AS Pro Kapital Grupp

CONSOLIDATED ANNUAL REPORT 2021

PROKAPITAL

Beginning of the financial year	1 January 2021
End of the financial year	31 December 2021
Company name	AS Pro Kapital Grupp
Registration number	10278802
Form of Entity	Joint-Stock Company
Address	Sõjakooli 11
	11316 Tallinn, Estonia
Phone	+372 614 4920
E-mail	prokapital@prokapital.ee
Website	www.prokapital.com
Fields of business activity	Activities of holding companies
	Purchase and sales of real estate
	Rent and operation of real estate
	Management of real estate
	Hotel operations
Auditor	Ernst & Young Baltic AS

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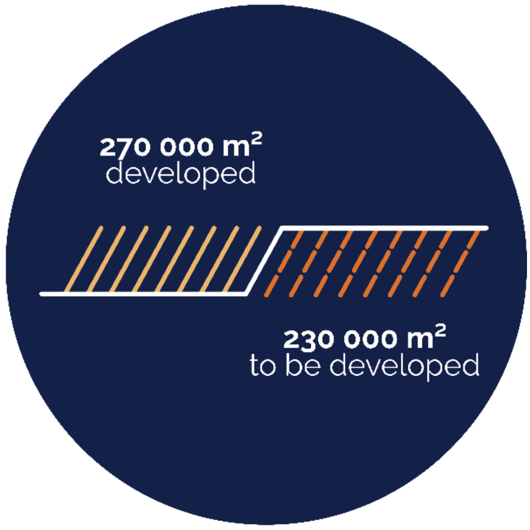
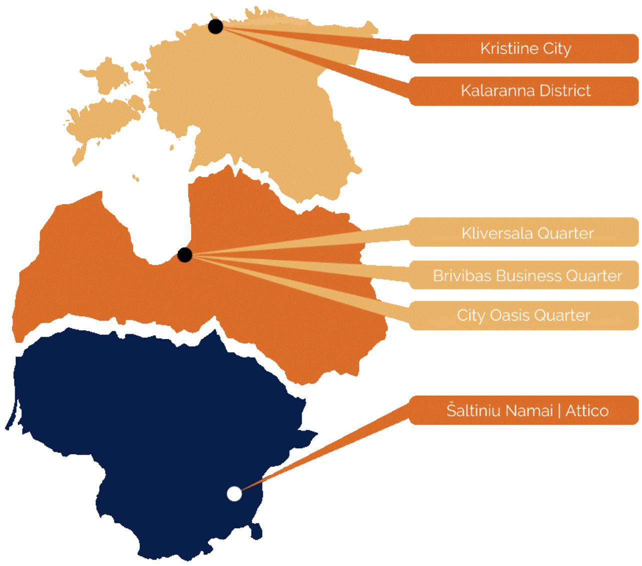
About AS Pro Kapital Grupp



AS Pro Kapital Grupp (hereafter also as the Group) is one of the oldest real estate development companies in the Baltic States. As we develop large residential and commercial districts, we have a significant impact on the formation of the image of a city, development and welfare of local communities and surrounding environment. Strategically sustainable and forward-looking style of management puts quality and responsibility into the focus of our business activities. That is the reason why we are closely related to all the developments from start to finish – this is the only way how we can create extraordinary living environments where people feel comfortable.



We are a real estate development company in the Baltic States which has simultaneously under development or projecting 6 long-term and large-scale projects in the best locations in Tallinn, Riga and Vilnius.

In Tallinn:

- Kristiine City residential area is being developed in stages and will considerably increase the value of the entire region.
- Development of Kalaranna residential and commercial premises, which is located at the border of the sea and the old town, is turning this district into a unique and exclusive environment by opening the seaside area both for the urban population as well as for the visitors of the city.

In Riga:

- Kliversala Quarter in the heart of Riga is situated directly on the shores of the Daugava River, in the immediate vicinity of the Old Town. The first already completed luxury dwelling house in the River Breeze Residence has gained wide recognition both for its distinctive architecture as well as its first-class construction quality. Project is developed in phases and we are preparing to start with the next phase called Blue Marine.
- The new developments are in the planning phase including the business district on Brivibas Street (Brivibas Business Quarter) and the residential area on Tallinas Street (City Oasis) which will give a distinctive look and atmosphere to the historic districts by creating a totally new user culture and value for the surrounding areas.

In Vilnius, a unique and distinctive residential area development is bordering the historic Old Town. The historic area which has been known to people as a factory area has been turned into an exclusive residential area. First phase of Šaltinių Namai and the second phase Šaltinių Namai | Attico have been completed. The final stage includes town villas and a business area. This is one of the most valued living environments in Vilnius.

In addition to the development activities in the Baltic States, we own and operate a hotel in a small German resort town Bad Kreuznach, close to Frankfurt.

On 23 November 2012 AS Pro Kapital Grupp shares started trading on the secondary list of Tallinn's stock exchange and on 13 March 2014 on the Frankfurt's stock exchange (*Frankfurter Wertpapierbörse*) trading platform Quotation Board. Since 19 November 2018 the shares of the Company are traded in **the main list of Nasdaq Tallinn**.

Our vision and mission

Vision

Pro Kapital develops timelessly distinctive buildings with an impeccable quality that anticipate people's needs and expectations.

Mission

We believe the real value of real estate lies in the experiences and well-being it brings to people.
We build better living environments where people feel good.

Our values

QUALITY

Savvy customers expect the highest quality from developments in the best locations and that is exactly what we aim to offer.
Every aspect of our developments is well thought through down to the smallest detail.

CUSTOMER RELATIONSHIP

Quality of the product and service is of the utmost importance to us when building a relationship with our customers.
We do our very best so that the customers could be certain of what they are investing into.

CHOICE

We develop for the people. People have needs, expectations, hopes and dreams. The environment where people live and spend their time should be filled with joy, excitement and satisfaction. We aspire to make people feel good and do our best so that they can live their lives to the fullest.

COHERENCE

With growing urbanisation, people expect coherence and comfort. People's time, needs and expectations are at the very centre of our developments. That is why we consider it important to create opportunities for interpersonal communication, well-being and connections to services that look further well-functioning infrastructure.

Results for 2021

Key financials

Consolidated Statement of profit and loss and other comprehensive income (continuing operations)

in thousands of euros	2021	2020
Revenue	43 095	13 637
Gross profit	10 576	4 213
EBITDA	39 804	2 449
Operating result	39 820	2 491
EBT	33 862	-2 925
Profit/ loss after tax	33 872	-3 279
Net result for shareholders	29 757	-55 678
Gross profit margin	24.5%	30.9%
EBITDA margin	92.4%	18.0%
Operating margin	92.4%	18.3%
EBT margin	78.6%	-21.4%
Net margin	78.6%	-24%
Net margin to shareholders	69%	-408.3%
Earnings per share (EPS)	0.52	-0.06
Share closing price (Nasdaq Tallinn)	1.44	0.7
P/E ratio	2.74	-12.1

The total revenue of the Group for 2021 was 43.1 million euros, which is an increase by 29.5 million euros (216%) in 2021 comparing to previous period (2020: 13.6 million euros). The real estate sales revenues are recorded at the moment of handing over the premises to the buyer. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. In 2021 the real estate revenue increased due to sales of completed Ratsuri Houses development and first houses of Kalaranna District in Tallinn. Gross Profit of the Group increased by 6.4 million euros.

The operating result of the Group reached 39.8 million euros, showing high improvement from last year's results which were significantly influenced by change in fair value of T1 Mall of Tallinn in 2020. In 2021 net gain from change in fair value was 5.5 million euros. Due to loss of control over the subsidiary AS Tallinna Moekombinaat on 2 June 2021 the Group deconsolidated the subsidiary from its consolidated financial statements which resulted in additional positive effect for the Group's profit.

Consolidated Statement of Financial Position

in thousands of euros	31.12.2021	31.12.2020
Total Assets	116 026	179 048
Current Assets	67 961	69 542
Non-Current Assets	48 065	109 506
Total Liabilities	73 183	169 477
Current Liabilities	25 527	138 575
Non-Current Liabilities	47 656	30 902
Equity	42 843	9 571

Current assets are influenced by ongoing construction works of Kristiine City and Kalaranna District in Tallinn. Non-current assets, liabilities and equity are mostly affected by the derecognition of the subsidiary operating T1 Mall of Tallinn shopping centre in Estonia. Total liabilities have decreased also due to finalized development stages at the end of 2021 in Kalaranna District.

Consolidated Statement of cash flows

in thousands of euros	2021	2020
Cash flows from operating activities	13 290	-7 656
Cash flows from investing activities	1 165	- 980
Cash flows from financing activities	-14 222	7 413
Net change in cash and cash equivalents	**233**	**-1 223**

In 2021, the Group generated net cash in amount of 233 thousand euros (2020: cash outflow 1.2 million euros). Cash flow generated by operating activities was 13.3 million euros (2020: used in operations 7.7 million euros). Cash flow generated by investing activities was 1.2 million euros (2020: used for investing 1 million euros). Financing activities used cash in the amount of 14.2 million euros (2020: generated 7.4 million euros). Loans were raised in amount of 22.3 million euros, repaid in amount of 33.6 million euros and 5.4 million euros interest payments were made during the period.

Financial Ratios

	31.12.2021	31.12.2020
Equity ratio	36.9%	5.3%
Debt to equity ratio	52.8%	1 271.2%
Net debt to capital	23.3%	92.1%
Debt to EBITDA ratio	1.9	49.7
Current Ratio	2.7	0.5
Return on assets	23.0%	-1.7%
Return on equity	113.5%	-150.8%

Alternative Perormance Measures

Indicator	Formula	Definition
EBITDA	Operating profit + Depreciation and amortization	Earnings Before Interest, Tax, Depreciation and Amortization
EBT	Operating profit+financial income - financial expenses	Earnings Before Tax
Gross profit margin	Gross profit/revenue *100	Profitability ratio presenting Gross Profit as a percentage of revenue
EBITDA margin	EBITDA/revenue*100	Profitability ratio presenting EBITDA as a percentage of revenue.
Operating margin	Operating profit/revenue*100	Indicator for Efficiency to generate profit through its core operations
EBT margin	EBT/revenue*100	Ratio of Earnings Before Tax to sales revenue.
Net margin	Net profit/revenue*100	Indicator measures how much net profit is generated as a percentage of revenue.
Net margin to shareholders	Net profit attributable to the owners /revenue*100	Net profit that is generated for shareholders (excludes minority interest).
Earnings per share (EPS)	Net profit/average number of shares	Figure describing net profit per outstanding share.
P/E ratio	Share Closing Price/EPS	Indicator for valuing a company.
Equity ratio	Equity/total assets*100	Leverage ratio, which shows the proportion of the total assets financed by equity.
Debt to equity ratio	Interest bearing liabilities/Equity*100	Indicator to compare companys liabilities to equity.
Net debt to capital	(Interest bearing liabilities-cash and cash equivalents)/(interest bearing liabilities-cash and cash equivalents +equity)*100	Measurement of financial leverage.
Debt to EBITDA ratio	Interest bearing liabilities/EBITDA	Ratio measuring the income generated and available to pay down debt before interest and taxes.
Current Ratio	Current assets/Current liabilities	Liquidity ratio measuring ability to cover current financial obligations.
Return on assets (ROA)	Net profit/average total assets*100	Indicates how profitable the company is to its total assets.
Return on equity (ROE)	Net profit attributable to the owners/average equity*100	Indicates how profitable the company is to its total equity.

Main events in 2021

In 2021 we continued with construction of first phase of Kalaranna District which is a unique sea-side residential quarter right at the heart of Tallinn. This area will be completed in 2 construction phases with the total of 12 houses, a city square, Kalaranna park, underground parking and renewed beach area. The construction of the first phase comprising of 8 buildings started in January 2020 and will be completed in 2022. On 20 April 2022 almost all of the apartments of the first construction phase have been sold or presold and more than 50% of the second phase with 4 buildings is prebooked.

Ratsuri Houses development, which is one-of-a-kind combination of historical character and modern architecture was completed in spring 2021. During the construction, the stable building from the beginning of 20th century, which is under heritage protection was reconstructed and a New-Dutch style building was built to accompany it. Ratsuri Houses has a total of 39 diverse homes – 17 in the former stable building and 22 in the new building. The stable house welcomes with its thick stone walls, historical limestone and red brick. Ratsuri Houses is a unique project in the Group’s history as it was sold out before the end of construction.

Next development project in Kristiine City - Kindrali Houses, was initiated in 2021 and is currently in construction phase. First two buildings are expected to be handed over to customers in summer 2022. Due to high demand for the residential premises in Kristiine City, the Group decided to speed up development process and started the second phase of the project with initially estimated completion in February 2023. In total three buildings with 195 apartments will be built within this development project.

We are also developing a residential quarter with a historical and unique location in Riga – Kliversala Quarter. The first building, River Breeze Residence is known for its unique appearance and impeccable quality and has received numerous architecture and construction awards. The sales of River Breeze Residence were ongoing in 2021. The next phase of the project - Blue Marine - received a building permit with the technical requirements and we will start construction as soon as possible. The new houses will be built as an integral area that binds together the feeling of a metropolitan, modern architecture and well considered living environment.

T1 Mall of Tallinn, a shopping and entertainment centre with a forward-looking concept started operations in November 2018. T1’s new concept offering a more dynamic way of spending time with a number of top-class leisure opportunities was well-received within customers. However, the first full year of operations fell short of initial expectations. Due to the challenges of a changing retail market, the start of the operations in full capacity was slower than anticipated. In spring 2020 the operator of the T1 Mall of Tallinn filed for the reorganisation. However, proceedings were ended in April 2021. On 2 June 2021 Harju County Court declared bankruptcy of operator of the T1 Mall of Tallinn, AS Tallinna Moekombinaat. As a result, the Company lost control over this subsidiary and deconsolidated it from its consolidated financial statements (Note 37).

Chairman's summary

2021 was a great year in terms of sales and development of our construction sites. After a challenging 2020, the Company showed great resilience with the help of overall favourable market conditions.

As per the Company's history, the main areas of activity are 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 made great progress in our on-going developments. In Kalaranna project, where completion of eight buildings with the total of 240 apartments will be achieved step by step in four phases, we nearly completed the second stage of construction, comprising four separate residential buildings. As at 20 April 2022 we have reservations or presales concluded for 99% of premises. We predict handing over the stage 2 buildings within summer 2022.
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 we predict handing over the first two buildings by mid-summer 2022 and the third building by mid-autumn 2022.
Tallinn has been by far the biggest generator of revenues for the group in 2021. This was due to favourable market conditions alongside our pipeline of projects which is currently centred in this region.

In Riga we are selling our luxury product River Breeze Residence and preparing the tendering package for the further development of Kliversala Residential Quarter- Blue Marine. We predict to have some offers in hand from the construction companies by spring 2022. As at 20 April 2022 33% of units have been reserved. The Blue Marine project will consist of 101 units once it will be completed.
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 more favourable.
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.

Hotel operations

Last year had a significant impact on PK Parkhotel Kurhaus in Bad Kreuznach, Germany. Due to COVID-19 restrictions the hotel was closed almost half of the year in 2020 and from January till mid-June in 2021. However, the total revenues were higher by 0.3 million euros in 2021 comparing to the last year. Although occupancy has increased this year, the average room rate has influenced revenues negatively. However, due to governmental support, the net result of twelve months was better comparing to 2020.

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 2022. Due to the limited occupancy of the hotel, which is still under-performing due to the restrictions related to the pandemic, we decided to accelerate this process, to have the possibility of conducting the renovation works while the hotel is not fully occupied. This way, we will have a fully renovated hotel once the limitations to travel will be lifted by the government, and we will be able to generate higher revenues coming from higher daily rates of our newly renovated facilities.

Conclusion

The Baltic real estate sector showed great resilience throughout this pandemic period, 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.

Edoardo Preatoni
CEO
AS Pro Kapital Grupp
20 May 2022

Management report

Management

AS Pro Kapital Grupp is one of the leading real estate development companies in the Baltic States, being the only one of its kind – a development company of over 25 years of experience in the Baltic States. Our shares are listed in the main list of the Nasdaq Tallinn Stock Exchange and we are offering an opportunity to trade with our shares on the Frankfurt Stock Exchange. Our operations are characterised by a long-term view and therefore we want to ensure that we have an impeccable reputation as a responsibly managed company. As a large developer, we feel our responsibility to various stakeholders, thus we want to ensure the credibility of both the Group as well as the entire sector, regardless of any changes in the economic environment. We manage our sizeable developments portfolio in a strategically sustainable and forward-looking manner which helped us to successfully overcome various crisis and enables us to overcome any turbulence also in the future.

Our management principles are based on three pillars:

- We bear long-term **responsibility to both our customers as well as to entire communities**, therefore we do more than is required and expected of us by ensuring quality and timelessly unique design over the years.
- As a publicly traded company, we strive to ensure relevant and timely sharing of information to all our stakeholders in an **honest and transparent manner**.
- We are a real estate company that is simultaneously running almost ten major projects. Therefore we understand that by developing entire residential areas **we shape the future-oriented environment, behavioural patterns and we have a direct impact on the well-being of the people**.

