the aggregate nominal value of up to 2 057 384 euros. The Bonds may be subscribed for only in exchange for the existing Pro Kapital convertible bonds. The subscription period of the bonds started on 1 October 2020 and was supposed to end on 28 October 2020. **On 28 October 2020**, after the reporting date, the Company has announced the prolongation of the subscription term until 6 November 2020.



## Chairman's summary

Nine months of 2020 have demonstrated the economic volatility primarily related to the spread of COVID-19. However, the spring uncertainty and an expectation for the decrease in the real estate sector in autumn has not materialized to date. I have previously emphasized that real-estate development is a long-term process, thus the changes in the economic environment do not manifest themselves immediately. Pro Kapital's sales have remained active through 2020 and we see a growing awareness of customers and their focus on entire living environment and on quality that would last. I believe that Pro Kapital's value proposition is very attractive on the market today and this is clearly reflected in pre-sales. We have reported a 23.7 million euro decrease of total sales during the 9 months of 2020, compared to the same period of 2019. However, as our revenues from the sales of the real estate depend on the completion of the residential developments, the revenues are recorded at the moment notary deeds of sale are concluded. Currently all major development projects are either under construction or prepared to be started. Despite very active presales across our operating areas, these numbers will be recorded upon completion of houses and notarization of sales transactions.

In the first quarter we 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. As a result of the first tranche, Pro Kapital refinanced part of its non-secured convertible bonds with new non-convertible bonds - 2 925 641 bonds with the total issue value of 8 191 794.80 euros as of 3 August 2020. On 30 September, Pro Kapital announced the launch of the second tranche of subscriptions of non-convertible bonds by private placement. The subscription period of the Bonds ends on 6 November 2020. In case of subscription of all of the Bonds the aggregate nominal value of the Bonds issued shall be 10 249 178.80 euros (3 660 421 Bonds, each having the issue price and nominal value of 2.80 euro).

In Tallinn, all ongoing construction activities are carried out according to plans in Kristiine City and Kalaranna District. In Kristiine City, the construction of Ratsuri Houses continues, and this unique combination of a renovated historic stable house and the accompanying New Holland-style building will be completed in spring of 2021. To date, we have presold 29 and booked 2 apartments out of the total 39 of Ratsuri Houses and the client interest has remained very active. We have also started signing bookings for the next project in Kristiine City residential area, called Kindrali Houses, for which we got the building permit in September. Kindrali Houses development is a truly unique home for people who value urban architecture and a green living environment and by its level of quality is comparable with the real estate in the central city. We have to date, reservations for 33 apartments out of 129 in total of the Kindrali Houses development project.

Another ongoing project in Tallinn is the residential area Kalaranna District, located right by the sea and on the border of Old Town. Preserving the history, location and

value of the Kalaranna area is of great importance to us, with this project we open the sea to the city. Thus, the entire development including the renewed bank and beach area, will add significant value for the city of Tallinn. Kalaranna District is very much valued by our customers, not only because of the location but for the complete value proposition. Eight buildings with 240 apartments will be completed with the first, ongoing construction phase, of which 144 have been presold and 2 booked to date. With the second construction phase 146 apartments shall be completed, of which 47 have been booked. Customers continue to show very high interest in all our developments: Kalaranna Kvartal and Kristiine City projects Ratsuri Houses and Kindrali Houses.

There are no ongoing construction works in Riga and we are currently focused on the sales of River Breeze Residence, which continues to be the market leader in the premium segment. Simultaneously we are preparing for the further development of Kliversala Residential Quarter. We have to date, received a building permit for City Oasis Residential Quarter, which will shape the historical area on the border of Riga's city centre into a modern residential area. City Oasis is a truly unique home for people who value contemporary architecture and a tranquil, green living environment. The development project foresees 326 new functional city homes in a safe, green and urban environment. We plan to proceed with construction activities as soon as we find the market situation favourable. Unfortunately, the Latvian real-estate market has not been as active as its neighbouring countries Estonia and Lithuania. That situation has remained relatively similar within recent years and is heavily influenced by inflexible conditions of the banks towards their customers.

Another exceptional development project is Šaltiniu Namai Attico in Vilnius, a prestigious living area, surrounded by the nature in the most tranquil part of the Old Town. This project has proven to be extremely valued by our clients for both - people who are buying a home and who are looking for an investment property. Regardless of the overall uncertainty this year, the sales have remained active and exceeded budget expectation. Moreover, Šaltiniu Namai Attico has reached the top of the Vilnius real estate market, being one of market leaders in the luxury segment. At the end of the 3rd quarter 86% of the Šaltiniu Namai Attico apartments have been sold. We are currently preparing for the following phase with city villas and commercial building and plan to start the construction in 2021.

This spring has had a significant impact on PK Parkhotel Kurhaus in Bad Kreuznach, Germany. Due to the COVID-19 restrictions, the hotel was closed from March until the end of June. Consequently, there were no revenues during second quarter and the costs of the hotel were reduced to the minimum during the closure. The impact of COVID-19 has been 1.5 million euros in less hotel revenues and ca 0.5 million lower net result during nine months. PK Parkhotel Kurhaus operating company received a long-term government support loan in amount of 500 000 euros on favourable conditions and a non-refundable grant of 83 581 euros. The hotel's activity has been recovering and funds received have helped to support the period of uncertainty. Understandably,

we have not yet been able to reach last year's levels. The increasing number of COVID-19 cases brings uncertainty to the following months, and as stated recently, all hotels in Germany are to be closed at least until end of November, starting from the 2 November. We are adjusting plans according to the changes in the situation and restrictions imposed by the German Government.

The difficult period has also affected our subsidiary, AS Tallinna Moekombinaat. On 3 April 2020 AS Pro Kapital Grupp announced the initiation of reorganization proceedings of its subsidiary AS Tallinna Moekombinaat. On 15 June 2020 Pro Kapital announced that the court has appointed experts to evaluate the plan, who had to submit their opinion on the reorganization plan by 22 July 2020 and that the court would decide on the approval of the plan by 10 August 2020. The appointed experts filed their opinions within the due date and their overall position about the reorganisation plan was positive. On 30 July 2020 Pro Kapital notified that the Tallinn District Court had annulled the ruling of the Harju County Court in connection with the appointment of experts and referred the matter back to the county court for a new decision. With its 14 August 2020 ruling the County Court terminated the reorganization proceedings because it has established that AS Tallinna Moekombinaat is allegedly permanently insolvent. On 31 August 2020 AS Tallinna Moekombinaat contested the ruling of the County Court with which the court decided to terminate the proceedings. Three creditors of AS Tallinna Moekombinaat also filed an appeal. AS Tallinna Moekombinaat has also challenged the ruling of the District Court on which the ruling of the County Court was based. The reorganization proceedings are ongoing and the influence of initiating the reorganization proceedings continue to apply to AS Tallinna Moekombinaat. T1 Mall of Tallinn is opened for customers and proceeds with its activities according to plans. 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 does not influence directly any other group company of AS Pro Kapital Grupp. No group company has secured nor guaranteed liabilities of AS Tallinna Moekombinaat. In the worst-case scenario, if reorganization proceedings will fail and AS Tallinna Moekombinaat goes bankrupt, AS Pro Kapital Eesti will have to record the maximum losses of 26 million euros including loan amount of 22.2, unpaid interest balance 3.0 million euros, unpaid invoices 0.3 million euros and the portion of equity of TMK in the amount of 0.2 million euros as at 30 September 2020. The total negative effect to the group would be 39 million euros (including initial investment into the share capital of the subsidiary). However, it would not affect liquidity of the group nor the short-term cash flows. The situation would influence the long-term cash flows to the extent of loan and interest payments.