We believe that credibility is achieved in particular by means of our transparent manner of management which in turn is based on long-term values and our ability to understand and manage, in a structured way, the impact of our activities in the various aspects thereof. Honest, ethical and transparent management also means that we follow all the laws and regulations in force on all our domestic markets, and as a publicly traded company even the requirements of Nasdaq Tallinn Stock Exchange and the Corporate Governance Recommendations (CGR). We do not tolerate corrupt behaviour, bribes or unfair competition. We take possible unethical situations very seriously.

In 2021, the Group was not levied any fines or non-pecuniary punishments for essential violations of laws or regulations.

Our principle is to disclose in the consolidated financial statements any pending litigations which may have a significant economic impact on the Company and its share price. According to this principle, all litigations which economic impact (either one-off or during the period of one financial year) is at least 100 000 euros are disclosed in the reporting.

Our management and operations are independent. The companies and the key personnel of the Group did not support the activities of any political organizations in 2021.

The governance of the Group is based on trust and reliability in all its operations. We encourage, support and trust our employees to act independently and be guided in their decisions by the values of the Group. Most of the key personnel of the Group has worked for the Group for over 10 years and we highly appreciate their contribution. Our team is small therefore our operations are highly visible, both internally and externally. That is why we also emphasize the responsibility involved in the governance and we do not tolerate any abuse thereof. We work with several developments at a time in all the capital cities of the Baltic States, and a number of people from different departments are involved in each project. The choice of constructors, suppliers and subcontractors is made in cooperation within the team and taking into account the best long-term practices, long-term experience, whereas the ability of any third parties to ensure a quality service, the reputation and practices thereof is given equal attention. In our opinion, such organisation of work excludes any conflicts of interest in practice. The Management Board is the connecting link between the offices in different states, various entities and the Supervisory Board. Any financial, strategic and other substantial issues are discussed with the Management Board and the Executive Manager, the most important decisions are made with involvement of the Supervisory Board. We are also working more and more in the direction which allows us to ensure comprehensive internal communications across the entire Group.

In 2021, we continued developing the management principles of the Group. In addition to the communication with the investor community, we are consciously and systematically implementing Group communication and marketing which would ensure visibility and involvement of different stakeholders, channels and topics. Our goal is to improve the visibility of the Group and be transparent and open in our operations in a manner which would support both our own reliability as well as that of the entire sector. The most important for us is the two-way communication with both the employees as well as any external stakeholders, be it our customers, subcontractors or partners. We believe that a continuous dialogue allows us to do our work in the best way and shape the living environments which would exceed the people's expectations as to their quality, timeless design and well-considered solutions.

One of the most important aims of open and transparent management and active communication is to increase the investors’ interest and thereby the Group share transactions activity at the stock exchange. This in turn will support our long-term development and growth.

Our impact and responsibility in society

Our business is not just about the development – we create new living environments and thereby have a significant impact on the life quality of people, the social development and the economic environment. This impact is not only versatile but also long-term, therefore we recognise this responsibility and are extremely serious about it. Therefore, we take different aspects of the impact into consideration in our operations and we do more than is expected of us or required by regulations. We have to ensure high quality and safety in our operations but at the same time we have to take into consideration the impact of the development activities on the environment and find reasonable and sustainable solutions.

Our most important impact and liability arise from our business strategy aimed at developing large integrated districts. We design unique quarters and living environments together with infrastructure and public spaces in the areas which were historically industrial areas or which were unused. The environments created in premium locations in all the three capital cities of the Baltic States are attractive both for our customers as well as the surrounding areas as we increase the value of the entire area with our development activities. This allows us to stay ahead of the market trends and shape them in a positive manner.

At the end of 2018 we analysed the expectations and vision of our stakeholders and experts as regards our broader role and responsibilities in the society. We interviewed our customers, subcontractors, partners, representatives of local communities and local governments, financiers, regulators, construction and sustainability experts and discussed these issues with them. We got the confirmation that we are expected to provide responsible real estate development and customer communication, be honest and open in our daily work and ensure a pleasant working environment. Substantial and diverse feedback is a very important input to construe and constructively analyse our role in the society in order to plan and focus our operations in more conscious manner. We spotlighted these topics for us inside the Group. We would like to be more specific in the management of our social responsibility – to continue to develop important aspects, set specific targets and performance indicators which would demonstrate and confirm development besides describing the principles.

The following list gives a priority list of focus areas of interest groups and our own employees showing highly prioritized matters first followed by others in a decreasing relevance.

1. Quality, safe and healthy buildings
2. Fair and ethical management
3. Fair marketing and communication
4. Healthy, safe and proper workplace
5. Customer relationship and experience
6. Resource efficiency and environmentally friendly choices
7. Motivating, developing, diverse and attractive workplace
8. Easy and environmentally friendly access to buildings
9. Open and engaging relations with stakeholders
10. Sustainable supply chain
11. Waste management
12. External impact of construction and operations
13. Contribution to the development of real estate sector
14. Environmental certificates
15. Sponsorship and volunteering

We bear significant responsibility for implementation of major projects both in construction operation as well as the ideology from which we proceed. An integral part of this responsibility involves courage to make forward-looking decisions based on global trends, ability to find a balance between the high expectations and the opportunities, and ability to be involved in the development in each aspect thereof, thereby ensuring first-class quality. We are aware of the impact of our operation on these areas that we develop. We take the local customs, architecture and aesthetics into consideration in each project. Designing of integral infrastructure is equally important, taking into account the natural environment and even the trend towards ever greener and healthier lifestyle.

We meet several of the above requirements already today but we see an opportunity to achieve much more in environmental aspects, for example. Today we implement environmentally friendly and resource-efficient solutions in a reasonable manner and in fair proportions to the expectations and needs of the market. Undoubtedly, changes in the consumer behaviour, the increasing energy efficiency expectations and the rapidly changing environment create preconditions for arranging our future activities somewhat differently than today.

We have not included our German hotel into the analysis described above, as hotel operations is not our core business. In spite of that, the principles of social corporate responsibility are implemented also in Germany.

Responsible real estate development

We develop integral living environments in areas with significant relevance to the urban city development and on people's quality of life. That is why the sense of responsibility is deeply rooted in our mindset and we take pride in forward-looking way of thinking. Through years, we've proven to remain ahead of the market trends and focus on long-term value we create for wider communities. Responsible real estate development means that our work has an impact on people's expectations of the environment in which they live, work and spend their time. Our intention is that positive effect is provided and stays long-lasting.

Simultaneous development of several major projects is unique at this market. We believe that our work creates long-time value and also demonstrates our strong position in the Baltic States. We develop large integrated residential quarters, thereby increasing the value of entire areas through well throughout infrastructure and landscape supporting the sense of community of people and their expectations to the quality of life.

Kristiine City is much more than a collection of apartment buildings, it is somewhat expanding the concept of downtown. Kristiine City is a distinctive and integrated living environment – "a city in a city", while being an organic part of urban space.

We believe that real property is much more than just a physical space. Being residential or commercial real property, it should create emotions. Home is probably one of the most important investments in one's life. Home is the environment which creates a sense of warmth and security.

River Breeze Residence, located right at the heart of Riga, is the first residential building of Kliversala Quarter. River Breeze Residence is well-known and recognized for its outstanding *quality and unique architecture. In 2018, the building won "The most sustainable development project of 2018" award. In 2019, this exclusive apartment building placed 3rd as "The Best New residential building", 2nd in the nomination for the "Best Newly Constructed Residential Building in Latvia" and won the most prestigious award at the end of 2019 – "Riga Architectural Award 2019". Recently it was nominated for the 2022 EU Prize for Contemporary Architecture - Mies van der Rohe Award, which is a significant recognition for the contribution of quality architecture to sustainable development and citizens' well-being.*

We are aware of the impact of our operations on the areas that we develop. We take the local customs, architecture and aesthetics into consideration in each project.

It is clear that the construction activities have an impact on the daily lives of neighbourhood residents. If possible, we plan the sequence of the development phases of residential real estate in such a way that the construction activities would not disturb the residents of existing buildings. We also expect our partners and subcontractors to comply with all the property maintenance rules and practices in order to minimize the disturbing of the neighbours. We did not receive any substantiated complaints about any disturbing factors from the neighbourhood residents in 2021 in connection with the constructions works or operation of the buildings.

Kalaranna District is located right of the seaside of Tallinn central city. Thus, we are doing our best to ensure the safety of the area during the construction. Currently, the access to the sea is closed and surrounded with fences. The renewed beach and harbour area will be opened along with the promenade and buildings of the first construction phase.

All commercial and residential real estate buildings completed in recent years or managed by us have convenient access by public transport (at least a distance of 500m) and there are parking spaces for bicycles near each building. All of the completed apartment buildings can be accessed by people with disabilities.

Quality

Our vision is to develop timelessly unique buildings of impeccable construction quality which antedate the expectations, needs and desires of people. This vision reflects our long-term experience and proactive business strategy. We believe that quality is the core of creating long-term values throughout our business. In particular quality is our responsibility to the clients for whom a real estate investment is an important step and decision influencing them for years. We want to be known and appreciated namely for the quality even in ten and twenty years. This includes more than just the building materials and trendy design. Quality begins with understanding the market needs and the ability to move ahead of the trends and anticipate these needs. The quality is reflected in the details starting from the fact that we know our customers and their actual user experience both in the living quarters as well as in the neighbourhood. This means well-weighed space planning and services, intelligently solved communication and ventilation systems, smart and practical landscape architecture and infrastructure which in turn fits into the timeless and high-quality design and interior decoration.

Our developments are born in collaboration with architects of repute in order to associate unique exterior and interior of the buildings with practicality through their experience and vision. We also appreciate the ability of experienced and reputable architectural firms to manage the design work until the issue of the building permit within a reasonable time period. We actively cooperate with architects during the design work stage and analyse in detail the best alternative uses of each square metre.

We are very demanding in our selection of the builder in order to ensure high construction quality. Also, in case of specific works, we cooperate with the best specialists in the field. We only invite reliable and ethical companies to participate in tender and besides the price, the final choice will be based on the prior experience and ability to flawlessly carry out technically complex projects. The task of main contractors is to involve a suitable network of subcontractors.

In addition to strong partners, we also ensure our high construction quality by use of carefully selected building and interior decoration materials. The materials have to be durable, timeless and aesthetic, both inside and outside the buildings.

We analyse and wisely prepare the plans for electricity, lighting, heating and ventilation solutions and other automated technological systems which comply with actual utilisation needs and ensure efficiency. By proper maintenance, we ensure a longer service life of the buildings, which we manage ourselves.

Quality means to sense the needs of the market, intelligent design work, knowledgeable construction work in compliance with requirements and even management of the buildings in a manner which allows to offer comprehensive and positive customer experience. A well-considered, wisely planned and carefully conducted development process ensures durability of our buildings over time and reduces the need for repairs and necessity to spend additional resources. Thus, the long-term service life and timeless appearance of the buildings is our biggest contribution to environmental protection.

Preservation of environment

People are more and more aware of preservation of environment and their expectations on sustainable solutions increase together with this. Both, private and business customers tend to appreciate natural materials and energy efficiency more and more. People want their living and operating environment to be green, intelligently planned allowing movement and active lifestyle. Our operations upon meeting the environmental requirements comply with the regulations but environmentally friendly solutions are not yet at the core of the activities. There is a number of reasons for that and the most important one is there is a price and quality ratio of home or commercial spaces to be met. Our operations are focused on customers and their needs and expectations therefore we actively try to find the best and environmentally friendly solutions in a balanced way. However, it is very important for us to know the expectations of stakeholders with regard to environmentally conscious choices as the capability to appropriately address the environmental issues may significantly contribute to our competitiveness in the near future.

The principle on which our work is based is to avoid damage to the nature or excessive burdening thereof. We comply with all statutory environmental requirements both during the design and construction work as well as during subsequent operations. We refrain from damaging the soil, wildlife and biodiversity and we avoid excessive air pollution. We avoid any unjustified use of hazardous materials and we do not use any prohibited materials. We always try to find reasonable opportunities for efficient use of energy, water and other resources during the construction works and when operating completed buildings. This also means that we consider and test renewable energy solutions. An important part of our activities also includes waste treatment for which we always create proper facilities. We ensure that completed buildings comply with the environmental standards and do not endanger the surrounding environment.

In 2021, no environmental pollution or damage to protected nature occurred in connection with the buildings constructed or commercial real estate operated by us. Šaltinių Namai | Attico is one of the first developments in Lithuanian market, certified with A++ energy class. Sustainable, long-term mindset in development is very much appreciated by the market.

Safety and health

The charm of the property does not lie only in the property itself but in urban space that is created for people. Thus, the core value of our operations is well-being of people. Just as we want people to feel good in their homes and commercial premises built by us, we also want that both, our customers as well as our employees, would get home healthy every night and that our developments would be safe for them. For this purpose, we comply with the statutory requirements and we believe that this is sufficient to ensure safety in our buildings. We do not compromise over the construction quality. Thus, the durability and fire safety of the structures is elementary for us. Similar to the previous years, there were no accidents in 2021 (due to our fault), as far as we know, in the apartment buildings operated or completed by us.

Both residential as well as commercial buildings are properly equipped for emergencies. We ensure timely maintenance of the technical systems in the buildings managed by us, repair of alarm systems, and we do our utmost to hedge any other elementary risks (such as slipperiness, darkness, icicles).

During the period of construction works, construction companies ensure safety at the site. We cooperate with respectable main contractors and the general order at construction sites is good. It is important for us that people visiting the site during the period of the construction works are aware of the safety requirements and comply with these requirements. No accidents have taken place at our construction sites in 2021.

In addition to safety, healthy environment is also very important. The factors which have an impact on how people feel themselves in our buildings include the suitable temperature, ventilated air, spaciousness, balanced lighting in combination of daylight and artificial light, avoidance of hazardous materials and noise level in public areas. In apartment houses green living environment, which gives an opportunity for movement and sports activities close to home, is important for us.

There is a sports club and tennis centre right in the centre of the Kristiine City residential area. A swimming pool and one of the biggest sports centres in the city with multiple sporting possibilities and an equestrian centre are at the distance of a few minutes' walk. There are two different health tracks for skiing, walking or cycling within the radius of a few kilometres. The period of restrictions certainly had an impact on people's expectations of the future living environment, and Kristiine City's diverse opportunities for outdoor activities have become even greater value than ever before.

Team

AS Pro Kapital Grupp is a company with more than 25 years of experience, thus we are one of the oldest professional real estate development companies in the Baltic States. A big part of our team has been with the Group for almost half of its lifetime or even more. We believe that this demonstrates our ability to keep our team by offering them an environment which is in constant development, encouraging and supportive. We believe that every company has the face of its people and people shape it, therefore we highly appreciate our people.

At the end of 2021, the entire Group had 67 employees comparing to 84 at the end of 2020, among them 32 employees were involved in hotel and maintenance business (31 in 2020). 37 employees worked in the Baltic States (20 in Estonia, 9 in Latvia and 8 in Lithuania). 27.03% of people engaged in the principal activity of the Group i.e.in the real estate development, in the offices of the Baltic States are male and 72.97% are female; 2 of the managers of the Group and the Baltic companies are male and 4 are female. In Baltics our employee turnover was 14%, which is influenced by loss of control over the subsidiary AS Tallinna Moekombinaat, and in 2021 we recruited 4 new employees.

Ten keywords characterize us as an employer:

Trust and independence. We believe that it is important that our employees have freedom to decide. We have regulated our daily activities as little as possible and we do not over-emphasize excessive hierarchy in management. We appreciate and value initiative, ability and willingness to work without orders, commands and excessive bureaucracy.

Humane management. Every employee is valuable for the Group and their well-being is important. Rested people who are enthusiastic and who have much more in their lives than just their work and whose lives are balanced are the people who work well. Therefore, we try to be flexible and fair in our work and we do not discriminate people. Flexible working hours are allowed unless nature of work or specific tasks set limits on it.

Development opportunities. Our team is small but as our business is in constant change and evolvement, which allows us to offer our employees learning and development opportunities. We highly appreciate people who have worked for a long time in our team. We listen to them and we fully support them. We always try to find people from inside our Group to fill any vacancies to encourage constant development. We offer training and participation in seminars and support employees based on the need and wishes.

Creative work. Our job is exciting and evolving. We work with projects which are all very special. A number of them are unique in the whole Baltic region, thereby we are providing development and self-fulfilment opportunities which is almost impossible to find in other companies of this market. This brings challenges, change, excitement and ambition into our work.

Devotion to goal. We have a common goal, common interests towards which we are moving and working while supporting each other. Real results are created jointly and our people highly appreciate the opportunity to contribute to the creation of the value through the development and design of new environments.