2020 has presented unexpected challenges for everyone and will most likely continue to do so. We make our long-term decisions consciously and conservatively. Certainly, every negative thing is accompanied by new prospects and expectations. Consumption and behavioural habits are changing and I see this as an opportunity to adapt and offer

something new and valuable. Our primary focus is currently set on ongoing and upcoming projects, sales of available inventory and contributing to re-establishing and maintaining normal activities in rental and hotel operations.



Paolo Michelozzi  
CEO  
AS Pro Kapital Grupp  
29 October 2020

## Group structure

As at 30 September 2020



\* On 25 September 2020 the merger of Company's subsidiaries in Lithuania was finalised. Pro Kapital Bonum UAB was integrated into its parent company PK Invest UAB. Following the merger, the share capital of PK Invest UAB has remained the same and all the assets, rights and obligations of Pro Kapital Bonum UAB were taken over by PK Invest UAB.

## 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

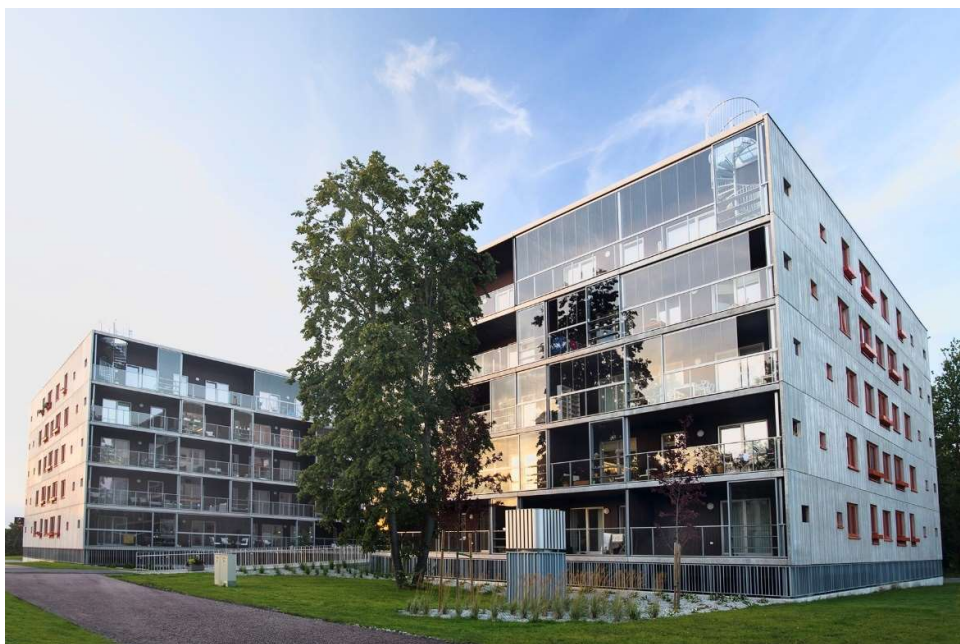
Ülemiste 5 land plot is close to the T1 Mall of Tallinn property, located on Peterburi road 2. Ülemiste 5 will be developed for commercial premises with gross leasable area 14 thousand square meters. This development project will play a significant role in establishing the new public transportation centre 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 Marsi 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, close to 80% of apartments have been reserved or presold.

### *Kindrali Houses in Kristiine City*

Located among the private houses and apple orchards of Kristiine district, the modern Kindrali Houses have a warm and cosy heart. Kindrali Houses form a part of the Kristiine City district which is undergoing rapid development near the city centre and offering versatile opportunities for residents of all



ages. New five-storey apartment buildings will be built at 6 Sõjakooli Street. The focus is on comfort, safety and living in harmony with environment. The contemporary and Nordic appearance of the buildings is complemented by carefully selected high-quality materials and details in the interior design. There are both spacious five-room flats and ground floor studio apartments with separate entrances as well as a washing room for the four-legged friends. To date, 25% of apartments have been reserved.



## Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the border of Tallinn's central city and old town. Kalaranna District, located at Kalaranna 8, will have twelve 4-5 storey buildings on nearly six hectares. The area will be developed in two stages. An integral part of the residential quarter is well-thought-out landscape architecture and a beach promenade that largely preserves the existing natural environment. During the first phase of construction, eight buildings will be completed with 240 apartments, commercial premises and an underground car park. The area will include the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. The first buildings will be completed by September 2021 at the latest. To date, more than 60% of apartments have been reserved or presold.



## 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.

### City Oasis Quarter in Riga

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



### Šaltinių Namai in Vilnius

Šaltinių Namai | Attico is a prestigious living area, surrounded by the nature in the most tranquil part of the Old Town, located within the UNESCO protection area. Šaltinių Namai | Attico is inspired by the baroque spirit of Vilnius Old Town and the tradition of Italian architecture in Lithuania. Homebuyers can choose from thoroughly planned apartments with exceptional views to spacious town houses. As an integral part of the landscape, this unique area has the first Italian courtyard garden in the city, designed

by an Italian concept architect Gianmarco Cavagnino. To date we have completed five houses of the Šaltinių Namai | Attico project and are currently planning the following construction phase with city villas and commercial building.



## Segments and sales information

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

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

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	9M	9M	9M	9M	9M	9M	9M	9M	9M	9M
Real estate	495	6 714	960	4 330	5 558	15 793	0	0	7 013	26 837
Rent	4 865	7 246	59	54	18	43	0	0	4 942	7 343
Hotel	0	0	0	0	0	0	1 370	2 865	1 370	2 865
Maintenance	46	34	0	0	165	115	0	0	211	149
Other	15	27	14	14	50	48	0	0	79	89
<b>Total</b>	<b>5 421</b>	<b>14 021</b>	<b>1 033</b>	<b>4 398</b>	<b>5 791</b>	<b>15 999</b>	<b>1 370</b>	<b>2 865</b>	<b>13 615</b>	<b>37 283</b>

### Revenue structure of third quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3	Q3
Real estate	6	743	29	427	2 334	10 184	0	0	2 370	11 355
Rent	1 410	2 309	20	19	4	8	0	0	1 434	2 336
Hotel	0	0	0	0	0	0	629	992	629	992
Maintenance	16	12	0	0	58	43	0	0	74	55
Other	7	0	6	3	42	31	0	0	55	33
<b>Total</b>	<b>1 439</b>	<b>3 064</b>	<b>55</b>	<b>449</b>	<b>2 440</b>	<b>10 266</b>	<b>629</b>	<b>992</b>	<b>4 562</b>	<b>14 771</b>

The Company's operations in **Estonia** consist of the development and sales of residential and business premises, rental activity and maintenance of residential and business premises. Revenue from rent and maintenance services of T1 Mall of Tallinn is included in the rent revenue.

The share of the Estonian segment as a percentage of total revenues of the Company for the nine months amounted to 39.8% compared to 37.6% during the same period last year.

During the reporting period of nine months the total of 3 apartments, 4 parking lots and 6 storage rooms were sold (2019 9M: 45 apartments, 68 parking lots and 36 storage rooms).

At the end of the reporting period the stock consisting of several parking spaces and storage rooms were available for sale in Tallinn. No completed apartment is available.

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 nine months amounted to 7.6% comparing to 11.8% 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 for the nine months amounted to 42.5% comparing to 42.9% during the same period last year.

During the reporting period 14 apartments, 2 cottages, 2 business premises, 9 storage rooms and 18 parking lots were sold in Lithuania (2019 9M: 73 apartments, 1 cottage, 72 storage rooms and 70 parking lots). There were 17 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 nine months amounted to 10.1% comparing to 7.7% last year. The occupancy rate of 47% of PK Parkhotel Kurhaus has decreased by 28% compared to 66% during the same period in 2019. In the third quarter the occupancy rate was 42% (2019 9M: 69%). Total revenues of nine months were 1 370 thousand euros compared to 2 865 thousand euros during the same period in 2019. Net result for the nine months was 522 thousand euros loss (2019 9M: 42 thousand euros profit). Due to the Emergency State and restrictions set by the German Government the hotel was closed during 21 March-30 June 2020. The hotel was re-opened from 1 July 2020, but shall be closed again from 2 November at least until end of November 2020 according to the latest information.

## Other operative data of nine months

	EST		LV		LT		Total	Total
	2020 9M	2019 9M	2020 9M	2019 9M	2020 9M	2019 9M	2020 9M	2019 9M
M <sup>2</sup> sold*	228	3 351	286	1 257	1 730	5 597	2 244	10 205
Average price, m <sup>2</sup> /EUR*	1 958	1 822	3 018	3 128	2 996	2 489	2 893	2 349
M <sup>2</sup> under maintenance	26 307	26 307	0	0	25 428	22 615	51 735	48 922

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

## Other operative data of third quarter

	EST		LV		LT		Total	Total
	2020 Q3	2019 Q3	2020 Q3	2019 Q3	2020 Q3	2019 Q3	2020 Q3	2019 Q3
M <sup>2</sup> sold*	0	346	0	128	589	3 735	589	4 209
Average price, m <sup>2</sup> /EUR*	0	1 872	0	2 910	3 705	2 479	3 705	2 442
M <sup>2</sup> under maintenance	26 307	26 307	0	0	25 428	22 615	51 735	48 922

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

## Financing sources and policies

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

During the reporting period, the Company borrowed 6.8 million euros from LHV Pank AS, 836 thousand euros from Coop Pank AS and 100 thousand euros from Colosseum Finance OÜ. The Company repaid 0.7 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. As at 30 September 2020, the total loan debt to the banks was 90.3 million euros (Note 9).

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

As at 30 September 2020 the Company had issued 2.05 million euros convertible bonds, 28.5 million euros secured, callable, fixed rate non-convertible bonds with redemption

date in February 2024 and 8.2 million euros unsecured, callable, fixed rate non-convertible bonds with redemption date in October 2024 (Note 9).

## Shares and shareholders

As at 30 September 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 30 September 2020 there were 347 shareholders registered in the shareholders register. Many of the registered shareholders are nominee companies, which represent multiple non-resident investors.

Shareholders holding over 5% of the shares as at 30 September 2020 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	29 415 717	51.89%
Clearstream Banking Luxembourg S.A. Clients	11 395 754	20.10%
Nordea Bank AB (Publ)/ Non-treaty Clients	4 787 996	8.45%
Svalbork Invest OÜ	3 759 620	6.63%

The largest shareholders of AS Pro Kapital Grupp are Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as of 30 September 2020 Ernesto Preatoni and his affiliates control 43.14% 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 3 759 620 shares representing 6.63% of the total shares of the Company.
- 17 188 439 shares representing 30.32% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 3 510 985 shares representing 6.19% of the total shares of the Company held through a nominee account opened by Nordea Bank.



Participation of Member of the Management Board and the Council Members as at 30 September 2020 is as follows:

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

Earnings per share during the nine months of 2020 were -0.19 euros (2019 9M: -0.05 euros).

**Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 30 September 2020, NASDAQ Baltic Main List**



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

On 23 November 2012 the Company was listed on the secondary list of Tallinn’s stock exchange. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn’s stock exchange. During the period 1 January – 30 September 2020 the shares were traded at the price range 0.675-1.39 euros, with the closing price

of 0.795 euros per share on 30 September 2020. During the period 654 thousand of the Company's shares were traded with their turnover amounting to 634 thousand euros.

Since 13 March 2014 the Company's shares are available for trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 30 September 2020 the shares were traded at the price range of 0.65-1.35 euros, with the closing price 0.775 euros per share on 30 September 2020. During the period 302 thousand of the Company's shares were traded with the total turnover of 313 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 30 September 2020, AS Pro Kapital Eesti had two interlinked administrative court cases in progress. In the first court case, the company is requesting nullification of a decision of the Land Board whereby a cadastral unit located at Kalasadama 3, Tallinn, with 100% purpose of land under water bodies was not registered. On 27 March 2020, the Tallinn District Court decided in favour of AS Pro Kapital Eesti and ruled that the Land Board should make a new decision or, then, should invalidate its original 30 April 1999 decision from the privatisation era. On 27 April 2020 the Land Board appealed the District Court's decision to the Supreme Court, which has accepted the appeal and granted AS Pro Kapital Eesti the right of response. The company has responded on time on 6 October 2020 and is awaiting the Supreme Court's judgment.

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 30 September 2020 the Company employed 87 people, the same amount as on 30 September 2019. 38 of them were engaged in hotel and property maintenance services (40 on 30 September 2019). 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.

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	29 October 2020
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	29 October 2020
Edoardo Preatoni	Member of the Management Board	29 October 2020

## Consolidated financial statements

### Consolidated interim statement of financial position

in thousands of euros	Notes	30.09.2020	30.09.2019	31.12.2019
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents		7 316	5 270	10 616
Current receivables		1 422	1 219	1 475
Inventories	5	53 405	51 717	41 031
<b>Total current assets</b>		<b>62 143</b>	<b>58 206</b>	<b>53 122</b>
Non-current assets				
Non-current receivables	6	4 417	3 708	2 297
Property, plant and equipment	7	7 011	7 165	7 146
Right-of-use assets	7	400	558	519
Investment property	8	143 713	173 219	147 365
Intangible assets		342	357	372
<b>Total non-current assets</b>		<b>155 883</b>	<b>185 007</b>	<b>157 699</b>
<b>TOTAL ASSETS</b>	3	<b>218 026</b>	<b>243 213</b>	<b>210 821</b>
<b>LIABILITIES AND EQUITY</b>				
Current liabilities				
Current debt	9	78 032	43 621	111 759
Customer advances		7 124	2 059	3 974
Current payables		17 844	8 418	8 741
Tax liabilities		225	218	1 155
Short-term provisions		358	1 300	267
<b>Total current liabilities</b>		<b>103 583</b>	<b>55 616</b>	<b>125 896</b>
Non-current liabilities				
Long-term debt	9	50 793	87 359	10 871
Other non-current payables		1 783	1 043	1 013
Deferred income tax liabilities		1 230	1 414	1 348
Long-term provisions		156	117	127
<b>Total non-current liabilities</b>		<b>53 962</b>	<b>89 933</b>	<b>13 359</b>
<b>TOTAL LIABILITIES</b>	3	<b>157 545</b>	<b>145 549</b>	<b>139 255</b>
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	1 134	1 134
Revaluation reserve		3 262	3 262	3 262
Retained earnings		49 743	76 725	76 725
Profit/ Loss for the period		-10 672	-2 734	-26 981
<b>Total equity attributable to owners of the Company</b>		<b>60 466</b>	<b>95 386</b>	<b>71 139</b>
<b>Non-controlling interest</b>	4	<b>15</b>	<b>2 278</b>	<b>427</b>
<b>TOTAL EQUITY</b>		<b>60 481</b>	<b>97 664</b>	<b>71 566</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>218 026</b>	<b>243 213</b>	<b>210 821</b>