Friendly colleagues. The team and especially people in it are important for us – we celebrate important milestones together and organize joint events, both in summer and at Christmas time. In search of a new employee, we look more for a person who fits into the team, not only a professionally competent specialist. We find that the synergy between people adds value both to employees' well-being and their work results.

Equal opportunities. In recruitment process we do treat all candidates equally for all open positions, our choices are based on considering candidate's character, skills, experience and recommendations, not their gender, nationality, race or religion. The same applies for positions which we fill internally.

We value good health. We strictly follow any safety requirements and we believe it is very important to preserve health of our people taking into consideration the specifics of office work. In Estonia, when people fall ill, they can stay at home for up one week to get well without losing their pay for this time. In Latvia, we have enabled voluntary health insurance for all our employees. We consistently assess occupational safety risks and our employees undergo regular health checks.

Modern working environment. We spend a major amount of our time at work, so we must feel good in our work environment. Our modern and comfortable premises in Tallinn and Vilnius are located close to our development projects and easily accessible by public transport or car. Thus, we are almost in the midst of things and this allows us to constantly keep an eye on the activities and communicate with our customers. In Riga, we moved in 2018 to a newly renovated office in the centre of Riga.

Stable employer. We are an international publicly listed company which operates in several markets – a capable, stable and open real estate developer with transparent management that has survived several economic turbulences. 83% of our managers (the Management Board of the parent company, our Chief Financial Officer and the Executive Managers in Latvia and Lithuania) have been members of the Pro Kapital team for over 15 years, and half of them for over 20 years.

In 2021:

- *We had no work accidents with our employees (the same in 2020);*
- *Our employees were absent from work due to medical reasons only 2.6% of the days with an average of less than two days per year (1.3% in 2020);*
- *Over 32% (54% in 2020) of our employees participated in professional training courses or seminars with an average of 5 hours per employee (8 hours per employee in 2020);*
- *We did not receive any official complaints about discimniation or unfair treatment (the same in 2020).*

Our team is relatively small and most of the employees have been in our team for a long time. Therefore, human resources management forms an organic part of corporate governance. We believe it is important to preserve our humane and direct organizational culture and avoid unnecessary bureaucracy and formalism. However, we perceive that we are growing and changing, therefore we see the need to introduce a common approach to certain issues at the Group level. For instance, we should conduct employee satisfaction surveys to obtain regular feedback and assess specific trends and needs, and keeping our future in mind, pay more attention already today to the development of the employer's brand and improvement of the image of the Company at the Group level throughout our operational area.

Customer experience

Our customers include buyers of apartments and lessees of commercial premises. In this report, we only describe the issues related to residential real estate.
The residential real estate customer profile is broad. Buyers of apartments include students who are supported by their parents, young couples, families with small children, families looking for new homes when their families grow bigger, middle-aged people who need a more suitable home as their children have left home, elderly people who move closer to their children. Depending on the development projects, our customers include besides local residents also foreign people (for example in Kalaranna development) and besides private individuals also companies that invest in rental property.

Buying a home is usually one of the most important and significant transactions for people. Therefore, we bear even higher responsibility to all our customers. We are closely connected to all our developments from beginning to end because this is the only way we can ensure the quality. This gives us an opportunity to be in a constant dialogue with our customers, understand their needs and expectations. High quality development activities are reflected not only in the materials and interior decorations but in every detail, well-considered space planning, landscape architecture and infrastructure. This does not mean only compliance with the requirements but also long-lasting construction quality, timeless aesthetic and practical use of materials, design and environment where it is good to live. We have proven ourselves as a reliable long-term partner to our buyers. We do find that our customers must be confident what they invest in.

Undoubtedly, buying a home is an emotional deed and the way how quality is brought to people plays a major role here. Transparency and clarity must go hand in hand with a convincing and aesthetically appealing visual language – people must be able to understand what they invest in. Therefore, marketing communication has big and effective role to play in our work, every detail and the overall picture of the product specifications and visual elements must address a specific target group. Our promises correspond to reality, our plans and views are true and we are open in our communication which allows people to get acquainted both with the interior decoration materials as well as with the plans.

We believe that the quality label of our development activities is formed during the first contact with the customer. Like any other relationship, it grows and develops over time and that is why we do not use an aggressive style of selling or pressurize people to decide. We value each individual and we comply with the privacy requirements by means of collecting and retaining contact details in a proper manner. When we cooperate with real estate agents, we require that they also adhere to the same principles. In 2021, we did not violate any requirements or principles relating to marketing ethics, consumer protection, customer privacy or data leakage.

A strong customer relationship is an integral part of our business. Each customer contact, regardless of the project, shapes our reputation and credibility and will also accompany us in the future. Customer experience and assessments of the quality of our work and service turn them into our main and maybe even the most important marketers. Pro Kapital has grown into a strong and valued brand, which is confirmed by the fact that in general we sell a significant number of apartments in a variety of projects already before the beginning of the construction works or even before the beginning of the marketing activities. A number of people who have earlier bought their homes from us purchase apartments even in our subsequent development projects.

River Breeze Residence has been the market leader in the exclusive segment in Riga from 2018 to date. Our customers truly value the combination of quality, elegance and overall value of Kliversala Quarter. Our developments are highly valued also in Tallinn – many of the customers of our previous projects return to buy apartments in new development projects. In Ratsuri Houses project, completed in 2021, we sold all apartments before the end of construction works. In Kindrali Houses we presold or had reservations for more than 50% before start of construction, which is a trust we greatly value.

A binding principle for us is to be there for our customers even after the sales transaction. Our goal is to be in a constant dialogue with our customers which on one hand helps us to shape the living environment where people feel good, but to also solve any potential problems quickly and constructively. Therefore, we manage most of our apartment houses ourselves after they are completed. When finding maintenance partners for a house, we defend the interests of owners and help the apartment associations to make the choice. We believe that this way we help them to settle down in a smoother and more pleasant manner. Being close to users, we can identify any issues which need adjustments or changing in our future projects. Thereby we constantly improve our development sites and we ourselves grow together with them.

Our uniqueness also includes the real estate agents involved in our team. We believe that this allows us to offer better quality customer service as namely the administrative departments are the connection link in the customer relations between the builder and our development team, both upon transfer of the apartments as well as during the warranty period of two years, until the builder solves any warranty issues.

We deem it very important to be a reliable partner for our customers. We believe that this way we have a coherent community and our satisfied customers remain loyal to our developments even in the future and give recommendations in their social environment. This is well illustrated by the fact that the same customers buy apartments in different stages of several development projects, or a great number of new customer relationships are created on the basis of their recommendations.

We believe that people do not buy just an apartment but make an investment in the living environment. That is why we are committed to our work as if we did it for ourselves and for our families. We analyse and consider carefully even the smallest details, we take into consideration different needs, habits and expectations in a manner which allows us to create a smart, well-considered, homely and considerate living environment. It is really important for us that people are happy in their new homes. This distinguishes us clearly and supports our growth and movement as a creator of trends towards high-quality and responsible real estate development.

We find that every relationship, including the relationship with customers are in constant evolution in time. An integral part thereof is the fact that we are open to feedback. Cooperation with commercial real estate customers has been at the background compared to our residential real estate customers, that is why we see space for development here today. Our commercial real estate customers have expressed their expectation that we would pay more attention to improving customer experience. We want customer communication to sustain our values, that is why we direct more conscious attention than hitherto to the development of our customer communication, measurement of customer satisfaction, and more systematic collection of feedback from commercial real estate customers.

Contribution to society

The biggest and the most positive contribution of AS Pro Kapital Grupp to society is the development of living environments and commercial districts based on an integrated and long-term strategy. Therefore, our business does not consist only of development – we create new districts and have a positive impact on the living environment of people. We are aware of the impact of our operation on these districts that we develop. This is why we support and participate in activities and projects which involve local community, promote youth education, improve awareness and support culture. We are pleased to share our experience and knowledge with different stakeholders, be it professional events, investment communities or the public. Although 2020 and 2021 were more challenging than the previous years and having more focus on main business rather than on community activities due to restrictions, we did our best to ensure the well-being of the people in this situation. Regardless, we aim to establish specific principles in the near future and dedicate ourselves to those activities that carry our values the most. We believe that introduction of support principles gives us an opportunity to contribute to joint work in a more systematic and substantive manner by creating thereby a long-term value both for the development of the entire Group as well as for the subjects we decide to address.

Support and cooperation projects in 2021

We mostly address three main subjects in case we find that it is important to keep and improve them – improvement of living environment, supporting art, working with the youth.

A living environment is much more than just physical space. This is an environment, together with its people, their expectations, joys and sorrows. We are responsible to people, we shape their living space in various aspects thereof, we consider it important to direct and shape it in the manner which would be equally good. Our contribution:

- In 2021 River Breeze residence was awarded with Baltic Prestige Award 2020/2021. The Corporate Livewire Baltics Prestige Awards 2021/22 recognise small and medium-sized businesses that have proven to be the best in their market over the past 12 months.
- For several years we have given out an annual living room prize together with one of Estonia's best-known home journals "Kodukiri" which has a long and distinguished history in Estonia. We consider it important to design and have a say but to also support creation of homely homes and recognition thereof. Our value world is focused on home, community and people who shape them.

Risk management

As part of the business of a responsible company is to identify and minimise any related risks.

Market risk

Focusing on the long duration of our business model allows us to mitigate potential market fluctuations. Based on our long-term strategy, we acquire a real property when the market is in recession, and we develop and sell it at the height of the market. This gives us an opportunity to take advantage of market opportunities and to hedge and manage the market risks.

Liquidity risk

We manage the liquidity risk on ongoing basis, taking into account the working capital developments and the needs. We monitor cash balances on weekly basis, also model short-term and long-term cash flows to spot any potential problems and to find timely solutions. Careful cash planning, monitoring of cash flows of our development projects and flexibility in everyday money matters effectively contribute to management of the liquidity risk.

Funding risk

The funding risk may extend the development process of the projects of the Group and slow down the realization of the real estate portfolio. The risk is managed by flexible ensuring of sustainable funding by means of overdrafts, loans, bonds and other debt instruments as well as expansion of the investor base and raising of additional capital in case of need.

Property risks

Property risks are covered by insurance contracts.

Safety and security risks

As we develop buildings where people live, work and which they visit on a daily basis, we must ensure their safety and security. This means strict control and compliance with these principles throughout our activities. Both in our residential as well as commercial real estate projects we comply with all the design, construction work and safety requirements, we cooperate with only competent and reliable construction companies and their subcontractors, and we use high quality building materials and construction techniques. We equip the buildings managed by us with the required safety equipment and ensure adopting of security measures in case of any emergencies, we carry our regular risk analyses and training exercises. As building managers, we monitor that the risks arising from the general order of the real property and the surroundings thereof would not endanger people.

Community risks

In general, construction works have a temporary disturbing impact on the people living and working nearby. We will make every effort to minimize any inconveniences and we expect our partners to do the same. In case of any problems, we are open to communication in order to prevent aggravation of disagreements and we aim to promptly find solutions that are suitable for all parties. We understand that involvement of the public and local community is becoming an important part of any development activities. This is evidenced by the ever-growing social interest in the suitability of major infrastructure and industrial investments in the communities and the natural environment.

Environmental risks

Our activities do not involve any high-impact risks that could occur unexpectedly. We manage the most important risks to wildlife, soil and the surrounding environment by the selection of locations, proper design and construction work and by making previous analyses. A large proportion or our real estate developments is located in areas which are not yet used, often in industrial areas where the environmental damage arising from previous use of the area may be a problem. In this case we eliminate the pollution or other environmental damage, if necessary.

Our choice of partners is inter alia based on that the partner would be able to ensure proper compliance with the requirements and aspects related to the environment. Our activities involve significant energy consumption and waste generation, so we comply with all the energy efficiency and waste management requirements related to the buildings as well as other significant environmental impacts. In the light of increasingly stringent environmental regulations and growing market expectations, we have to be able not only to respond to them but also find ways to do more than is expected and required.

Employee-related risks

The jobs of our employees are not related to any important risk factors as most of the time is spent in the offices. At the same time, it is extremely important that our subcontractors would ensure the use of proper work techniques during the construction works of our developments and safety of people in the construction area. Therefore, these expectations are taken into consideration already in the selection of construction companies and in our mutual agreements. We cooperate with competent and reliable building companies that properly follow the safety rules. When our employees and representatives of other partners visit the constructions sites, we ensure that they follow the safety rules.

We estimate that labour shortage is not a direct risk for the Group as we are a relatively small team which stays relatively stable in time. Recruitment of new employees is based on the need.

However, we are very much aware of the significantly changed work habits and heightened expectations of the working life. Employers of different areas of activity also contribute to the well-being and satisfaction of their employees and this creates a growing need even for us to keep pace with these changes. Therefore, we need to pay more attention in the future to the overall strengthening of the reputation and image of AS Pro Kapital Grupp which would contribute to a strong employer brand. A good employer brand allows to also attract the attention of talented employees in the future. Like many other companies which have operated for a long time and whose key personnel has been with the Group for more than 10 years, we need to see to that people feel good in our team. We must pay particular attention to our long-term employees whose quitting of their jobs could have an unexpected impact on the competence and continuity of the entire Group.

Strategy and objectives for 2022

Our most important goal is to focus on developing high-quality properties. We aim to continue the long history of Pro Kapital in handing over great properties where people live, work, and spend their free time.

We develop new residential and commercial areas in the best locations in Tallinn, Riga and Vilnius. We take the long-term perspective into consideration and intentionally remain ahead of the market trends. In this regard, we feel like the focus on sustainability that recently caught the attention of the markets was long-due, and we intend to be frontrunners in the exciting prospect of developing communities with a strong focus on the health and well-being of the people who live in it, as well as the urban environment itself. In addition to the development of our already existing sizeable real estate portfolio, we constantly also assess our opportunities to extend and strengthen it.

Our long-term experience as one of the oldest professional real estate development companies in the region supports our conservative borrowing principles and we are going to continue this in the future, too. We ensure optimal financing solutions for the development of our new projects, combining loans from financial institutions, extension of the investor base or by attracting private capital.

In Kalaranna Kvartal we plan to complete last buildings in the beginning of summer as well as the first buildings in Kindrali Houses project, we plan to start with new projects in the second half of the year. Our new developments depend on changes in the construction market which is facing lack of contruction materials, increase in prices, problems with the deliveries. In spite of that we are positive in regards of continuous demand for residential premises and we plan to go on with development activities as soon as possible.
The hotel segment is influenced by the ongoing pandemic, and it is too early to tell how will the hotel market act in Bad Kreuznach after the restrictions have been lifted. However, we are confident that we will get through this with the support that the German government is showing to tourist and business destinations in the country.

Goal for 2022:

- To continue construction of our ongoing development projects and prepare to launch new development projects. To monitor carefully the impact of the worldwide pandemic and ongoing war in Ukraine and to adjust the strategy and plans of the Group accordingly, also ensuring the health and safety of employees, clients and partners.

Development projects

Project name	Type	Location	Ownership	Classification
Ülemiste 5	Commercial	Tallinn	100%	Investment property
Kristiine City*	Residential	Tallinn	100%	Inventories, investment property
Kalaranna District	Residential	Tallinn	100%	Inventories
City Oasis Quarter	Residential	Riga	100%	Investment property
Kliversala District*	Residential	Riga	100%	Inventories, investment property
Brivibas Business Quarter	Commercial	Riga	100%	Investment property
Šaltinių Namai	Residential	Vilnius	100%	Inventories

**Due to large scale of the projects, part of the property is waiting for start of development and therefor is classified as investment property (Notes 10 and 13).*

Ülemiste 5, Tallinn

Ülemiste 5 will be developed for commercial premises with gross leasable area of ca 18.5 thousand square meters.

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 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. 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 near the very centre or the city.

Ratsuri Houses in Kristiine City

The project Ratsuri Houses has been named after its history as a horse stable. Ratsuri Houses was renovated and constructed by OÜ Vanalinna Ehitus. The works included reconstruction of a stables building originated from 1916 and construction of an extension in modern New Holland style with a partially underground car park on Talli 5 property. The buildings were completed last spring. Ratsuri Houses have a total of 39 apartments – 17 in the former stables and 22 in new building. All apartments were reserved or presold already prior to the end of construction.

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. The focus is on comfort, safety and living in harmony with environment. Contemporary and Nordic appearance of the buildings is complemented by carefully selected high-quality materials and details in interior design. There are both spacious five-room flats as well as ground floor studio apartments with separate entrances Four-legged friends of the residents can enjoy a special washing room in the houses. The two first buildings are scheduled for completion in summer 2022. The third one will we hope to hand over also within this year. All apartments are sold with an exception of the one kept as a show room for the next stage of development.

Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. Kalaranna District, located at Kalaranna 8, will have twelve 4-5 storey buildings on nearly six hectares. The area 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 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 were completed in 2021, the rest will be handed over by the end of summer 2022. Almost all apartments have been sold, only 2 remaining.

Kliversala in Riga

The district of Klīversala 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.

Completion of River Breeze Residence represents the start of Kliversala Quarter development. We are in the process of construction tender for the following phase of the area - Blue Marine.

Brivibas Business Quarter in Riga

Commercial property development for modern office complex will be built on the site of a former factory. The area is located at one of the main transport arteries heading through the city – the Brīvības street - making it an attractive commercial area. The first phase of the project foresees renovation of the existing industrial building into an office building. The construction of new office and commercial buildings will be carried out as a second phase of the project. The site is ready for construction, existing building is conserved. The building permit has been issued and we will start with construction when market conditions will be favourable.

City Oasis Quarter in Riga

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

Šaltinių Namai in Vilnius

Šaltinių Namai 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 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. In 2019 we completed five houses of the Šaltinių Namai | Attico project and are currently planning the following construction phase with city villas and commercial building.

Segments

The Group's operations are spread across four geographical segments: Estonia, Latvia, Lithuania and Germany.

Key financial data of the segments, in thousands of euros

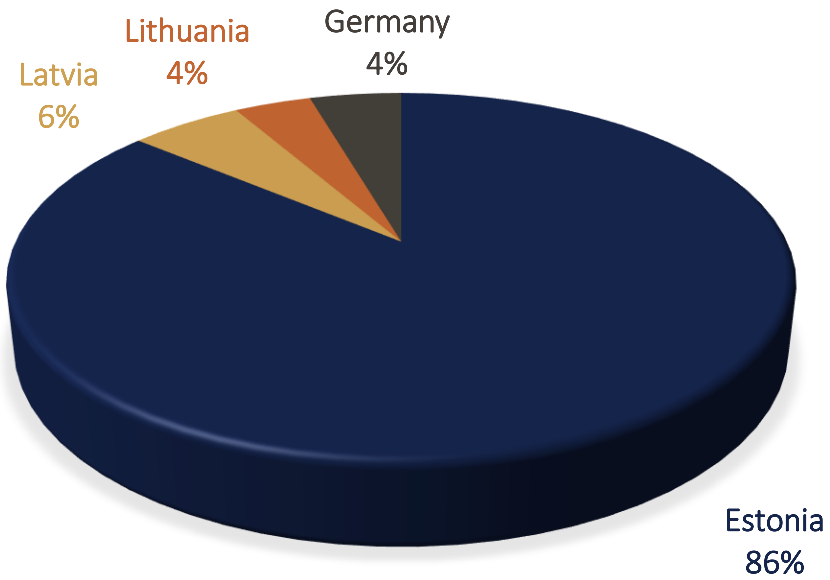
	Revenue			Gross profit			Profit/loss before income tax		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
Estonia	37 101	1 102	32 267%	9 193	144	6 284%	34 114*	-7 028	585%
Latvia	2 404	2 001	20%	773	730	6%	308	-627	149%
Lithuania	1 639	8 874	-82%	456	3 550	-87%	-60	2 896	102%
Germany	1 951	1 672	17%	154	-211	-173%	642	-342	286%
Total	**43 095**	**13 649**	**216%**	**10 576**	**4 213**	**151%**	**35 004**	**-5 101**	**786%**

	Gross margin		Net margin	
	2021	2020	2021	2020
Estonia	24.8%	13.1%	91.9%*	-445.1%
Latvia	32.1%	36.5%	12.8%	-31.4%
Lithuania	27.8%	40.0%	-2.7%	28.7%
Germany	7.9%	-12.6%	32.6%	-20.7%

**Profit includes gain from recording loss of control of the subsidiary (Note 29)*

Internal transactions are eliminated in key financial data provided above. Estonian segment includes separate financial data of the Company.

2021 revenue by geographical segments, %



Group's consolidated financial statements in PDF-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100006040/reports).

The general market situation in Baltic capitals had an upward trend in 2021 with real estate prices growing, especially rapidly in Estonia. The booming prices in Estonia have now slowed down, but we foresee there is still room for growth in prices due to lack of new projects completion and supply on the market. The interest towards residential real estate remains high inspite of the restless situation in the world. Lithuanian market is also welcoming new projects, but in Latvia the prices are growing in a slower pace and the general environment is not supporting higher end residential premises sales. From development side, after signs for recovering from COVID-19 impact appeared, the war in Europe has influenced already and will continue to influence construction market with the deficit for materials and also workforce. Ukraine, Russia and Belorussia have been main providers for steel and other materials and it will take time for the suppliers to rearrange their sources and of course it will influence the price for construction. Today construction companies prefer to sign open end contracts or minimise their risks with higher margins. If the construction prices for the new projects are not in corelation with the sales prices, we will have to postpone start of the new projects until the situation on market stabilises.

Estonia

The Group’s operations in Estonia mainly consist of the development and sales of apartments in middle and premium residential real estate properties, development, and lease of retail and office premises, management of real estate properties.

In Estonia real estate market held an upward trend in 2021, with increasing price levels, average transaction amount and transaction volumes.

The construction of Ratsuri Houses that started in the beginning of 2020 – a development project at Talli 5 in Kristiine City was completed in spring 2021. All apartments in the development project were sold before the end of construction.

In October 2019, the Group signed the construction contract for building the first phase of two in Kalaranna District. The construction works started in January 2020 and completion of eight new buildings with 240 apartments, commercial premises and underground parking was scheduled for 2021-2022. In 2021 the first four buildings were completed. Due to very strong interest towards the project, 99% of the apartments are covered with reservation or preliminary sales agreements.

The share of the Estonian segment as a percentage of total revenues of the Group during the reporting period amounted to 86% compared to 35% of the comparable period last year.

Revenue from Estonia

in thousands of euros	2021	2020	Change
Real Estate	36 971	1 002	3 590%
Rent	3	3	0%
Other	127	85	49%
Total	**37 101**	**1 090**	**3 304%**

Revenues in real estate segment increased rapidly due to completion of Ratsuri Houses and first buildings of Kalaranna District development projects. Sales revenues are recorded upon signing final notarised sales agreement and handing over the premises to the buyers. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. During 2021 the total of 164 apartments, 239 parking lots, 5 business premises and 84 storage rooms (2020: 3 apartments, 4 parking lots and 8 storage rooms) were sold. At the end of the reporting period the stock consisting of 34 apartments, 11 business premises, 51 storage rooms and 107 parking lots were available for sale in Tallinn.

Other revenues consist mainly of maintenance services provided. Other services revenue increased by 49% mainly due to the increase in the clients' base.

Latvia

The Group's operations in Latvia mainly consist of the development and sales of apartments in premium residential real estate properties, development of commercial properties.

The River Breeze Residence with 47 exclusive apartments was completed in Kliversala development in Riga in 2018 and sales were ongoing in 2021. The projecting works of the rest of Kliversala area as well as of the City Oasis Quarter and Brivibas Business Quarter continued.

The share of the Latvian segment as a percentage of total revenues of the Group during the reporting period was 6% compared to 10% in the comparable period last year.

Revenue from Latvia

in thousands of euros	2021	2020	Change
Real Estate	2 314	1 903	22%
Rent	78	78	0%
Other	12	20	-40%
Total	**2 404**	**2 001**	**20%**

During 2021 the total of 6 apartments, 6 parking lots and 4 storage rooms (2020: 4 apartments, 8 parking lots and 4 storage rooms) were sold. At the end of the reporting period 24 luxury apartments, several storage rooms and parking lots are available for sale in Latvia.

Other revenue makes a minor contribution to overall segment's revenue. The Group provides maintenance services mainly to its tenants and therefor maintenance revenue is correlated to the rental area.

Lithuania

The Group's operations in Lithuania mainly consist of the development and sales of apartments in premium residential real estate properties.

In the middle of 2019, Šaltinių Namai | Attico with five new residential buildings were completed.

The share of the Lithuanian segment as a percentage of total revenues of the Group during the reporting period amounted to 4% compared to 46% last year.

Revenue from Lithuania

in thousands of euros	2021	2020	Change
Real Estate	1 331	8 574	-84%
Rent	18	23	-22%
Other	290	277	5%
Total	**1 639**	**8 874**	**-82%**

Real estate sales decreased by 84% in 2021 comparing to last year. During the reporting period 5 apartments, 9 storage rooms and 10 parking lots were sold in Lithuania (2020: 22 apartments, 2 cottages, 13 storage rooms and 23 parking lots). There were 5 apartments, 1 business premise, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

The Group temporarily rents out some of the premises available for sale. In 2021 rental revenues decreased by 22%.

The Group provides maintenance and other services to its sold and rented out apartments. In 2021 the revenue from maintenance activities has increased by 5% as a result of sales of new premises.

Germany

The Group's operations in Germany consist of the 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 Group during the reporting period amounted 4% compared to 9% of the comparable period last year.

Revenue from Germany

in thousands of euros	2021	2020	Change
Hotels	1 951	1 672	17%

The occupancy rate of PK Parkhotel Kurhaus hotel has increased by 8% constituting the average of 56% for the year. Total annual revenues increased by 17%. Net result for 2021 was 637 thousand euros profit (2020: 535 thousand euros loss). Due to the Emergency State and restrictions set by the German Government the hotel was closed since the beginning of the year and reopened in the middle of June 2021. The positive result of the hotel is related to the support provided to the hotel by the German government.

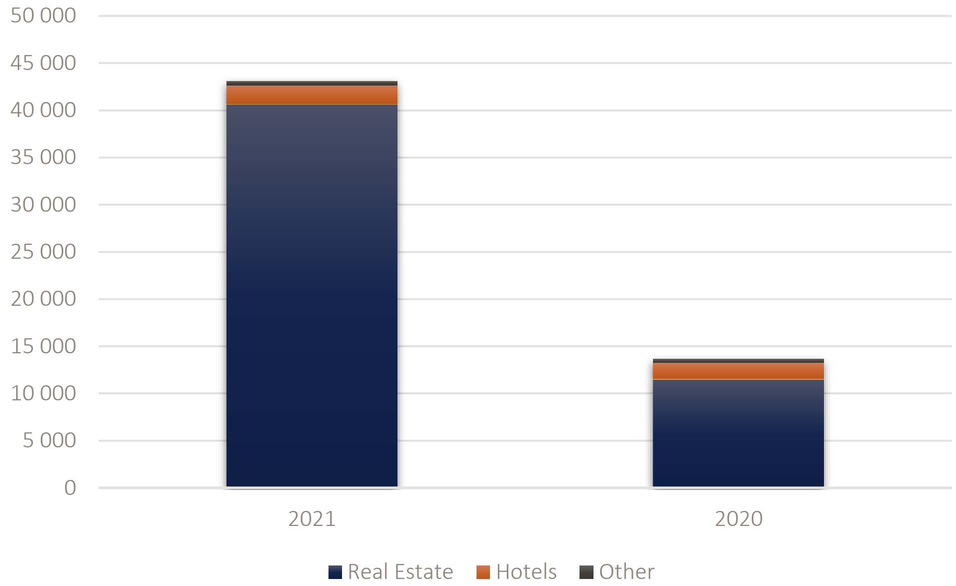
Occupancy rates, %

	2021	2020	Change
PK Parkhotel Kurhaus, Bad Kreuznach	56.2	47.5%	8.7%

Business lines

In addition to geographical segments, the Group also monitors its operations by business lines.

Revenue by business lines, in thousands of euros



Revenue by business lines

in thousands of euros	2021	2020	Change
Real Estate	40 616	11 479	254%
Rent	99	104	-5%
Hotels	1 951	1 672	17%
Other	429	382	12%
Total	**43 095**	**13 637**	**216%**

Revenue in real estate business line has tripled due to new completed developments in Kalaranna District and Kristiine City. Average price per m^2 sold in 2021 was 3 121 euros/m^2 (2020: 3 092 euros/m^2), prices are given without VAT. The average price in our projects in Estonia increased 61% and decreased in Lithuania and Latvia by 7%. The total of 11 087 m^2 of residential premises were sold in 2021 (2020: 3 319 m^2) altogether in all three countries.

The Group is focusing on development of existing land plots, which will expand its sellable asset base. In 2022 the Group plans to complete Kalaranna current stage and most of the Kindrali Houses and will actively continue with sales of current stock in Kliversala in Riga and Šaltinių Namai Residential Complex in Vilnius. Simultaneously preparations to start the following projects are ongoing.

In 2021 the Group operated PK Parkhotel Kurhaus in Bad Kreuznach, in Germany. Due to the Emergency State and restrictions set by the German Government in relation to COVID-19 the hotel was closed until 11 June 2021.

Maintenance business line is dependent on the rental spaces maintained by the Group. Space under maintenance in 2021 has increased by 31% and was 68 836 m^2 as at 31 December 2021 (31 December 2020: 52 510 m^2). Gross profit of the segment has increased by 22% and overall profitability has decreased by 0.6% compared to the last year.

Financing sources and policies

Pro Kapital Grupp pursues conservative financing policy. The Group's goal is to use external financing in the way, which allows to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. In general, the Group seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Group's credit standing. The Group's subsidiaries use local bank financing for specific development projects. To manage possible risks, projects are kept in separate subsidiaries and usually no guarantees are provided for liabilities of another group company. Loans for specific projects are predominantly of middle-term duration, maturing within one to three years. Loans' repayment schedule is of mixed nature, consisting mainly of floating payments in dependence on sales volumes and to some extent fixed payments.

During 2021 the Group has repaid 30.6 million euros of its loans and has raised 22.3 million euros of loans. The Group has 3.6 million euros of loans to be repaid in 2022.

In 2021 the Group has refinanced the non-convertible bonds in the nominal value of 1 million euros and repaid 337 thousand of non-convertible bonds. (Note 20).

As at 31 December 2021 the Group had issued convertible bonds in nominal value of 0.2 million euros, 28.5 million euros of secured bonds with redemption date in February 2024 and 9.7 million euros of unsecured bonds with redemption date in October 2024. The convertible bonds carry an effective annual interest rate of 7% and non-convertible bonds 8%.

Shares and shareholders

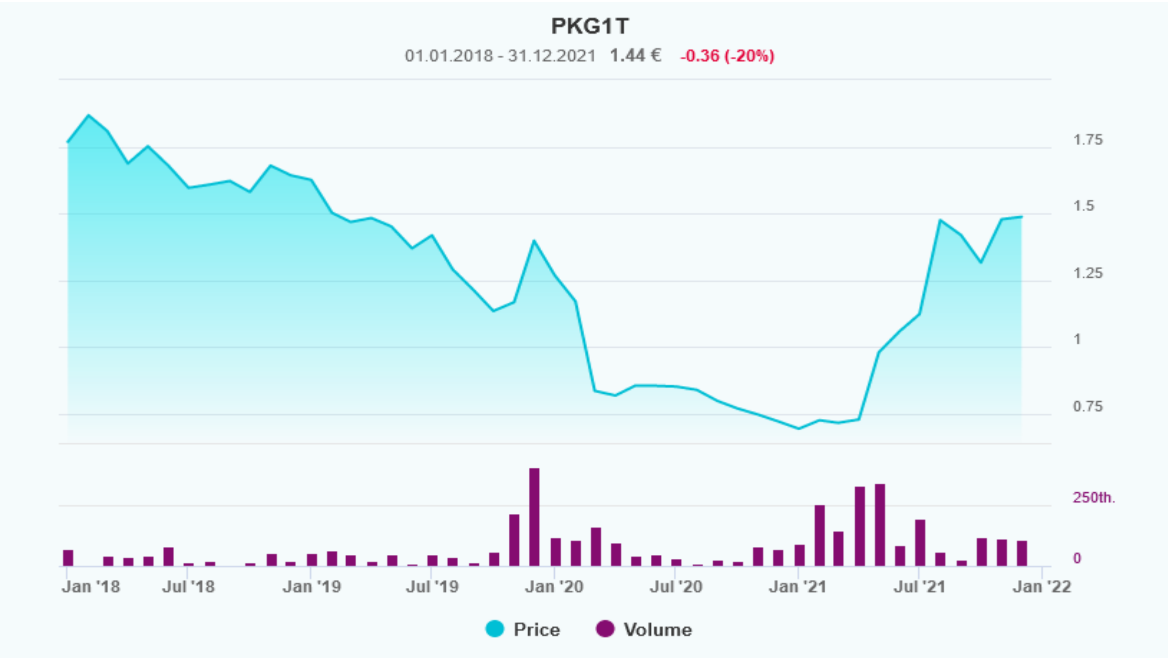
As at 31 December 2021 AS Pro Kapital Grupp had 56 687 954 shares with the nominal value 0.20 euros. The registered share capital of the Company is 11 337 590.80 euros.

Composition of share capital

	31.12.2021	31.12.2020
Number of shares (pcs)	56 687 954	56 687 954
Nominal value (euros)	0.20	0.20
Share capital (euros)	11 337 590.80	11 337 590.80

On 23 November 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange with an ISIN EE3100006040. On 19 November 2018 Company's shares were listed on the Main List of Tallinn's stock exchange. During the period 1 January – 31 December 2021 the shares were trading at the price range 0.68 – 1.56 euros, with the closing price of 1.44 euros per share on 31 December 2021. During the period 1.9 million of the Company's shares were traded with their turnover amounting to 1.9 million euros.