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

# Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
<b>CONTINUING OPERATIONS</b>						
<b>Operating income</b>						
Revenue	3, 10	13 615	37 283	4 562	14 771	55 276
Cost of goods sold	11	-8 244	-25 543	-2 682	-11 210	-39 467
<b>Gross profit</b>	12	<b>5 371</b>	<b>11 740</b>	<b>1 880</b>	<b>3 561</b>	<b>15 809</b>
Marketing expenses		-428	-487	-141	-193	-728
Administrative expenses	13	-3 839	-4 338	-889	-1 563	-6 013
Other income	14	110	56	39	6	95
Other expenses	14	-78	-86	-4	-47	-24 341
<b>Operating profit/ loss</b>		<b>1 136</b>	<b>6 885</b>	<b>885</b>	<b>1 764</b>	<b>-15 178</b>
Financial income	15	3	3	1	1	4
Financial expense	15	-12 013	-10 074	-3 937	-4 502	-14 019
<b>Profit/ loss before income tax</b>		<b>-10 874</b>	<b>-3 186</b>	<b>-3 051</b>	<b>-2 737</b>	<b>-29 193</b>
Income tax		-211	111	-132	-62	21
<b>Profit/ loss for the period</b>		<b>-11 085</b>	<b>-3 075</b>	<b>-3 183</b>	<b>-2 799</b>	<b>-29 172</b>
Attributable to:						
Equity holders of the parent		-10 672	-2 734	-3 119	-2 605	-26 981
Non-controlling interest	4	-413	-341	-64	-194	-2 191
<b>Total comprehensive income/ loss for the year</b>		<b>-11 085</b>	<b>-3 075</b>	<b>-3 183</b>	<b>-2 799</b>	<b>-29 172</b>
Attributable to:						
Equity holders of the parent		-10 672	-2 734	-3 119	-2 605	-26 981
Non-controlling interest		-413	-341	-64	-194	-2 191
Earnings per share for the period (EUR)	16	-0.19	-0.05	-0.06	-0.05	-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 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
<b>Cash flows from operating activities</b>						
Profit/ loss for the period		-11 085	-3 075	-3 183	-2 799	-29 172
Adjustments for:						
Depreciation, amortisation of non-current assets		311	294	102	100	399
Gain from disposal of property, plant, equipment		0	0	0	0	-3
Gain from disposal of investment property		0	0	0	0	6
Change in fair value of property, plant, equipment		0	0	0	0	-15
Change in fair value of investment property		0	0	0	0	24 236
Finance income and costs	15	12 010	10 071	3 936	4 501	14 016
Changes in deferred tax assets and liabilities		-118	-590	-59	-413	-656
Other non-monetary changes (net amounts)		-3 118	2 446	-3 114	2 396	419
Changes in working capital:						
Trade receivables and prepayments		-2 049	-1 785	-1 069	-826	-630
Inventories		-12 373	7 591	-8 023	6 180	18 276
Liabilities and prepayments		11 870	-8 154	9 522	-2 786	-6 412
Provisions		29	-15	10	-39	-51
<b>Net cash used/ generated in operating activities</b>		<b>-4 523</b>	<b>6 783</b>	<b>-1 878</b>	<b>6 314</b>	<b>20 413</b>
<b>Cash flows from investing activities</b>						
Payments for property, plant and equipment	7	-29	-201	-18	-35	-226
Payments for intangible assets		0	-46	0	-21	-74
Payments for investment property	8	-657	-5 496	-260	-859	-6 019
Proceeds from disposal of investment property		0	0	0	0	2 170
Interests received	15	2	3	0	1	4
<b>Net cash used in investing activities</b>		<b>-684</b>	<b>-5 740</b>	<b>-278</b>	<b>-914</b>	<b>-4 145</b>
<b>Cash flows from financing activities</b>						
Net proceeds from secured bonds		28 500	0	0	0	0
Redemption of non-convertible bonds		-28 003	-600	-3	-300	-500
Proceeds from borrowings		7 689	15 917	4 832	2 529	16 461
Repayment of borrowings		-684	-12 639	-28	-5 063	-21 551
Repayment of lease liabilities		-130	-129	-46	-44	-192
Interests paid		-5 465	-3 362	-2 344	-1 354	-6 910
Deposited amount related to loan obligations		0	-2 000	0	0	0
<b>Net cash used/ generated by financing activities</b>		<b>1 907</b>	<b>-2 813</b>	<b>2 411</b>	<b>-4 232</b>	<b>-12 692</b>
<b>Net change in cash and cash equivalents</b>		<b>-3 300</b>	<b>-1 770</b>	<b>255</b>	<b>1 168</b>	<b>3 576</b>
Cash and cash equivalents at the beginning		10 616	7 040	7 061	4 102	7 040
Cash and cash equivalents at the end of the period		7 316	5 270	7 316	5 270	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
<b>1 January 2018</b>	<b>11 338</b>	<b>5 661</b>	<b>1 082</b>	<b>3 256</b>	<b>59 950</b>	<b>81 287</b>	<b>1 395</b>	<b>82 682</b>
Changes in revaluation reserve	0	0	0	6	-6	0	0	0
Comprehensive profit for the period	0	0	0	0	16 827	16 827	1 229	<b>18 056</b>
<b>31 December 2018</b>	<b>11 338</b>	<b>5 661</b>	<b>1 082</b>	<b>3 262</b>	<b>76 771</b>	<b>98 114</b>	<b>2 624</b>	<b>100 738</b>
Allocation of funds to 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	-2 734	-2 734	-340	<b>-3 074</b>
<b>30 September 2019</b>	<b>11 338</b>	<b>5 661</b>	<b>1 134</b>	<b>3 262</b>	<b>73 991</b>	<b>95 386</b>	<b>2 278</b>	<b>97 664</b>
Comprehensive loss for the period	0	0	0	0	-24 247	-24 247	-1 851	-26 098
<b>31 December 2019</b>	<b>11 338</b>	<b>5 661</b>	<b>1 134</b>	<b>3 262</b>	<b>49 744</b>	<b>71 139</b>	<b>427</b>	<b>71 566</b>
Comprehensive loss for the period	0	0	0	0	-10 673	-10 673	-413	<b>-11 085</b>
<b>30 September 2020</b>	<b>11 338</b>	<b>5 661</b>	<b>1 134</b>	<b>3 262</b>	<b>39 071</b>	<b>60 466</b>	<b>15</b>	<b>60 481</b>

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



## Notes to consolidated interim financial statements

### Note 1. General information

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

Shareholder	Country of incorporation	Ownership 30.09.2020	Ownership 30.09.2019	Ownership 31.12.2019
Raiffeisen Bank International AG	Austria	51.89%	48.35%	48.68%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	20.10%	19.75%	20.80%
Nordea Bank AB (Publ)/ Non-treaty Clients	Finland	8.45%	0.00%	0.00%
Svalbork Invest OÜ	Estonia	6.63%	7.15%	6.41%
Nordea Bank Finland Plc Clients	Finland	0.00%	11.66%	11.13%