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January 2018 - 31 December 2021, NASDAQ Baltic Main List*



**Source: www.nasdaqbaltic.com*

Trade statistics in euros*	31.12.2021	31.12.2020	31.12.2019
High price	1.56	1.39	1.71
Low price	0.68	0.68	1.00
Last price	1.44	0.70	1.39
Average price	1.10	0.88	1.38
Traded volume (pcs)	1 883 042	832 989	1 038 459
Turnover (million)	1.85	0.77	1.4
Capitalisation (million)	81.63	39.68	78.8

**Source: www.nasdaqbaltic.com*

Baltic market indexes 1 January 2018 - 31 December 2021*

**Source: www.nasdaqbaltic.com*

Index/ Equity	31.12.2021	31.12.2020	Change
■ OMX Baltic Benchmark GI	1 568.82	1 104.74	42.01%
■ B35PI Real Estate / B8600PI Real Estate	419.63	260.46	61.11%
■ PKG1T (euros)	1.44	0.70	105,71%

**Source: www.nasdaqbaltic.com*

On 13 March 2014 the Company's shares started trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 31 December 2021 the shares were trading at the price range of 0.65 – 1.52 euros, with the closing price 1.41 euros per share on 31 December 2021. During the period 76 thousand of the Company's shares were traded with their turnover amounting to 53 thousand euros.

Shareholders

As at 31 December 2021 there were 801 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

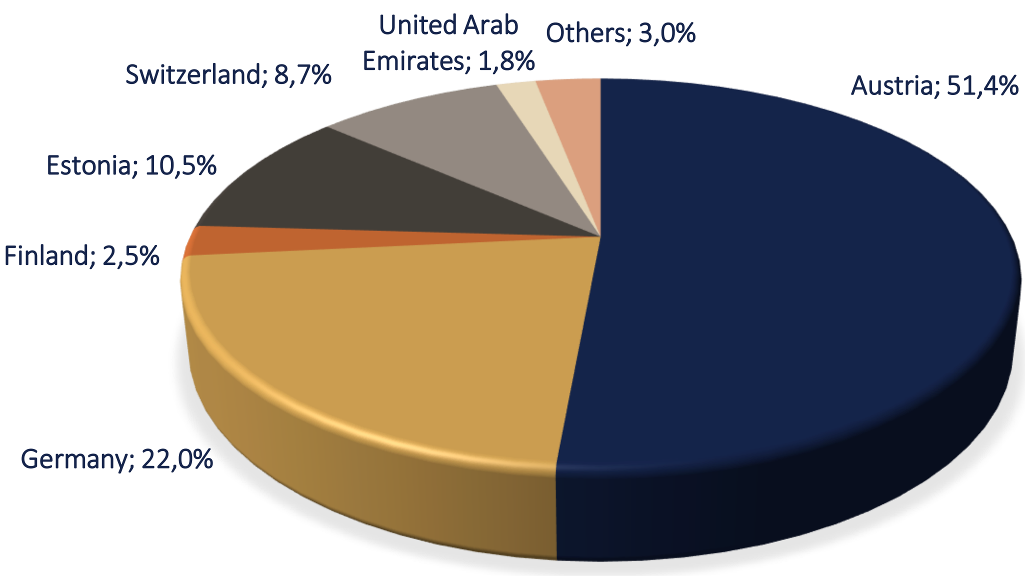
Shareholders holding over 5% of the shares:

	31.12.2022		31.12.2020	
Shareholders	Number of shares	Participation in %	Number of shares	Participation in %
Raiffeisen Bank International AG	29 150 898	51.42%	31 010 717	54.70%
Clearstream Banking AG	12 474 534	22.01%	11 372 980	20.06%
Svalbork Invest OÜ	5 590 639	9.86%	3 759 620	6.63%
Six Sis Ltd	4 920 031	8.68%	0	0.00%

Shareholders split by holders:

	31.12.2021		31.12.2020	
Shareholders	Number of shares	Participation in %	Number of shares	Participation in %
Financial institutions	50 399 093	88.91%	51 068 571	90.09%
Companies	5 877 489	10.37%	5 172 897	9.13%
Private persons	411 372	0.73%	446 486	0.79%

Shareholders geographical split by residence as at 31 December 2021:



Shareholders	Number of shares	Participation in %
Austria	29 150 898	51.4%
Germany	12 475 294	22.0%
Estonia	5 957 187	10.5%
Switzerland	4 924 991	8.7%
Finland	1 426 194	2.5%
United Arab Emirates	1 038 408	1.8%
Others	1 714 982	3.0%

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 2021 Ernesto Preatoni and his affiliates control 49.59% (31 December 2020: 45.99%) of the shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 5 590 639 shares representing 9.86% of the total shares of the Company.
- 18 803 439 shares representing 33.17% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 221 478 shares representing 0.39% of the total shares of the Company held though a nominee account by Clearstream Bank.
- 3 498 765 shares representing 6.17% of the total shares of the Company held through a nominee account opened by Six Sis Ltd.

Participation the Management Board and the Supervisory Council as at 31 December 2021:

Name	Position	Number of shares	Participation in %
Paolo Michelozzi	CEO	281 647	0.50%
Edoardo Preatoni	Board member	0	0.00%
Angelika Annus	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	0	0.00%

As at 31 December 2021 Emanuele Bozzone, with his affiliates, is holding 357 000 unsecured, fixed rate non-convertible bonds of the Company with the nominal value of 999 600 euros in total.

Earnings per share (EPS), P/E ratio

Earnings per share (including discontinued operations) for year 2021 were 0.52 euro/share (2020: -0.98 euro per share). P/E ratio for year 2020 was 2.74 (2020: -0.71).

Group structure

As at 31 December 2021

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

Corporate governance report

Overview

Corporate governance constitutes of a system of principles for the management of the Company. Such principles are regulated by law, the Articles of Association, the internal rules of the Company and since 1 January 2006, the companies listed on the NASDAQ OMX Tallinn Stock Exchange are recommended to follow the "Corporate Governance Recommendations" (CGR) issued by the Financial Supervision Authority.

The principles described in these CGR are recommended to be carried out by Issuers and each Issuer should decide whether or not it will adopt these principles as a basis for organizing its management. Issuers should describe, in accordance with the "Comply or Explain" principle, their management practices in a CGR Report and confirm their compliance or non-compliance with the CGR. If the Issuer does not comply with CGR, it should explain in the report the reasons for its non-compliance.

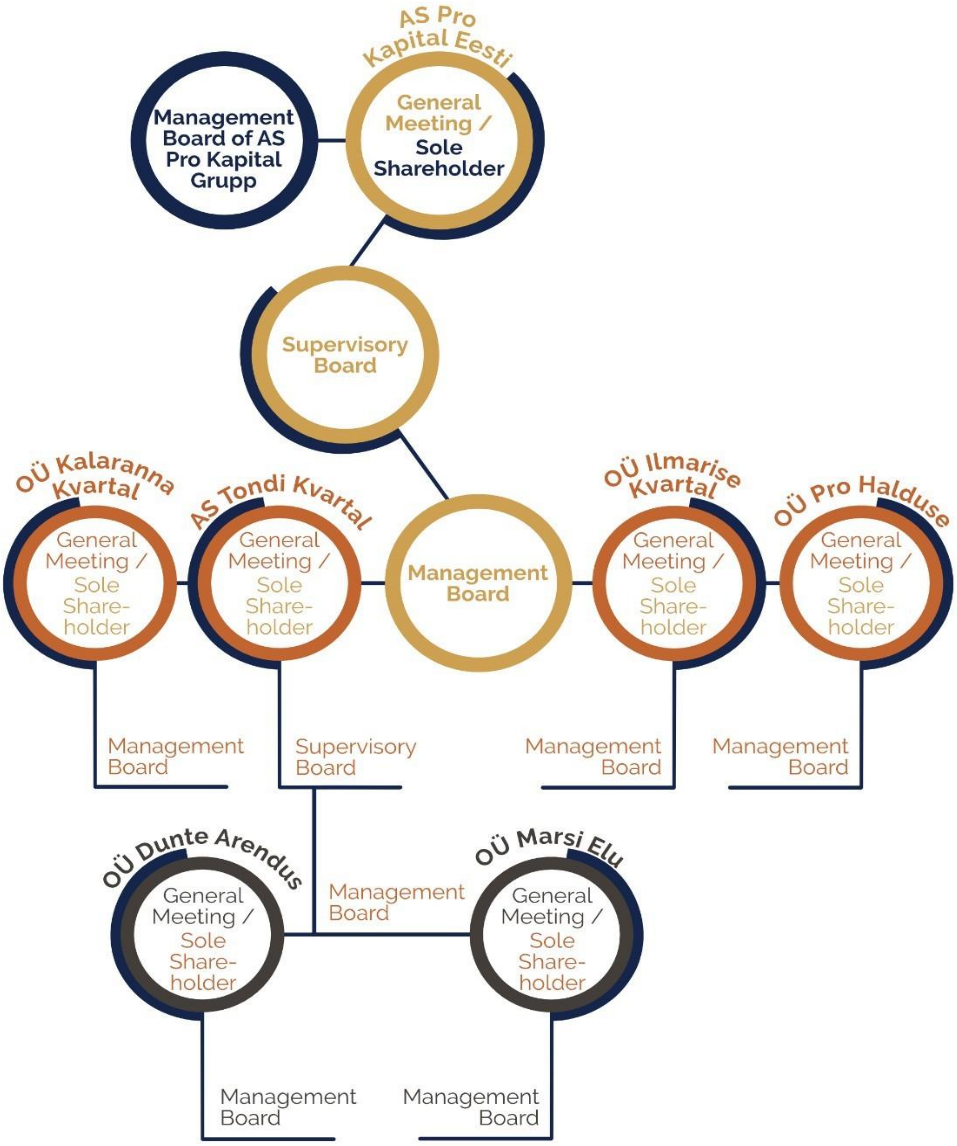
The Management Board of the Company gives the following overview of the management practices of the Company and confirms the compliance with the CGR except to the extent of non-compliance as described and explained below.

In addition, and only where applicable, the Management Board of the Company has also indicated where the Company is meeting even higher Corporate Governance standards adopted by G20/OECD in 2015 (G20/OECD Principles of Corporate Governance).

The Group's decision- making and governance structure as at 31 December 2021 was as follows:

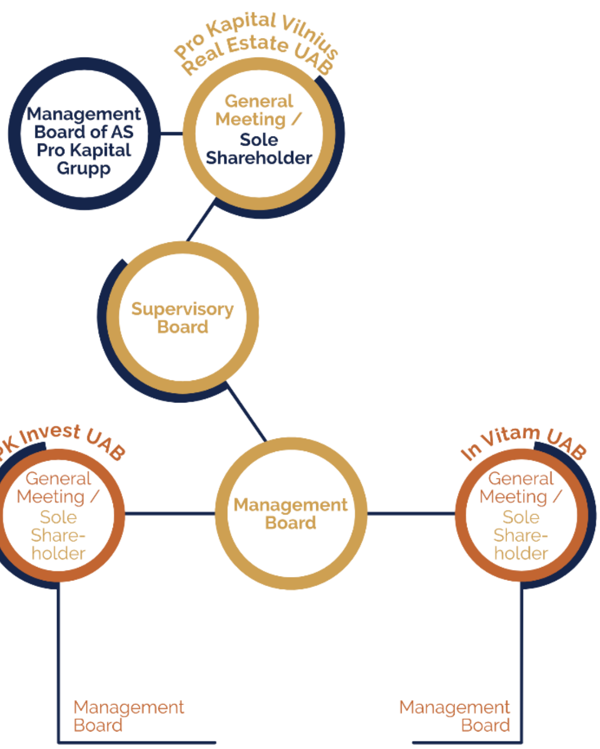
Holding company

Governance structure of the Estonian group



Governance structure of the Latvian group

Governance structure of the Lithuanian group



Governance structure of the German group

1. GENERAL MEETING OF SHAREHOLDERS

The Company is a public limited company and has regular General Meetings of Shareholders, a Supervisory Council and a Management Board as the management bodies. The General Meeting of Shareholders is the highest directing body.

1.1. Exercise of shareholders rights

Every shareholder has the right to participate in the general meeting, to speak in the general meeting on topics presented in the agenda, and to present reasoned questions and make proposals. Exercising of the shareholders' rights is ensured in a way that use of shareholders' rights is not hindered by unreasonable formalities and the use of rights is made convenient for shareholders. The General Meeting is conducted at the location of the Company. Company enables shareholders to present questions on topics mentioned in the agenda prior to the day of the General Meeting. The Company includes in the notice of calling the General Meeting the e-mail address to which the shareholders can send questions concerning the meeting. As per the corporate governance recommendation the Company guarantees a response to reasoned questions at the General Meeting during the discussion of a related subject or before the holding of the General Meeting giving shareholders enough time for examining the response. If possible, the Company gives its responses to questions presented before holding the General Meeting and publishes the question and response on its website.
During 2021, only one annual general meeting of shareholders was held and no questions as to the topics of the agenda of the meeting were presented to the Company before the general meeting. Questions asked during the AGM are recorded in the minutes. In the AGM notice it is clearly stated where the shareholders or their

representatives can direct their questions before the meeting (email and phone number) and that should there be such questions, there will be answered and disclosed on the Company website. At the start of the general meetings, the Chairman of the meeting always makes it clear that questions can be asked throughout and before the meeting is adjourned, once more participants are given the opportunity to voice their questions.

1.1.1. Company's Articles of Association do not allow granting different types of shares with rights which would result in unequal treatment of shareholders in voting. Only one type of shares has been issued, giving all shareholders exactly the same rights related to the shares.

1.1.2. Company facilitates the personal participation of shareholders at the General Meeting. When calling the shareholders' meeting a notice period of at least 3 weeks is given for both general and extraordinary shareholders' meetings. In the notice the exact place, date and time of the meeting are stated. Representatives of the Company always participate at the General Meeting and are accessible to the shareholders during the holding of the General Meeting.

1.2. Calling of a General Meeting and information to be published

1.2.1. As per the recommendation, the notice of calling the General Meeting should be sent to shareholders and/or published in daily national newspaper concurrently with making it available on the Issuer's website. The Company is following the recommendation and is publishing the notice of calling the shareholders' meeting in daily national newspaper and making it available on the Company's website and the notice is also published via the NASDAQ OMX Tallinn Stock Exchange system. Shareholders of the Company are notified of calling both an extraordinary shareholders' meeting and general shareholders' meeting immediately after the decision is made to call such a meeting.

As per the recommendation, the notice should indicate the reason for calling the meeting and who made the proposal to call it (e.g. Management Board, Supervisory Council, shareholders or auditor). Information concerning the meeting should be immediately published on Issuer's website. The Company is following this recommendation and summarises in the notices a reason for calling the shareholders' meeting and states the body who is calling the meeting. Information about the meeting is published on the website of the Company.

1.2.2. The Management Board and Supervisory Council shall deliver all information available to them or essential information provided to them necessary for passing a resolution at the General Meeting to shareholders concurrently with the notice of calling the General Meeting.

As per the recommendation, Issuers should provide the reasons for calling the General Meeting and explanations for items included on the agenda, determining changes essential to shareholder (for instance changing the articles of association, issuance of additional shares or other securities associated with shares or extraordinary transactions the content of which is the sale of all or a majority of the assets or the Company or which are concluded with a person related to the Issuer).

The Company is following the recommendation and summarises in the notice the reason for calling the shareholders' meeting. Materials related to the agenda are made available via the webpage of the Company concurrently with the notice of calling the General Meeting. In addition to publishing the notice of calling the general meeting via

the Stock Exchange on its website, the Company provides separate links to the Council's and Board's proposals regarding the agenda and regarding the audited annual report.
There were no cases of non-compliance with requirements relating to related party transactions (RPTs) in 2021.
Any and all RPTs with Supervisory Council members are decided at general meeting level. Otherwise, within the group, all RPTs of any value are required to be explained and explanations documented in the minutes – if with Management Board members, then at the Supervisory Council levels and if with Supervisory Council members, then at shareholder level.
If the General Meeting is called by shareholders, the Supervisory Council or auditor or if an item has been entered on the agenda at the request of the Management Board or a shareholder, the bodies or persons requesting the calling of General Meeting or entering an item on the agenda should provide their reasons and explanations.
The shareholders should be permitted to examine information regarding questions shareholders have presented to the Issuer in connection with the holding of the General Meeting if this information is connected with an agenda item of the General Meeting. The Management Board or Supervisory Council has the right to withhold this information, if this is in contravention of the Issuer's interests. In such case, the Management Board and Supervisory Council should justify the withholding of the information.
The Company has indicated in each notice of calling the shareholders' meeting an email for the shareholders to contact in case they have any questions related to the meeting. As no questions connected to the agenda topics were asked before the AGM, the Company has not published any questions of the shareholders or replies to the shareholders on the website regarding the 2021 AGM. If and when such questions will be asked in the future, the Company shall outline these questions and answers under a separate accessible link. (The link is currently absent so as not to confuse shareholders that there might have been questions and there is no point in keeping an empty page behind a link.)
Information to shareholders is provided in Estonian and in English.

1.2.3. The Management Board should publish on the Issuer's website the essential information connected with the agenda provided to it or otherwise available concurrently with compliance with the General Meeting calling requirements provided by law.
Company is following the recommendation and is publishing materials related to the general meetings on the website of the Company under section Company-Investors-Shareholders (data available from 2013). In addition, legal documentation like the Company's Articles of Association in English and in Estonian as well as the (2017) public offering prospectus, the (2020) Listing prospectus for NASDAQ Stockholm for 2020/2024 bonds and the (2021) listing prospectus for NASDAQ OMX Tallinn 20-2024 non-convertible bonds are also up on the Company's website. Investor presentations are also up on the Company's website (sub-page Investors-Presentation).

1.2.4. Within a reasonable period of time prior to holding a General Meeting the Supervisory Council should publish its proposed agenda items on the Issuer's website. If shareholders make substantive proposals to items on the agenda or proposals diverging from those of the Supervisory Council prior to the General Meeting the Issuer should publish the proposals on its website.

The Company is following the recommendation. In 2021, no proposals regarding additional agenda items or amendment of existing agenda items or draft resolutions were made. If and when such proposals are made, the Company outlines them under a separate accessible link, e.g. as for the 2017 EGM. (Otherwise, the link is absent so as not to confuse shareholders that there might have been modifying proposals.)

1.3. Procedure of the General Meeting

1.3.1. The Chair of the General Meeting should ensure that the General Meeting is conducted in a smooth manner, i.e. swift while considering the interests of all interested parties. The General Meeting should be conducted in the Estonian language.

During 2021 the Company held 1 (one) shareholders' meeting. The Annual General Meeting of the shareholders took place on 7 July 2021.

The Company is following the recommendation and ensures that the General Meeting is conducted in a smooth manner while considering the interests of all interested parties therefore with the approval of all shareholders present at the meeting the Annual General Meeting of the shareholders was held in parallel in Estonian and English.

As per the recommendation the Chairman of the Supervisory Council and members of the Management Board cannot be elected as Chair of the General Meeting.

Company is following the recommendation. At the 2021 Annual General Meeting of the shareholders partner and attorney at law at Sorainen law firm, Karin Madisson, was elected as the Chair of the Meeting.

1.3.2. Members of the Management Board, the Chairman of the Supervisory Council and if possible, the members of the Supervisory Council and at least one of the auditors should participate in the General Meeting.

Company held 1 (one) shareholders' meeting in 2021.

The Annual General Meeting of the shareholders took place on 07 July, 2021. Present were Chairman of the Supervisory Council Emanuele Bozzone and member of the Supervisory Council Oscar Crameri, Supervisory Council member Petri Olkinuora was unable to participate. Other participants were: the CEO and Chairman of the Management Board Paolo Vittorio Michelozzi, Member of the Management Board Allan Remmelkoor, the CFO of the Company Angelika Annus.

1.3.3. Issuers should make participation in the General Meeting possible by means of communication equipment (Internet), if the technical equipment is available and doing so is not too cost prohibitive for the Issuer.

Company has not followed this recommendation and does not plan to follow the recommendation and making participation in the General Meeting possible by means of communication equipment (Internet). The reason for not following the recommendation is that there is no good and cost-efficient technical solution to verify the identities of foreign shareholders, who form the majority of the Company's shareholders. Therefore, allowing the participation of the shareholders by means of communication equipment poses legal risks to the Company, in verifying the list of participants of the shareholders' meeting. In the notice of calling the general meeting, the Company clearly indicates that shareholder or their representatives are expected to participate in person. Thus, while proxy voting or voting in absentia is not prohibited, it is not enabled. Since international shareholders can and do engage local representation, which is the common practice in Estonia, the Company has not made it unduly difficult or expensive to cast votes at general meetings and, thus, has followed the OECD 2015 CGR.

1.3.4. As per the recommendation the profit distribution (or covering the loss) has been considered in General Meeting as a separate agenda topic and a separate resolution has been passed regarding it.
At the 07 July, 2021 Annual General Meeting the shareholders decided to cover the loss for the financial year of 2020 in the amount of 55 677 271 euros with the retained earnings of previous periods, revaluation reserve, statutory reserve and partially with share premium (agenda item no 3), and payment of dividends was not discussed.

2. MANAGEMENT BOARD

2.1. Duties

2.1.1. The Management Board is making independent day-to-day decisions without favouring personal and/or controlling shareholders' interests. The Management Board is making the decisions based on the best interests of the Company and all of its shareholders and ensures the reasonable development of the Company according to goals and strategy set. The Management Board is using its best efforts to ensure that the Company and all companies belonging to the group comply in their activities with current legislation in force. The Management Board ensures that it undertakes proper risk management and internal audit controls in the activities of the Company and those proceeding from its activities. To guarantee proper risk management and internal audit the Management Board: analyses on reoccurring basis the risks connected with the activities and financial objectives of the Company, has prepared adequate internal control provisions and elaborated forms for drawing up financial reports and instructions for drawing up these reports, has organized the system of control and reporting.

2.2. Composition and charge

2.2.1. As at 31 December 2021, the Management Board of the Company had three Management Board members: Paolo Vittorio Michelozzi, Angelika Annus and Edoardo Axel Preatoni. Paolo Michelozzi had been elected as the Chairman of the Management Board. Allan Remmelkoor's authorities as member of the Management Board ended on 31 August 2021. Angelika Annus, the Chief Financial Officer of the Company, was elected as a new member of the Management Board. The term of office of Paolo Michelozzi and Edoardo Preatoni, Members of the Management Board, expired on 31 December 2021. Edoardo Preatoni's authorisation was extended and starting 2022 the Management Board of the Company consist of two members. Management Board Members are selected by the Supervisory Council of the Company based on their expertise in the sector the Company is operating in, in addition candidates' leadership and management experience is taken into account as well as their integrity and their commitment to the Company.

Name	Citizen-ship	Year of birth	Member since	Position	Current term expires/ expired	Number of shares of the Company
Paolo Vittorio Michelozzi	Italian	1961	22.11.2001	Chairman	31.12.2021	281 647
Allan Remmelkoor	Estonian	1971	30.05.2008	Member	31.08.2021	0
Angelika Annus	Estonian	1971	01.09.2021	Member	31.08.2024	0
Edoardo Axel Preatoni	Italian	1987	01.03.2016	Member	31.12.2024	0

Mr. Paolo Vittorio Michelozzi holds a General Certificate of Education (building surveyor) from Collegio Arcivescovile, Saronno, Italy. Mr. Michelozzi has been employed in the Company since 1994. Mr. Michelozzi has an extensive experience of more than 30 years in different real estate development projects in Italy as well as other European countries. As the CEO of the Management Board of AS Pro Kapital Grupp he has been responsible for managing and organising the daily business of the Company (including budgeting) and representing the Company internationally, also effecting the instructions and resolutions given by the Supervisory Council and the general meetings of shareholders, as well as promoting the Company with international investors. He was also a member of the management board of AS Domina Vacanze Holding, a company that was established in the course of the Division of the Company (2011-2012), CEO (2005-2008) and Chairman of the Board of Directors (2008-2012) of Domina Vacanze SpA, a company that was separated from the group in the course of the Division. Mr. Michelozzi has also been the Chairman of the Board of Domina Hotel Group SpA (2008-2010), member of the supervisory council of Hypermarket AS (1997-2008) and the member of management board of SIA PK Investments (2003-2011). Since 2006 Mr. Michelozzi is the member of the management board of SIA PB11 (Latvia), a company owned by him. Owning 281 647 shares, Mr Michelozzi is also a shareholder in the Company. The term of office of Mr. Michelozzi as a member of the Management Board of the Company expired on 31 December 2021.

Mr. Allan Remmelkoor holds a bachelor's degree in small business administration from Tallinn University of Technology. Mr. Remmelkoor held executive positions in the Group since 1997. In addition to being a member of the management board of the Company, Mr Remmelkoor was also a member of the Management Board of other group companies (AS Pro Kapital Eesti, AS Tallinna Moekombinaat and OÜ Ilmarise Kvartal) and the Chairman of the Supervisory Council of AS Tondi Kvartal. As a member of the Management Board of AS Pro Kapital Grupp he has been responsible for representing the Company mostly in Estonia and managing and organising the daily business of AS Tallinna Moekombinaat as the managing director of the group's largest real estate project - T1 Mall of Tallinn. Mr. Remmelkoor is a member of the management board of Hypermarket SIA and was a member of the management board of AS Domina Vacanze Holding, a company that was established in the course of the Division of the Company (until May 2012). He has also been a member of supervisory council of AS BALTIKA (2006-2012), a company listed in Tallinn Stock Exchange, the managing director and a member of the management board of SIA PK Investments (2003-2011). Mr Remmelkoor does not own any Company shares or bonds. The term of office of Mr. Remmelkoor as a member of the Management Board of the Company ended on 31 August 2021.

Mr. Edoardo Axel Preatoni holds a diploma in classical studies from Instituto De Amicis, Milano Italy. Mr. Preatoni has experience in hotel and real estate development business and he is the founder & CEO of Preatoni Real Estate Development LLC in Dubai, UAE. As a member of the Management Board of AS Pro Kapital Grupp he has been responsible for divesting the one remaining hotel of the Company, which is non-core business and from the end of 2019 he was also the Head of Development of the group. Since 2022 Mr. Preatoni is the CEO of AS Pro Kapital Grupp. Mr. Preatoni does not own any Company shares or bonds.

Mrs. Angelika Annus holds a degree in Business Administration from Estonian Business School. Mrs. Annus has been employed in the Company since 1998, as a CFO since 2014 and is also a member of the Management Board of other group companies (AS Pro Kapital Eesti, AS Tondi Kvartal, OÜ Marsi Elu, OÜ Kalaranna Kvartal, OÜ Dunte Arendus ja OÜ Pro Kapital Germany Holdings) since 1 September 2021. As a member of the Management Board and CFO of AS Pro Kapital Grupp she is responsible for managing and organising the daily business of the Company. Mrs Angelika Annus does not own any Company shares or bonds.

The Supervisory Council has established an area of responsibility for each member of the Management Board, defining their duties and powers. The principles for co-operation between members of the Management Board and between the Management and Council have also been established.

As per the recommendation the Chairman of the Supervisory Council should conclude a contract of service with each member of the Management Board for discharge of their functions. The Company is following the recommendation partially. The CEO, Paolo Michelozzi, had concluded a Management Board service contract with the Company. Members of the Management Board Allan Remmelkoor and Edoardo Preatoni did not have a service contract with the Company. Because of his area of responsibility as a Management Board member of Estonian and Latvian sub-group holding companies and due to the principle of payment for services rendered at the level they are rendered, Allan Remmelkoor had concluded service contracts with the subsidiary holding companies in Latvia, with AS Tallinna Moekombinaat (since he is the general manager of the T1 Mall of Tallinn shopping centre) and with AS Pro Kapital Eesti (since that it T1 Mall of Tallinn project's mother company). As Head of Development, Member of the

Management Board Edoardo Preatoni had a service contract with AS Pro Kapital Eesti (a holding company for Estonian development project companies) until end of 2021. Since 1 January 2022 Edoardo Preatoni has a Management Board contract with AS Pro Kapital Grupp. Angelika Annus has concluded a management board member authorisation agreement with AS Pro Kapital Grupp since 1 September 2021.

2.2.2. As per the recommendation the member of the Management Board should not be at the same time a member of more than two Management Boards of an Issuer and should not be the Chairman of the Supervisory Council of another Issuer. A member of the Management Board can be the Chairman of the Supervisory Council in a Company belonging to same group as the Issuer. The Company follows this recommendation.
Company Management Board members do not belong to Management Boards of any other Issuers.

2.2.3. As per the recommendation the bases for Management Board remuneration should be clear and transparent. The Supervisory Council should discuss and review regularly the bases for Management Board remuneration. Upon determination of the Management Board remuneration, the Supervisory Council is guided by evaluation of the work of the Management Board members. Upon evaluation of the work of the Management Board members, the Supervisory Council is taking into consideration the duties of each member of the Management Board, their activities, the activities of the entire Management Board, the economic condition of the Issuer, the actual state and future prediction and direction of the business in comparison with the same indicators of companies in the same economic sector. Remuneration of members of the Management Board, including bonus schemes, should be such that they motivate the member to act in the best interest of the Issuer and refrain from acting in their own or another person's interest.
Monthly remuneration of Chairman of the Management Board Paolo Michelozzi was agreed in the service contract concluded for three years. Additional remuneration of the CEO was determined by the Supervisory Council of the Company based on the evaluation of the Remuneration Committee regarding the achievement of annual targets by CEO set by the Supervisory Council. Monthly remuneration of the Management Board Member Allan Remmelkoor was agreed in the service contracts concluded with AS Pro Kapital Eesti and AS Tallinna Moekombinaat. Additional remuneration of Allan Remmelkoor was determined by the Chairman of the Management Board of the Company acting in the capacity of the Chairman of AS Pro Kapital Eesti as per the assessment of achieving annual targets, which was approved by the Supervisory Councils of the group's relevant subsidiary with whom Mr Remmelkoor had service contracts. Monthly remuneration and quarterly bonuses of the Management Board Member Edoardo Preatoni were agreed in the service contract concluded with AS Pro Kapital Eesti and any additional remuneration was determined by the Supervisory Council of AS Pro Kapital Eesti as per the assessment of Edoardo Axel Preatoni having achieved set annual targets. Monthly remuneration and semi-annual bonuses of the Management Board Member Angelika Annus are agreed in the agreement concluded with AS Pro Kapital Grupp and any additional remuneration is determined by the Supervisory Council of AS Pro Kapital Grupp as per the assessment of Angelika Annus having achieved set annual targets.

2.2.4. As per the recommendation, the use of long-term bonus systems (for example options, pension programs) should be connected with the activities of the Management Board

member and should be based on explicit and comparable pre-determined factors. The factors, which are the basis for determining the bonus scheme, should not be changed retroactively.
Bonus systems with all Management Board Members have been agreed in their service contracts, they are performance-related and based on explicit and pre-determined targets being achieved.

2.2.5. As per the recommendation, the bonus scheme of a Management Board member that is connected with the securities of the Issuer, as well as changes in such bonus schemes should be approved at the General Meeting of the Issuer. The exercise date for share option should be determined at the General Meeting of the Issuer. When granting share options, the Issuer should comply with the rules and regulations of the Tallinn Stock Exchange.

2.2.6. As per the recommendation severance packages of a Management Board member are connected with their prior work performance and should not be payable if doing so would harm the interests of the Issuer.
All Members of the Management Board have severance packages agreed in their service contracts. Severance compensation is not payable in case the Management Board member is recalled due to the breach of his obligations.

2.2.7. As per the recommendation basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member as well as their essential features (incl. features based on comparison, incentives and risk) should be published in clear and unambiguous form on website of the Issuer and in the Corporate Governance Recommendations Report. Information published should be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as of the day of disclosure. The Chairman of the Supervisory Council should present the essential aspects of the Management Board remuneration and changes in it to the General Meeting. If the remuneration of some of the Management Board members has occurred on a different base, then the General Meeting should be presented the differences together with the reasons therefore.
The Company is following this recommendation starting with the current annual report of 2021.

2.3. Conflict of interests

2.3.1. Members of the Management Board avoid conflicts of interests in their activity. Member of the Management Board do not make decisions on the basis of their own interests or use business offers addressed to the Company in their own interests.
As per the recommendation, the members of the Management Board are aware that they should inform the Supervisory Council and other members of the Management Board regarding the existence of a conflict of interests before the conclusion of a contract of service or immediately upon arising of a conflict of interest. Members of the Management Board are aware that they are required to promptly inform other Management Board members and the Chairman of the Supervisory Council of any business offer related to business activity of the Company made to them, a person close to them or a person connected with them. Persons close to members of the Management Board include spouses, children who are minors and persons having shared a household with them for at least one year. Persons connected with members of the

Management Board include civil law partnerships or legal persons managed or controlled by them or persons close to them as well as the civil law partnerships or legal persons whose management is significantly influenced by them or persons close to them or which is made for the benefit of them or persons close to them and which economic interests are to a significant extent similar with their economic interests or economic interests of persons close to them. The Company, its members of the Management Board follow this recommendation whenever applicable.

As per the OECD 2015 Corporate Governance recommendations, the Supervisory Council assigns an independent member capable of exercising independent judgment to tasks where there is a potential for conflict of interest. For example, when discussing and approving the CEO's achievement of targets and respective remuneration, the Remuneration Committee of the Supervisory Council holds a meeting without the participation of the CEO. Also, when discussing transactions with a Management Board member or parties related to them, the person is question is excluded from the discussion and needs to exit the room after a round of questions before the voting. Discussions of transactions with a Supervisory Council member or parties related to them are undertaken at the level of general meetings and relevant Council members if they are also shareholders abstain from voting.