For the purpose of comparable financial figures of these interim financial statements as at 30 September 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 nine 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
<b>2020 9M</b>							
<b>Revenue</b>	<b>0</b>	<b>5 421</b>	<b>1 037</b>	<b>5 791</b>	<b>1 379</b>	<b>-13</b>	<b>13 615</b>
<i>incl. sale of real estate</i>	0	495	960	5 558	0		7 013
<i>incl. rental income</i>	0	4 865	59	18	0		4 942
<i>incl. hotel operations</i>	0	0	0	0	1 379	-9	1 370
<i>incl. maintenance services</i>	0	46	0	165	0		211
<i>incl. other revenue</i>	0	15	18	50	0	-4	79
Other operating income and expenses (net)	17	21	-1	0	-5		32
Segment operating profit/loss	-1 495	1 254	-68	1 833	-395	7	1 136
Financial income and expense (net)	-4 530	-6 992	-354	-15	-108	-11	-12 010
<b>Profit/Loss before income tax</b>	<b>-6 025</b>	<b>-5 738</b>	<b>-422</b>	<b>1 818</b>	<b>-503</b>	<b>-4</b>	<b>-10 874</b>
Income tax	0	0	0	-207	-4		-211
Non-controlling interest	0	-413	0	0	0		-413
<b>Net profit/loss for the financial year attributable to equity holders of the parent</b>	<b>-6 025</b>	<b>-5 325</b>	<b>-422</b>	<b>1 611</b>	<b>-507</b>	<b>-4</b>	<b>-10 672</b>
<b>30.09.2020</b>							
Assets	53 877	252 228	29 400	13 533	7 430	-138 442	218 026
Liabilities	123 020	113 669	20 814	1 950	4 986	-106 894	157 545
Acquisition of non-current assets	0	8	0	3	23		34
Adjustment	0	0	-6	0	0		-6
Depreciation and amortisation	-4	-77	-38	-22	-170		-311
<b>2019 9M</b>							
<b>Revenue</b>	<b>0</b>	<b>14 021</b>	<b>4 402</b>	<b>15 999</b>	<b>3 242</b>	<b>-381</b>	<b>37 283</b>
<i>incl. sale of real estate</i>	0	6 714	4 330	15 793	0		26 837
<i>incl. rental income</i>	0	7 246	54	43	0		7 343
<i>incl. hotel operations</i>	0	0	0	0	3 242	-377	2 865
<i>incl. maintenance services</i>	0	34	0	115	0		149
<i>incl. other revenue</i>	0	27	18	48	0	-4	89
Other operating income and expenses (net)	-3	6	10	-37	-6		-30
Segment operating profit/loss	-1 637	4 702	1 286	2 430	97	7	6 885
Financial income and expense (net)	-3 776	-5 649	-363	-165	-104	-14	-10 071
<b>Profit/Loss before income tax</b>	<b>-5 413</b>	<b>-947</b>	<b>923</b>	<b>2 265</b>	<b>-7</b>	<b>-7</b>	<b>-3 186</b>
Income tax	0	0	0	113	-2		111
Non-controlling interest	0	-341	0	0	0		-341
<b>Net profit/loss for the financial year attributable to equity holders of the parent</b>	<b>-5 413</b>	<b>-606</b>	<b>923</b>	<b>2 378</b>	<b>-9</b>	<b>-7</b>	<b>-2 734</b>
<b>30.09.2019</b>							
Assets	58 807	266 933	30 763	19 832	7 002	-140 124	243 213
Liabilities	120 942	98 801	20 689	9 667	4 030	-108 580	145 549
Acquisition of non-current assets	1	101	2	2	141		247
Depreciation and amortisation	-4	-55	-40	-24	-171		-294

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
<b>2019 12M</b>							
<b>Revenue</b>	<b>760</b>	<b>28 911</b>	<b>4 739</b>	<b>17 688</b>	<b>4 451</b>	<b>-1 273</b>	<b>55 276</b>
<i>incl. sale of real estate</i>	0	19 367	4 640	17 412	0		41 419
<i>incl. rental income</i>	0	9 467	71	49	0		9 587
<i>incl. hotel operations</i>	0	0	0	0	4 451	-507	3 944
<i>incl. maintenance services</i>	0	48	0	172	0		220
<i>incl. other revenue</i>	760	29	28	55	0	-766	106
Other operating income and expenses (net)	-3	-23 537	-696	-26	16		<b>-24 246</b>
Segment operating profit/loss	-1 354	-16 660	381	2336	110	9	<b>-15 178</b>
Financial income and expense (net)	-5 042	-8 123	-495	-200	-140	-16	<b>-14 015</b>
<b>Profit/Loss before income tax</b>	<b>-6 396</b>	<b>-24 782</b>	<b>-114</b>	<b>2136</b>	<b>-30</b>	<b>-7</b>	<b>-29 193</b>
Income tax	0	0	-30	50	1		<b>21</b>
Non-controlling interest	0	-2 191	0	0	0		<b>-2 191</b>
<b>Net profit/loss for the financial year attributable to equity holders of the parent</b>	<b>-6 396</b>	<b>-22 591</b>	<b>-144</b>	<b>2 186</b>	<b>-29</b>	<b>-7</b>	<b>-26 981</b>
<b>31.12.2019</b>							
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
Disposal 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 30 September 2019	6.65%
Minority (%) as at 31 December 2019	6.65%
Minority (%) as at 30 September 2020	6.65%

in thousands of euros

<b>Non-controlling interest as at 31 December 2018</b>	<b>2 624</b>
Loss for the reporting period	-340
Changes in statutory reserve in non-controlling interests	-6
<b>Non-controlling interest as at 30 September 2019</b>	<b>2 278</b>
Loss for the reporting period	-1 851
<b>Non-controlling interest as at 31 December 2019</b>	<b>427</b>
Loss for the reporting period	-413
<b>Non-controlling interest as at 30 September 2020</b>	<b>15</b>

## Note 5. Inventories

in thousands of euros	30.09.2020	30.09.2019	31.12.2019
<b>Property held for resale</b>	<b>13 749</b>	<b>18 921</b>	<b>17 782</b>
<i>incl. Kristina Houses, Tallinn</i>	63	14	459
<i>incl. River Breeze, Riga</i>	9 331	10 106	9 890
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	4 247	8 564	7 209
<i>incl. other properties</i>	108	237	224
<b>Works in progress</b>	<b>39 504</b>	<b>32 655</b>	<b>23 091</b>
<i>incl. Kristiine City, Tallinn</i>	6 307	10 330	722
<i>incl. Kalaranna Quarter, Tallinn</i>	27 225	16 364	16 399
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	5 972	5 961	5 970
Goods bought for resale	151	59	119
Prepayments for inventories	1	82	39
<b>Total</b>	<b>53 405</b>	<b>51 717</b>	<b>41 031</b>

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

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

Works in progress include two development projects being currently under construction in Tallinn – Ratsuri Houses in Kristiine City and Kalaranna District. The planned completion of both development projects is in 2021. Kindrali Houses in Kristiine City and the following phase of Šaltinių Namai are awaiting for the start of development.