2.3.2. As per the Commercial Code the Supervisory Council has to approve the transactions between the Company and a member of its Management Board.

The Company is following this recommendation.

As per the OECD 2015 Corporate Governance recommendations, the Supervisory Council of the Company as well as Supervisory Councils of subsidiaries approve and conduct related-party transactions in a manner that ensures proper management of conflict of interest and protects the interests of the Company.

During 2021 there were no new transactions with member of the Management Board Allan Remmelkoor.

During 2021 there were two transactions with the CEO and the member of the Management Board Paolo Michelozzi.

During 2021 there were no new transactions with member of the Management Board Edoardo Axel Preatoni.

During 2021 there were no new transactions with member of the Management Board Angelika Annus.

2.3.3. A member of the Management Board shall strictly adhere to the prohibitions of competition prescribed by the Commercial Code (*Commercial Code § 312*) and shall promptly inform the Supervisory Council of their intention to engage directly or indirectly in an enterprise in the same field of activity as the Issuer. Members of the Management Board may engage in other duties alongside their duties as members of the Management Board only on approval of the Supervisory Board.

Member of the Management Board of the Company Allan Remmelkoor does not engage in other active duties alongside his duties as a member of the Management Board. In his service contract with AS Pro Kapital Eesti, Management Board Member of the Company Edoardo Preatoni has notified the Supervisory Council of AS Pro Kapital Eesti that the companies he owns make investments into real estate in Dubai, UAE, however they are not in competition with the Company and the Supervisory Council has confirmed that it does not deem such business activities as unfair competition. In his service agreement, the Chairman of the Management Board of the Company Paolo Michelozzi has been authorised by the Supervisory Council to act as a director of SIA PB11 (Latvian company), his personal real-estate holding company with its principal business being not in direct competition with the Company. The Member of the Management Board of the Company Angelika Annus has notified the Company that Ramaris OÜ owned by her performs financial advisory services, but these are not in competition with the Company. The Company does not deem business activities of this company as unfair competition.

2.3.4. As per the recommendation a member of the Management Board or employee of the Issuer should not demand or take money or other benefits from third parties in connection with their work and should not provide unlawful or ungrounded advantages to third parties in name of the Issuer.

According to the knowledge of members of the Management Board, which is based on the internal control procedures of the Company, the Company is following this recommendation.

2.3.5. Interest of members of the Management Board in other companies who are Company's business partners, suppliers, clients and other related companies:

Mr. Paolo Vittorio Michelozzi is the sole owner of Latvian company PB11 SIA, which is renting an apartment located in Riga to the Company. In addition to his remuneration, Mr. Paolo Vittorio Michelozzi as the Chairman of the Management Board was compensated for the accommodation costs of living in Riga. As of 31 December 2021, Mr. Michelozzi holds 281 647 shares of the Company as a beneficiary holder through Swedbank AS Clients.

Mr. Allan Remmelkoor did not have any interests in companies who are Company's business partners, suppliers, clients and other related companies.

Mr. Edoardo Axel Preatoni does not have any interests in companies who are Company's business partners, suppliers, clients and other related companies.

Mrs. Angelika Annus does not have any interests in companies who are Company's business partners, suppliers, clients and other related companies.

3. SUPERVISORY COUNCIL

3.1. Duties

3.1.1 The duty of the Supervisory Council is to manage internal control of the Management Board activities. The Supervisory Council participates in making important decisions relating to the activities of the Company. The Supervisory Council acts independently and in the best interests of the Company and all shareholders. The Supervisory Council determines and regularly reviews the Company's strategy, general plan of action, principles of risk management and annual budget. The Supervisory Council together with the Management Board ensures the long-term planning of the Company's activity.

The Supervisory Council has approved on 16 May 2012 the risk management policy of the Company, which is implemented in the Company and all of its subsidiaries. On 19 December 2018, the Supervisory Council reviewed a detailed assessment of all the Company's risks regarding likelihood and severity resulting in a risk rating, with top risks highlighted for regular monitoring at Council level. On 19 March 2019, the Supervisory Council approved an updated Risk Management Policy document where all previously denoted risks were grouped under logical general headings of: (i) business and economic risks related to Company's business, industry and market conditions; (ii) environmental risks; (iii) human resources and health and safety risks; and (iv) legal and political risks. On 29 April 2021, the Supervisory Council approved updated risk management policy.

The Supervisory Council also approves the annual budget of the Company. The Supervisory Council has actively discussed the progress of the development projects of the Company and the necessary financing to start with the development projects.

The Chairman of the Supervisory Council is in regular contact with the Chairman of Management Board and discusses the issues related to the Company's strategy, business activity and risk management, as per the recommendation.

The Chairman of the Management Board has the obligation to inform the Chairman of the Supervisory Council of any significant events, which may affect the Company's development and management. The Chairman of the Supervisory Council has to inform the Supervisory Council of it and call an extraordinary meeting of the Supervisory Council if necessary. The Company is following this recommendation.

3.1.2. The Supervisory Council regularly assesses the activities of the Management Board and its implementation of the Company's strategy, financial condition, risk management system, the lawfulness of the Management Board activities and whether essential information concerning the Company has been communicated to the Supervisory Council and the public as required.

The Company's Supervisory Council meets at least once per quarter, before publication of the Company's quarterly reports and reviews the quarterly report and the Management Board's report of its activities performed during the quarter.

The Company publishes important information, including publications of quarterly interim reports and annual reports, to the public and its shareholders via the Tallinn Stock Exchange system. The Company made 33 announcements in 2021, all available on the website: https://www.prokapital.com/info-from-nasdaq/.

The Supervisory Council has established an Audit committee comprising from 29 July 2019 onwards of Emanuele Bozzone and Petri Olkinuora, all Council members of the Company. The Company has published on its website the existence, duties, membership and position in the organisation of the audit committee members. The Audit committee is an advisory body of the Supervisory Council in matters involving accounting, auditing, risk management, internal control and audit, exercising of oversight and budget preparation and legality of the activities of the Company.

The function of an audit committee is to monitor and analyse:

1) processing of financial information;
2) efficiency of risk management and internal control;
3) the process of auditing of annual accounts and consolidated accounts;
4) independence of an audit firm and a sworn auditor representing an audit firm on the basis of law and compliance of the activities thereof with other requirements of Auditors Activities Act.

An audit committee is required to make recommendations or proposals to the Supervisory Council regarding the following issues:

1) appointment or removal of an audit firm;
2) appointment or removal of an internal auditor;
3) prevention or elimination of problems and inefficiencies in an organization;
4) compliance with legislation and the good practice of professional activities.

In 2021, the Audit Committee met one time (since there were no auditor's findings to follow up:

- to discuss the auditor's report and main findings and the approve the audited 2020 annual report of the Company.

The Company does not have an internal auditor as the Financial Controller performs this function as well. The Company would like to assure that its external auditors have never performed internal audit duties for the Company.

The Supervisory Council has established a Remuneration Committee from 8 July 2020 onwards comprising of Emanuele Bozzone and Oscar Crameri, both Supervisory Council Members. The Remuneration Committee is an advisory body of the Supervisory Council in matters involving remuneration of the Management Board of the Company. The committee has been established to safeguard that the Management Board's remuneration and company performance are linked when they annually assess the results of management of the Company.

In 2021, the Remuneration Committee met one time to extend authorisation of the Member of the Board, elect the new CEO and to approve conditions of the agreement of CEO with the company.

The decision regarding the amount and procedure of remuneration of the members of the Supervisory Council is decided at the level of general meetings of the shareholders, the last such shareholders' resolution dating back to 20 June 2016. There is no separate committee to oversee matters of remuneration and election of Supervisory Council members and it is the Management Board that makes the relevant proposals to the general meeting of shareholders based on equivalent market remuneration of Board members adjusted for the Baltics. As for proposing new members of the Council, it is the Chairman of the Council who speaks to the larger shareholders to gauge their views as to the requirements of competence of the potential candidates and composition of the Council and either approaches the potential candidates himself or tasks the CEO to approach potential candidates in line with the Company's strategic objectives and suggestions from the largest shareholders, bearing in mind that 1/3 of the Council members should always be independent, before any new candidates are proposed to the general meeting.

3.1.3. The Chairman of the Supervisory Council manages the work of the Supervisory Council. The Chairman of the Supervisory Council determines the agenda of the Supervisory Council meeting, chairs the meetings, monitors the efficiency of the Supervisory Council's work, organizes the transmission of information to the members of the Supervisory Council, ensures that the Supervisory Council has enough time to prepare for decisions and examine information and represents the Supervisory Council in communications with the Management Board. The Company is following this recommendation.

3.2. Composition and charge

3.2.1. The members of the Supervisory Council are elected from persons having sufficient knowledge and experience for participation in the work of the Supervisory Council. Upon the election of a member of the Supervisory Board, the nature of the Supervisory Board's and the Issuer's activities, the risks of conflict of interests and, if necessary, the age of the potential member shall be taken into account. The membership of the Supervisory

Board shall be sufficiently small to ensure efficient management and sufficiently large to involve necessary know-how.
The Company considers that its Supervisory Council is well-balanced and composed of individuals who have a broad experience in key business sector –construction and development of international real-estate. Pursuant to articles of association of AS Pro Kapital Grupp the Supervisory Council consists of at least 3 (three) to maximum 7 (seven) members. There are three Supervisory Council members. Mr. Emanuele Bozzone is the Chairman of the Supervisory Council of the Company.

Information about the members of the Supervisory Council:

Name	Citizen-ship	Year of birth	Member since	Position	Current term expires	Number of shares of the Company
Emanuele Bozzone	Swiss	1964	05.07.2010	Chairman	05.07.2023	0
Petri Olkinuora	Finnish	1957	13.04.2012	Member	05.07.2023	30 000
Oscar Crameri	Swiss	1961	27.05.2020	Member	05.07.2023	0

Mr. Emanuele Bozzone holds a degree in economics and trade. Mr. Bozzone has a vast experience in finance. He has been a manager and independent consultant in the finance field since 1999. Mr. Bozzone is a Swiss licensed fiduciary. From 2010 Mr. Bozzone is a director, wealth manager and partner in Regis Invest SA in Lugano, Switzerland. Additionally, he is a sole director, founder and partner in EBCO Fiduciaria SA in Chiasso, Switzerland. Mr. Bozzone is also holding a senior managing position in EBCO Trustee Services Ltd Liab Co in Chiasso, Switzerland and Archer Consulting SA. Mr Bozzone with his affiliates holds 357 000 unsecured, fixed rate nonconvertible bonds of the Company with the nominal value of 2.80 euros each, i.e. 999 600 euros in total.

Mr. Petri Olkinuora holds M.Sc. (construction engineering) and MBA degrees. Former CEO of listed shopping centre company Citycon Oyj (2002-2011), he is a senior advisor and professional board member of several companies. His current positions of trust are as follows: Chairman of the board: Forbia Oy (private investment company, since 2011), Salo IoT Park Oy (office campus, since 2018), Tampereen Tilapalvelut Oy (municipal property service provider, since 2018), Tampereen Infra Oy (municipal infra company, since 2019). Board member: 7Bros Oy (angel investor, since 2018), Evli-Rahastoyhtiö Oy (bank´s asset manager, since 2018), Hartela-Yhtiöt Oy (Finnish construction company and developer, since 2013), Koja Oy, Koja-Yhtiöt Oy (industrial company making ventilation machines for marine and buildings, since 2004), NoHo Partners Oyj (listed restaurant company, since 2012), Rapal Oy (software company, until June 2021), Rentto Oy (real estate developer and owner, since 2019), TPI-Control Oy (service provider for heating and cooling systems, since 2018), Royal Areena Oy (real estate developer, since 2019), Li-Plast Kiinteistöt Oy (real estate rental, since 2021) . Mr. Olkinuora has also, *inter alia*, served as the Deputy Chairman (2002-2003) and a Board Member (2007-2009) of the Board of Finnish Association for Building Owners RAKLI ry, member of the Board of European Public Real Estate Association EPRA (2006-2009) and a founding member of the Board of Finnish Green Building Association ry (2010-2012). Mr. Olkinuora indirectly owns 30,000 shares of the Company.

Mr. Oscar Crameri has law and banking background, specialising in compliance, corporate and tax law. In the last 10 years he has worked as an executive for a tax and legal consulting firms. Previously he has worked as an executive member and Head of Legal and Compliance for an investment bank (for 4 years); before he held a position as Head of Tax and Legal departments for major audit firms (for 6 years first in Arthur Andersen and then in Deloitte). Mr. Crameri has also been a Board member of the Federation of the Ticino Raiffeisen Banks and a Chairman of a local Raiffeisen Bank as well as a member and Chairman of the Board of the notary Public Association of Canton Ticino. He is also an attorney-at-law in the Canton of Ticino (Switzerland). Mr. Crameri holds the position of director (board member) in the following small Swiss real estate companies: TATA Real Estate SA; RACSO Real Estate SA; OVVI Real Estate SA; Nausica SA (as liquidator); Wamasch Trade SA; Wamasch AG; Elettro G. SA; ELC Consulting SA; Gewiss Swiss SA; Eliticino-Tarmac SA; European Helicopter Holding SA; Bearea SA (fully liquidated 2021); Axel P'Real Estate SA; Studio Tdesign SA (dormant) and in Olympian Sicav (since 2021).

The nature of the Supervisory Council's and the Company's activities, the risks of conflict of interests and the age of Supervisory Council members have been taken into account when proposing to elect them to the Supervisory Council.

3.2.2. At least half of the members of the Supervisory Council of the Issuer should be independent. If the Supervisory Council has an odd number of members, then there may be one independent member less than the number of dependent members. An independent member is a person, who has no such business, family or other ties with the Issuer, a company controlled by the Issuer, a controlling shareholder of the Issuer, a company belonging to the Issuer's group or a member of a directing body of these companies, that can affect their decisions by the existence of conflict of interests. The independence requirements are presented in the annex of the Corporate Governance Recommendations. No more than two previous members of the Management Board having been members of the Management Board of the Issuer or a company controlled by the Issuer within the past three (3) years shall be members of the Supervisory Board at the same time.

According to the belief of the Management Board this recommendation is followed as at 31 December 2021.

Mr. Emanuele Bozzone – the Chairman of the Supervisory Council is not considered an independent member of the Council due to the formality of him being also the Chairman of the Supervisory Council of Pro Kapital Latvia JSC and the Member of the Council of the following group companies: AS Tondi Kvartal and AS Pro Kapital Eesti.

Mr. Oscar Crameri is not considered an independent member of the Council due to him serving on the boards of the following group subsidiaries: AS Pro Kapital Eesti and AS Tondi Kvartal.

Mr Petri Olkinuora is considered an independent Council member, having been elected on

13 April 2012 and the Annex of the NASDAQ OMX Corporate Governance recommendations allowing 10 years of tenure until 12 April 2022. While minority shareholders are not given a seat on the Supervisory Council with the Articles of Association of the Company, the function of independent Supervisory Council members is to safeguard the rights of minority shareholders and minority shareholders always have

the right to propose new Supervisory Council members to be elected at a general meeting.

3.2.3. As per the recommendation a member of the Supervisory Council and the Chairman of the Supervisory Council in particular should ensure that they have enough time to perform the duties of a Supervisory Council member.

According to the belief of the Management Board of the Company this recommendation is followed. The Chairman of the Supervisory Council, Mr. Emanuele Bozzone, holds a senior management position in 4 other companies, none of them listed companies. In addition to serving on the Company's Supervisory Council and on the Councils of 2 group subsidiaries,

Mr. Oscar Crameri holds 14 appointments in managing bodies (out of which in 2 companies he is the liquidator). In addition to serving on the Company's Supervisory Council, Mr. Olkinuora holds 15 Supervisory Council appointments, 5 as Chairman of the Council.

3.2.4. As per the recommendation upon determination of the remuneration of members of the Supervisory Council, the General Meeting should take into consideration the duties of the Supervisory Council and their scope and the economic situation of the Company. Based on the nature of the Chairman of the Supervisory Council's work, the related requirements of that work may be taken into consideration upon determination of remuneration amount.

According to the belief of the Management Board of the Company this recommendation is followed.

3.2.5. The amount of remuneration of a member of the Supervisory Council should be published in the CGR Report, indicating separately basic and additional payment (incl. compensation for termination of contract and other payable benefits).

The amount and procedure of payment of remuneration of a member of the Supervisory Council was decided by the Annual General Meeting of the shareholders which took place on 17 June 2016.

Council members are paid 25 000 euros per year (gross). Chairman of the Council is paid 27 500 euros per year (gross). In addition, a fee of 600 euros (gross) is paid to the Council member for each attended meeting. Council members are reimbursed their travel, accommodation and postal expenses relating to participation in the Council meetings and in the meetings of the committees. Supervisory Council members are not entitled to any compensation for termination.

No other remuneration or bonuses are paid to members of the Supervisory Council.