## Note 6. Non-current receivables

in thousands of euros	30.09.2020	30.09.2019	31.12.2019
Deposited cash on the bank account	0	2 005	0
Accrued income (rental income)	4 390	1 670	2 265
Finance leases	27	31	30
Other non-current receivables	0	2	2
<b>Total</b>	<b>4 417</b>	<b>3 708</b>	<b>2 297</b>

Accrued income has increased by 2.1 million euros during the nine months of 2020 due to the recognition of estimation of rental income in T1 Mall of Tallinn according to IFRS 15.

## Note 7. Property, plant, equipment and right-of use assets

Land and buildings held for providing services or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. On 30 September 2020 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn, Estonia.

in thousands of euros	30.09.2020	30.09.2019	31.12.2019
Acquisition value of property, plant and equipment	10 401	10 355	10 372
Accumulated depreciation	-3 390	-3 190	-3 226
<b>Residual value of property, plant and equipment</b>	<b>7 011</b>	<b>7 165</b>	<b>7 146</b>
Acquisition value of right-of-use assets	668	674	674
Accumulated depreciation	-268	-116	-155
<b>Residual value of right-of-use assets</b>	<b>400</b>	<b>558</b>	<b>519</b>

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	Prepay-ments	Total	Right-of-use assets
<b>Acquisition value 31.12.2018</b>	<b>8 956</b>	<b>918</b>	<b>280</b>	<b>0</b>	<b>10 154</b>	<b>0</b>
Initial application of IFRS 16 (Note 2)	0	0	0	0	0	674
<b>Adjusted acquisition value 01.01.2019</b>	<b>8 956</b>	<b>918</b>	<b>280</b>	<b>0</b>	<b>10 154</b>	<b>674</b>
Additions:						
Acquired	0	34	60	107	201	0
<b>Acquisition value 30.09.2019</b>	<b>8 956</b>	<b>952</b>	<b>340</b>	<b>107</b>	<b>10 355</b>	<b>674</b>
Additions:						
Acquired	14	7	4	0	25	0
Reclassification	107	0	0	-107	0	0
Disposals:						
Written off	0	0	-8	0	-8	0
<b>Acquisition value 31.12.2019</b>	<b>9 077</b>	<b>959</b>	<b>336</b>	<b>0</b>	<b>10 372</b>	<b>674</b>
Additions:						
Acquired	0	16	6	7	29	0
Adjustment	0	0	0	0	0	-6
<b>Acquisition value 30.09.2020</b>	<b>9 077</b>	<b>975</b>	<b>342</b>	<b>7</b>	<b>10 401</b>	<b>668</b>

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	Total	Right-of-use assets
<b>Accumulated depreciation 31.12.2018</b>	<b>1 982</b>	<b>864</b>	<b>180</b>	<b>0</b>	<b>3 026</b>	<b>0</b>
Additions:						
Depreciation charge for the period	111	18	35	0	164	116
<b>Accumulated depreciation 30.09.2019</b>	<b>2 093</b>	<b>882</b>	<b>215</b>	<b>0</b>	<b>3 190</b>	<b>116</b>
Additions:						
Depreciation charge for the period	37	7	14	0	58	39
Changes in fair value	-15	0	0	0	-15	0
Disposals and write offs:						
Written off	0	0	-7	0	-7	0
<b>Accumulated depreciation 31.12.2019</b>	<b>2 115</b>	<b>889</b>	<b>222</b>	<b>0</b>	<b>3 226</b>	<b>155</b>
Additions:						
Depreciation charge for the period	113	15	36	0	164	113
<b>Accumulated depreciation 30.09.2020</b>	<b>2 228</b>	<b>904</b>	<b>258</b>	<b>0</b>	<b>3 390</b>	<b>268</b>

## Note 8. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
<b>Balance at 31.12.2018</b>	<b>38 945</b>	<b>129 200</b>	<b>168 145</b>
Additions:			
Investments	1 087	4 384	5 471
Other changes:			
Reclassified into inventories	-397	0	-397
<b>Balance at 30.09.2019</b>	<b>39 635</b>	<b>133 584</b>	<b>173 219</b>
Additions:			
Investments	186	362	548
Changes in fair value:			
Loss from change in fair value	-1 190	s-23 046	-24 236
Disposals:			
Sold	-2 167	0	-2 167
<b>Balance at 31.12.2019</b>	<b>36 465</b>	<b>110 900</b>	<b>147 365</b>
Additions:			
Investments	638	19	657
Other changes:			
Reclassified into inventories	-4 309	0	-4 309
<b>Balance at 30.09.2020</b>	<b>32 794</b>	<b>110 919</b>	<b>143 713</b>

The fair value of the Company's investment properties has been derived on the basis of valuations carried out by Colliers International, an independent valuator, at the end of 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	30.09.2020	30.09.2019	31.12.2019
Bank loans and overdrafts	77 428	10 729	77 726
Convertible bonds	451	4 803	5 875
Secured non-convertible bonds	0	27 841	27 867
Unsecured non-convertible bonds	0	100	100
Lease liabilities	153	148	191
<b>Total</b>	<b>78 032</b>	<b>43 621</b>	<b>111 759</b>

### Non-current debt

in thousands of euros	30.09.2020	30.09.2019	31.12.2019
Bank loans and overdrafts	12 888	81 050	5 687
Convertible bonds	1 586	5 290	4 250
Secured non-convertible bonds	27 585	0	0
Unsecured non-convertible bonds	7 771	0	0
Payables to non-controlling interest	641	501	510
Lease liabilities	322	518	424
<b>Total</b>	<b>50 793</b>	<b>87 359</b>	<b>10 871</b>

### Creditors

in thousands of euros	30.09.2020	30.09.2019	31.12.2019
Luminor Bank AS (EE)	394	424	416
AS LHV Pank (EE)	12 053	13 442	5 300
AS Swedbank (LV)	1 678	2 556	2 339
Coop Pank AS (EE)	836	0	0
Lintgen Adjacent Investments (Agent) incl long-term interests	75 356	75 356	75 356
Colosseum Finance OÜ including long-term interests	102	0	0
Fiducaria Emiliana S.r.l including long-term interests	347	324	330
Anndare Limited including long-term interests	191	177	181
Convertible bonds, various investors (discounted value)	2 037	10 094	10 125
Non-convertible bonds, various investors	0	0	100
Secured bonds, various investors (discounted value)	35 356	27 941	27 867
Lease agreements (related to right-of -use assets)	475	665	615
Swedbank AS (EE), credit cards	0	1	1
<b>Total</b>	<b>128 825</b>	<b>130 980</b>	<b>122 630</b>

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 15) for the reporting period was 12.0 million euros (2019 9M: 10.1 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 (until 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 and the interest costs) have remained positive. TMK is also in payment default under the abovementioned 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 and initiated reorganisation proceedings TMK has made no further interest or default interest payments. Such non-payment and the above described non-fulfilment of financial covenants entitles the creditor to accelerate its claims under the facility agreement. This is why TMK has recorded the loan balance as a short-term liability. 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 realistic and fair reorganization plan to the creditors. Although the most of the creditors voted in favour of the reorganisation plan, it was not enough to accept the plan as the major creditor, the lender, voted against it. TMK applied to the court to accept the plan through the expert procedures. The court appointed two experts and requested to provide their opinion to the court by 22 July 2020. Opinions of the experts were in general supportive towards the reorganisation plan. At the end of July Tallinn District Court requested Harju County Court to review the appointment of the experts. The district court did not find that the county court had incorrectly appointed the experts but held that the county court should have further analysed and substantiated some of the preconditions for initiating expert proceedings. Harju County Court made a new ruling in the matter in the middle of August and terminated the reorganization



proceedings prematurely because it has established that TMK is allegedly permanently insolvent. TMK has disputed the decision of Harju County Court. Both experts appointed by the court in the reorganization proceedings have thoroughly analyzed the economic situation of the company and concluded that the company is not permanently insolvent and the problems can be overcome with the help of the reorganization plan. Also, during the reorganization procedure, the company's financial results have been better than those outlined in the reorganization plan and all the company's ongoing obligations have been fulfilled and the company continues to fulfil new obligations. According to the position of TMK, the county court has insufficiently analyzed and assessed the arguments and evidence submitted by TMK. TMK has provided the court with statements and evidence which clearly show that the payment difficulties of the company are temporary. However, in the worst-case scenario, if reorganization proceedings will fail and TMK goes bankrupt, AS Pro Kapital Eesti will have to record the maximum losses of 26 million euros including loan amount of 22.2, unpaid interest balance 3.0 million euros, unpaid invoices 0.3 million euros and the portion of equity of TMK in the amount of 0.2 million euros as at 30 September 2020. The total negative effect to the group would be 39 million euros (including initial investment into the share capital of the subsidiary). The bankruptcy of TMK would not affect liquidity of the group nor the short-term cash flows. The situation would influence the long-term cash flows to the extent of loan and interest payments.

### **Convertible bonds**

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

On 17 January 2020 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is set for 20 January 2022.

On 22 May 2020 the Company announced about the intention to issue new non-convertible bonds to refinance its PKG1-PKG7 convertible bonds in the aggregate nominal value up to 10 252 258.80 euros. The bonds are expected to be issued in several tranches. During the first subscription period, which ended on 7 July 2020, 2 925 641 bonds with the total issue value of 8 191 794.80 euros were subscribed. The issue date of the first tranche of the Bonds took place on 3 August 2020. New non-convertible bonds were issued against the same amount of PKG1-PKG7 convertible bonds. The new bonds will carry an interest at 8%, they are non-convertible and not secured. The final redemption date is 31 October 2024.

On 10 August 2020 the Company prolonged the redemption date of 37 423 PKG3 and 50 504 PKG4 convertible bonds by 2 years. New redemption date for convertible bonds PKG3 is set for 10 August 2022 and for PKG4 - 16 September 2022. 1 100 PKG3 convertible bonds were redeemed with the total value of 3 080 euros.

The value of remaining convertible bonds is 2.05 million euros. Remaining balance sheet value on reporting date is 2.04 million euros - nominal value minus 20 thousand euros of prolongation fees which are being discounted from the value of the convertible bonds.

On 30 September 2020 the Company announced about the start of the second subscription period for private placement of non-convertible bonds with the aggregate nominal value of 2 057 384 euros. The Bonds may be subscribed for only in exchange for the existing Pro Kapital convertible bonds. The subscription period of the Bonds starts on 1 October 2020 and ends on 6 November 2020.

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

Unsecured non-convertible bonds that were 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.

Due to the refinancing of PKG1-PKG7 convertible bonds as described in the chapter "Convertible bonds" above, new 2 925 641 unsecured and non-convertible bonds with the total face value of 8 191 794.80 euros were issued on 3 August 2020. The value of the unsecured non-convertible bonds is 8.2 million euros on 30 September 2020. The balance sheet value on reporting date is 7.8 million euros - nominal value minus 0.4 million euros of refinancing costs.

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

In February 2020, the Company refinanced the senior secured bonds 2015/2020 (the "Old Bonds") in full by issuing new senior secured, called, fixed rate bonds 2020/2024 (the "New Bonds") in total amount of 28.5 million euros. The New Bonds are similar to the Old Bonds with minor differences. All shares of Pro Kapital subsidiaries with and exception of shares of AS Tallinna Moekombinaat have been pledged. 285 bonds, with the value of 100 000 euros each, carry a fixed rate coupon 8% and mature in February 2024. The Old Bonds were redeemed on 17 March 2020.

Remaining balance of the secured non-convertible bonds is 28.5 million euros on 30 September 2020. The balance sheet value is 27.6 million euros - nominal value minus 0.9 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 52.4%.

In thousands of euros	PKG consolidated	PKG consolidated without TMK	Difference
Revenue	13 615	8 743	-36%
Gross profit	5 371	2 706	-50%
Net result	-11 085	-4 154	63%
<b>Total Assets</b>	<b>218 026</b>	<b>140 553</b>	<b>-36%</b>
Current Assets	62 143	63 459	2%
Non-Current Assets	155 883	77 094	-51%
<b>Total Liabilities</b>	<b>157 545</b>	<b>66 930</b>	<b>-58%</b>
Current Liabilities	103 583	14 496	-86%
Non-Current Liabilities	53 962	52 434	-3%
<b>Equity</b>	<b>60 481</b>	<b>73 623</b>	<b>22%</b>
<b>Equity ratio</b>	<b>27.7%</b>	<b>52.4%</b>	<b>89%</b>

## Pledged assets in balance sheet value

in thousands of euros

Beneficiary	Collateral description	30.09.2020	30.09.2019	31.12.2019
<b>Bank accounts</b>				
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	26	36	37
Lintgen Adjacent Investments	Swedbank AS	0	2 026	3
<b>Inventory</b>				
Luminor Bank AS*	Sammu 6, 6a, 6b, Tallinn	N/A	9 636	N/A
LHV Pank AS	Kalaranna 5, 7, 8, 22, Tallinn	27 218	16 364	16 398
AS Swedbank (Latvia)	Trijadibas St. 5, Riga	23 489	23 544	23 527
Coop Pank AS	Marsi 5, Tallinn	1 876	N/A	N/A
<b>Property, plant and equipment</b>				
Luminor Bank AS	Sõjakooli 11, Tallinn	730	730	730
Colosseum Finance OÜ	AS Tallinna Moekombinaat fixed assets and trademark	75	N/A	N/A
<b>Investment property</b>				
Lintgen Adjacent Investments	AS Tallinna Moekombinaat	110 910	133 584	110 900

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

		30.09.2020	30.09.2019	31.12.2019
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	AS Tallinna Moekombinaat**	N/A	11 795	11 795
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	4 700	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***	N/A	800	800

\* Loan has been repaid

\*\* Shares of AS Tallinna Moekombinaat have not been pledged under the conditions of new secured bonds

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

## Note 10. Revenue

### Segment revenue

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
<b>Revenue from contracts with customers</b>					
Revenue from sale of real estate	7 013	26 837	2 370	11 356	41 419
Hotel operating revenue	1 370	2 866	629	993	3 944
Revenue from maintenance and other services	290	238	129	89	326
<b>Total revenue from contracts with customers</b>	<b>8 673</b>	<b>29 941</b>	<b>3 128</b>	<b>12 437</b>	<b>45 689</b>
Rental income	4 942	7 342	1 434	2 334	9 587
<b>Total</b>	<b>13 615</b>	<b>37 283</b>	<b>4 562</b>	<b>14 771</b>	<b>55 276</b>

### Timing of revenue recognition

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
<b>At a point in time</b>					
Revenue from sale of real estate	7 013	26 837	2 370	11 356	41 419
Hotel operating revenue	1 370	2 865	629	993	3 944
Revenue from other services	79	89	55	34	106
<b>Total revenue recognised at a point in time</b>	<b>8 462</b>	<b>29 791</b>	<b>3 054</b>	<b>12 382</b>	<b>45 469</b>
<b>Over time</b>					
Rental income	4 942	7 343	1 434	2 334	9 587
Revenue from maintenance fees	211	149	74	55	220
<b>Total</b>	<b>13 615</b>	<b>37 283</b>	<b>4 562</b>	<b>14 771</b>	<b>55 276</b>

Revenue from sale of real estate has decreased by 74% as in the comparable period an apartment building in Kristina Houses and new buildings in Šaltinių Namai were completed and final sales agreements were signed according to presales. In 2020 sales of available inventory are continuing in Kliversala in Riga and in Šaltinių Namai in Vilnius. Revenue from hotel operations has decreased by 52% compared to the previous comparable period due to COVID-19 as the hotel was closed from 21 March to 30 June 2020. Rental revenues declined by 33% and are also affected by COVID-19, as most shops were closed in the shopping centres since the end of March until 11 May in Estonia. Rental revenue includes provision of future rental revenues as per IFRS 15 rental revenue recording principles.

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

## Note 11. Cost of sales

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Cost of real estate sold	4 521	19 862	1 383	9 512	31 857
Cost of providing rental services	2 213	3 448	705	964	4 522
Cost of hotel operations	1 348	2 133	517	699	2 937
Cost of maintenance services	122	86	42	35	136
Cost of other services	40	14	35	1	15
<b>Total</b>	<b>8 244</b>	<b>25 543</b>	<b>2 682</b>	<b>11 210</b>	<b>39 467</b>

## Note 12. Gross profit

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Real estate	2 492	6 975	987	1 845	9 562
Rental revenue	2 729	3 894	729	1 371	5 065
Hotel operating	22	733	112	294	1 007
Maintenance services	89	63	32	20	84
Other services	39	75	20	32	91
<b>Total</b>	<b>5 371</b>	<b>11 740</b>	<b>1 880</b>	<b>3 561</b>	<b>15 809</b>

## Note 13. Administration expenses

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Staff costs	1 986	2 162	632	765	2 869
Land and real estate taxes	297	315	126	119	404
Allowance of doubtful debt and written-off debt	71	0	-329	0	649
Depreciation charge	95	101	30	34	137
Other	1 390	1 760	430	645	1 954
<b>Total</b>	<b>3 839</b>	<b>4 338</b>	<b>889</b>	<b>1 563</b>	<b>6 013</b>

## Note 14. Other income and expenses

### Other income

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Fines collected	55	31	13	6	37
Profit from sale of investment property	0	0	0	0	3
Gain from fair value adjustments of non-current assets	0	0	0	0	15
Other	55	25	26	0	40
<b>Total</b>	<b>110</b>	<b>56</b>	<b>39</b>	<b>6</b>	<b>95</b>

## Other expenses

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Fines paid	63	5	1	2	36
Loss from write-off of non-current assets	0	0	0	0	6
Net loss from fair value adjustments - investment property	0	0	0	0	24 236
Other	15	81	3	45	63
<b>Total</b>	<b>78</b>	<b>86</b>	<b>4</b>	<b>47</b>	<b>24 341</b>

## Note 15. Finance income and cost

### Finance income

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Interest income	3	3	1	1	4
<b>Total</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>4</b>

### Finance cost

in thousands of euros	2020 9M	2019 9M	2020 Q3	2019 Q3	2019 12M
Interest expenses	11 378	9 929	3 742	4 481	13 590
Foreign currency loss	1	0	1	0	0
Other financial expenses	634	145	194	21	429
<b>Total</b>	<b>12 013</b>	<b>10 074</b>	<b>3 937</b>	<b>4 502</b>	<b>14 019</b>

## 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	01.01.2020-30.09.2020	(56 687 954 x 274/274)	= 56 687 954
For the period	01.01.2019-30.09.2019	(56 687 954 x 273/273)	= 56 687 954
For the period	01.07.2020-30.09.2020	(56 687 954 x 122/122)	= 56 687 954
For the period	01.07.2019-30.09.2019	(56 687 954 x 122/122)	= 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	01.01.2020-30.09.2020	-10 672 thousand euros / 56 687 954 = -0.19 euros
For the period	01.01.2019-30.09.2019	-2 734 thousand euros / 56 687 954 = -0.05 euros
For the period	01.07.2020-30.09.2020	-3 119 thousand euros / 56 687 954 = -0.06 euros
For the period	01.07.2019-30.09.2019	-2 605 thousand euros / 56 687 954 = -0.05 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. Shareholders meetings**

The annual shareholders meeting of AS Pro Kapital Grupp took place on 27 May 2020. Seven shareholders were present at the meeting and represented 62.15% of all votes. The main decisions adopted at the meeting were as follows:

1. The audited annual report of the Company for the financial year of 2019 was approved.
2. It was decided to cover the loss for the financial year which ended at 31 December 2019 in amount of 26 981 682 Euros with retained earnings of previous periods.
3. Mr. Ernesto Achille Preatoni's term as the member of the Supervisory Council expired as at 22 May 2020 and he decided not to prolong his term in the office. Instead Mr. Oscar Crameri was elected to the Supervisory Council of the Company for the term of 27 May 2020 until 5 July 2023. The term of office for Mr. Petri Altti Sakari Olkinuora and Mr. Emanuele Bozzone was prolonged until 5 July 2023 likewise.
4. It was decided to elect AS Deloitte Audit Eesti as the auditor of the Company for the financial year of 2020.

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



## Note 18. Transactions with related parties

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

### Transactions with related parties

in thousands of euros	2020 9M	2019 9M	2019 12M
Significant owners and owner related companies			
Revenues	12	185	194
Administrative expenses	0	1	1
Loans received	100	0	0
Interest expenses incurred	3	0	0
Minority shareholders			
Interest expenses incurred	28	28	37
Other shareholders / bondholders			
Interest expenses incurred	551	552	733
Redemption of non- convertible bonds	100	500	500
Interest payments	773	755	755
Members of the Management Board and Council			
Salaries and bonuses paid to management	649	736	988
Administrative expenses	14	16	13

### Receivables from related parties

in thousands of euros	30.09.2020	30.09.2019	31.12.2019
Short-term receivables			
From significant owners and owner related companies	0	2	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>0</b>

### Payables to related parties

in thousands of euros	30.09.2020	30.09.2019	31.12.2019
Short-term payables			
To other shareholders/ bondholders	0	2	100
Long-term payables			
To significant owner related company	103	0	0
To minority shareholders	538	492	510
<b>Total</b>	<b>641</b>	<b>492</b>	<b>610</b>

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

Shareholding in the Company %	30.09.2020	30.09.2019	31.12.2019
Significant owner and owner related companies*	43.14%	41.22%	39.69%
Members of the Board and individuals related them	0.50%	0.50%	0.50%
Members of the Council and individuals related them	0.08%	0.05%	0.05%

\*Significant owner was also a member of the Council until 22 May 2020. For the sake of clarity, the participation is recorded only on this line.

## 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 nine months and the third 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	29 October 2020
Allan Remmelkoor	Member of the Management Board	29 October 2020
Edoardo Preatoni	Member of the Management Board	29 October 2020