3.2.6. As per the recommendation, if a member of the Supervisory Council has attended less than half of the meetings of the Supervisory Council, this should be indicated separately in the Corporate Governance Recommendations Report.

During 2021, in total 15 meetings of the Supervisory Council were held out of which 6 were minuted as resolutions made in writing without convening a meeting (foregoing the 7-day prior notice) due to COVID-19-related travelling restrictions. All Supervisory Council Members attended all 15 meetings of the Supervisory Council.

As per the OECD 2015 Corporate Governance recommendations regarding the accountability of the Supervisory Council, the Company would like to point out that it has a clear risk management system and policy and that the Council regularly reviews Company risks (financial and economic, legal and political, environmental and human resources and health and safety risks).

3.3. Conflict of interests

3.3.1. Members of the Supervisory Council should prevent conflict of interests from arising through their activities. Members of the Supervisory Council should give preference to interests of the Company over their own or those of a third party upon his word as a member of the Supervisory Council. Members of the Supervisory Council should not use business offers addressed to the Issuer for their personal interests. The Supervisory Council should operate in the best interests of the Issuer and all shareholders.
According to the belief of the Management Board of the Company this recommendation is followed.

3.3.2. A Supervisory Council member candidate should inform other members of the Supervisory Council about the existence of conflict of interests before their election and immediately upon arising of it later. Members of the Supervisory Council should promptly inform the Chairman of the Supervisory Council and Management Board regarding any business offer related to the business activity of the Issuer made to him, a person close to him or a person connected with him. All conflicts of interests that have arisen in preceding year should be indicated in the CGR Report along with their resolutions. The persons close to a member of the Supervisory Council are spouses, a minor child and a person having shared a household with them for at least one year. Persons connected with a member of the Supervisory Council are civil law partnerships or legal persons managed or controlled by them or persons close to them as well as the civil law partnerships or legal persons whose management is significantly influenced by them or person close to them or which is made for their benefit or the benefit of a person close to them and which economic interests are to a significant extent similar with their economic interests or the economic interests of a person close to them.
According to the belief of the Management Board of the Company this recommendation is followed. No conflict of interest had occurred during the financial year of 2021.

3.3.3. A member of the Supervisory Council should resign or be removed if their conflict of interests is of material and permanent nature.
No conflict of interest occurred in the financial year 2021 and no Supervisory Council Member resigned in relation to that.

3.3.4. A member of the Supervisory Council should strictly adhere to the prohibition of competition prescribed by the Commercial Code (*Commercial Code § 324)* and should promptly inform other members of Supervisory Council of their intention to engage in an enterprise in the same field of activity as the Company.
According to the belief of the Management Board of the Company this recommendation is followed.

3.3.5. Interest of members of the Supervisory Council in other companies which are Company's business partners, suppliers, clients and other related companies.
Save for owning 357 000 unsecured, fixed rate nonconvertible bonds of the Company (total nominal value of 999 600 euros as at 31 December 2021), Mr. Emanuele Bozzone does not have any interests in companies which are Company's business partners, suppliers, clients and other related companies.
Mr. Oscar Crameri does not have any interests in companies which are Company's business partners, suppliers, clients and other related companies.

Mr. Petri Olkinuora is a sole owner of company Forbia OY, which as of 31 December 2021 holds 30 000 shares (0.05%) of the Company as a beneficiary holder through SEB Bank.

4. CO-OPERATION OF MANAGEMENT BOARD AND SUPERVISORY COUNCIL

4.1. Management Board and Supervisory Council co-operate closely for the purpose of better protection of Company's interests. The basis of this co-operation is first of all the open exchange of ideas between and within the Management Board and Supervisory Board. The Management Board and Supervisory Council jointly develop plans and principles of activities and strategy of the Company. The Management Board operates under strategic guidelines provided by the Supervisory Council and discusses its strategic management questions with the Supervisory Council regularly. The Company follows this recommendation.

The Supervisory Council considers the co-operation between the Management Board and the Supervisory Council to be adequate and well-functioning, with both bodies pertaining to their designated roles of implementing and strategic guidance. The Management Board and Supervisory Council division of tasks are regulated in the Articles of Association of the Company. The Supervisory Council is a directing body of the Company which plans the activities of the Company, organizes the management of the Company and supervises the activities of the Management Board. The Supervisory Council should notify the general meeting of shareholders of the results of supervision. The Supervisory Council should approve the budget of the Company. The Company follows this recommendation.

The Management Board needs the consent of the Supervisory Council for concluding transactions which are beyond the scope of everyday economic activities of the Company and, above all, for concluding transactions which bring about:

- the acquisition or termination of holdings in other companies; or
- the acquisition, transfer or dissolution of a business; or
- the transfer of immovables or registered movables the value whereof exceeds 300 000 euros, and encumbrance of immovables or registered immovable's (of any value); or
- the foundation or closure of foreign branches; or
- the making of investments exceeding a prescribed sum of expenditure for the current financial year; or
- the assumption of loans or debt obligations exceeding a prescribed sum for the current financial year (except intra-group loans); or
- the granting of loans or the guarantee of debt obligations (except intra-group loans) if this is beyond the scope of everyday economic activities.

The general meeting of shareholders may grant the Supervisory Council the right to increase share capital to the extent and pursuant to the procedure provided by the Commercial Code.

Such right was granted by the shareholders meeting held on 17 June 2016, according to which the Supervisory Board may, within three years as of the approval of the wording of the Articles of Association (which was approved by the shareholders meeting held on 17 June 2016, i.e. until 16 June 2019), increase the share capital of the company by 1 200 000 euros. This right to increase share capital to the same extent of 1 200 000 euros for another three years, i.e. until 22 May 2022 was granted by the shareholders meeting held on 23 May 2019. Payment for the shares issued by the Supervisory Board may be made by monetary or non-monetary contributions pursuant to the resolution of the Supervisory Board. Valuation of the non-monetary contributions shall be performed pursuant to law and the Articles of Association.

In a related resolution at the 23 May 2019 AGM, shareholders voted to preclude their pre-emptive purchase right of new shares - if issued by the Supervisory Council of the Company. This was done with the primary intent of allowing the Company to pay the Management's bonuses in shares rather than in cash (that they can later buy shares for). For this reason, it was also decided that claims for the bonuses of the Management shall be set off against the payment they would otherwise need to make when subscribing for the new shares. The Supervisory Council explained at the 23 May 2019 shareholders' meeting that such a pre-emption and set off does not damage the interests of the company or its creditors, provided the issue price (nominal value + premium) is at least the average share price of the Company for the 3 months preceding such decision. The terms and conditions of pre-emption and set-off were recorded in the minutes and constitute the rules according to which such transactions can be done.

The Management Board is a directing body of the Company which represents and directs the Company. The Management Board should, in directing the Company, act in compliance with the articles of association and lawful orders of the Supervisory Council. Each member of the Management Board may represent the Company alone in all legal acts. The Management Board should appoint and dismiss the Company's directors and person responsible for accounting (the executive management). The Management Board should approve the scope of authority of such persons. The Company follows this recommendation.

4.2. The Management Board and the Supervisory Council ensure that the mutual exchange of data should be adequate and efficient. The Management Board informs the Supervisory Council regularly of all material circumstances, which pertain to planning of the Company's activities, business activities, risks connected with its activities and management of those risks. The Management Board should separately call attention to such changes in the business activities of the Company deviating from plans and purposes set formerly and indicate the reasons of such changes. The information should be delivered promptly and should cover all material circumstances. The Supervisory Council has specified the conditions for the delivery of information by the Management Board and its content. The Management Board sends data necessary for the Supervisory Council decision making, including the annual accounts, the annual accounts of the consolidation group and the auditor's report to the Supervisory Council in sufficient time before the Supervisory Council meeting. The Company follows this recommendation.

4.3. The Members of the Management Board and Supervisory Council observe the rules of confidentiality upon organization of the mutual exchange of data ensuring above all the control over the transfer of price sensitive information. The Company follows this recommendation. The Management Board has ensured the observance of the rules of confidentiality by employees of the Company, who access such information. Management Board has established rules on handling insider information, established the circle of permanent insiders as well as temporary insiders and persons discharging managerial responsibilities along with persons closely associated with them and rules for submitting insider declarations to the Company and appointed a responsible person to handle the insiders register on an ongoing basis. As of the end of 2018 the company also notifies its persons discharging managerial responsibilities after the 30-day prohibition (to trade in Company shares and other securities) period ends and before another prohibition period begins to make sure the prohibition to trade is observed and exceptions to trade are acknowledged.

5. PUBLICATION OF INFORMATION

5.1. The Company treats all shareholders equally and notifies all shareholders equally of material circumstances. Upon notification of shareholders and investors the Issuer shall use proper information channels, including its own web site. The equal treatment of shareholders principle shall not affect the Issuer's right to delay publication of inside information and to deliver the unpublished inside information to persons entitled to receive it.

As of listing of the Company's shares on the NASDAQ OMX Tallinn Stock Exchange the Company uses NASDAQ OMX Tallinn Stock Exchange to communicate with the shareholders in Estonian and English and uploads the information to the Company's website upon notification of shareholders and investors through the stock exchange.

On its website (About the Company, Contacts) the Company has clearly stated that the CFO, Angelika Annus, is the Investor Relations contact and indicated her contact information (phone number and email) so that investors would be able to directly communicate with a relevant responsible Company representative.

As per the OECD 2015 CGR, the Company's process to ensure *ad hoc* disclosure of important matters is as follows: (i) the concept of 'material information' and 'insider information' is understood by managers and Management Board as well as Supervisory Council members; (ii) whenever there is a resolution of governing bodies or business decisions that fulfil the material information criteria, the persons responsible for Investor Relations and Insider information are consulted as to whether and if, then when a disclosure to the public needs to be made; (iii) if a disclosure needs to be made, it is made immediately, but not later than 3 business days from the time the need for disclosure became known.

Also, as per the OECD 2015 CGR, the Company encourages direct contact and dialogue with its Management Board and the Managing Directors of its key subsidiaries and has stated the relevant contacts (phone numbers and emails) under the subheading 'Management' in the section 'About the Company'.

5.2. The web site of the Issuer shall be clear in structure and published information shall be easy to find. Published information shall also be available in English. The Issuer shall publish the disclosure dates of information subject to disclosure throughout a year (including the annual report, interim reports and notice calling a general meeting) at the beginning of the fiscal year in a separate notice, called financial calendar. The Issuer shall also publish this notice on its web site.

The web-site of the Company has an 'About the Company' section with an overview of its management, Supervisory Council and its committees and news. In addition, the Company has a separate Investors' section with subheadings of 'Shareholders', 'Info from Nasdaq', 'Structure' (added in 2018, outlining Company's organisational chart, displaying all group companies), 'Financial reports' and 'Presentation'.

Information on the website is published in Estonian, English, Latvian, Lithuanian and Russian, with important documents being in Estonian and English only. The Company is following the recommendation and is publishing the investor's calendar through the stock exchange and on its website usually already at the end of the previous financial year.

5.3. As per the recommendation on the Issuers web-site the following should be accessible to the shareholders:
-report on Corporate Governance Recommendations;
-date, place, and agenda of the General Meeting and other information related to the General Meeting;
-articles of association;
-general strategy directions of the Issuer as approved by Supervisory Council;
-membership of the Management Board and Supervisory Council;
-information regarding the auditor;
-annual report;
-interim reports;
-agreements between shareholders concerning concerted exercise of shareholders rights (if those are concluded and known to the Issuer);
-other information, published on the basis of these Corporate Governance Recommendations.

The Company is following the recommendation. The Corporate Governance report is part of the Company's annual report and can be found under 'Investors', subheading 'Financials' in the consolidated 2017, 2018, 2019, 2020 as well as 2021 annual reports of the Company. Financials section houses all annual and interim (quarterly) reports as well. Information about shareholder meetings (date, place, agenda), relevant resolutions and proposals (including archived ones) is under 'Investors' subheading 'Shareholders' (for data older than the previous year click the 'Archive' link) and there, in a separate sub-section you can also find the Company's legal documentation, including articles of association in Estonian and English, annual reports before the Company was listed and listing prospectuses. Information regarding membership of the Management and Supervisory Council is under the section 'About the Company'. Information about the auditor is under the respective sub-heading 'Auditor' under the section 'About the Company'. Information regarding membership of the Supervisory Council committees is under its own sub-section 'Audit and Remuneration Committees' under the section 'About the Company'.

According to the knowledge of the Company there are no agreements between shareholders concerning concerted voting or otherwise concerted exercise of shareholders rights, which is why no such documents are displayed on the Company website under the 'Shareholders' section.

The Company is considering creating a separate Corporate Governance section on its website.

5.4. As per the recommendation, the Management Board and the Supervisory Council should describe the management practices of the Issuer including their compliance with these CGR in the annual report presented to the General Meeting. If the management of the Issuer deviates from the management structure described in these CGR the Management Board and Supervisory Council should justify the deviation. The Management Board and the Supervisory Council should also describe in the report

presented at the General Meeting any circumstances required under these CGR. CGR shall be presented as separate chapter of management report.
The Company is following this recommendation and is including in the annual report the overview of compliance with the CGR as a separate chapter.

5.5. As per the recommendation, if the Issuer notifies financial analysts or other persons of facts or estimates related to the Issuer, it should also publish this information to shareholders on the Issuer's web-site. Inside information disclosed at the General Meeting in response to questions presented by shareholders or other means and which has not been formerly disclosed should be published by the Issuer immediately after holding of the General Meeting.
The Company has not notified financial analysts of any estimates which have not been made public during the listing of the Company's shares or thereafter. The Company also publishes a respective Stock Exchange notice as well as the detailed minutes of its General Meetings either on the day of the date when the meeting was held or on the following day, thus disclosing any information discussed at such General Meetings.
From time to time the Company discloses sensitive information to persons with whom the Company is holding business negotiations. As per the Requirements for Issuers of NASDAQ OMX Tallinn Stock Exchange an Issuer does not need to disclose information about the progress of business negotiations. An Issuer may give undisclosed information confidentially to persons with whom it is holding or intends to hold business negotiations. In such cases the Company always signs a non-disclosure confidentiality agreement and notifies the party to the negotiations of the fact that any inside information can't be used for insider trading. The Company registers such persons as temporary insiders in the insiders' register.

5.6. As per the recommendation the Issuer should organize the exchange of information with journalists and analyst after a careful consideration. The Issuer should refrain from compromising the independence of the analyst or the Issuer's independence from analyst when communicating with analysts. The Issuer should disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website. The Issuer should not arrange meetings with analysts and presentations organized for investors directly before dates of publishing a financial report (interim reports, annual report).
According to the belief of the Management Board of the Company this recommendation is followed. In 2021, when organising investor conference webinars, the Company has always timed them after publishing the interim and annual reports.
As per the OECD 2015 Corporate Governance recommendations regarding transparency and timely and accurate disclosure of information on all material matters regarding the Company, the Company would like to additionally point out that it is also quarterly (within a week following quarter end) disclosing its main shareholders and true beneficiaries on its website under sub-section 'Shareholders' under 'Investors'.
As per the OECD 2015 Corporate Governance recommendations regarding transparency and disclosure of information, the Company would also like to point out that the Company's shares are, in fact, broadly held and that it was transferred to the main list of NASDAQ OMX Tallinn on 19 November 2018. The prerequisites for the main listing, which the Company fulfilled were: (i) at least 25% free float; (ii) 4 million euros market capitalisation (the Company's market capitalisation was 92.97 million euros as at 31 December 2018) and (iii) using international reporting standard (the Company uses IFRS)

and (iv) being in operation for 3 years (the Company has operated for over 20 years). The Company's official free float at the time of transfer was c.a. 15.51%. However, as a result of the EU 5th Money-Laundering directive, which requires transparency regarding the ultimate beneficiaries behind holding accounts and which Estonia stringently implemented from 30 October 2018, the Company queried its main shareholders as to the true beneficiaries and received replies that very few individuals or companies who are the ultimate beneficiaries behind the holding accounts of the main shareholders actually hold more than 5% of the Company's shares. As a consequence, the Company was able to prove to the NASDAQ Tallinn OMX that the real free float of the Company as at 30 September 2018 (as well as at 31 December 2018) was actually c.a. 51%.

6. FINANCIAL REPORTING AND AUDIT

6.1. Reporting

6.1.1. As per the recommendation, Issuers should publish annually its annual report and within a fiscal year its interim reports. The Management Board should draw up annual accounts, which should be audited by the auditor and the Supervisory Council. On meeting of the Supervisory Council, where the annual account is reviewed, the auditor of the Issuer should participate upon invitation of the Supervisory Council. Members of the Management Board of the Issuer and other persons belonging to management should leave the meeting during the auditor reports the most material conclusions of audit. The shareholders should be presented with the annual report signed by members of the Management Board and the Supervisory Council for examination. Together with annual report, the Supervisory Council should make available to shareholders the written report concerning the annual report specified in § 333 subsection 1 of Commercial Code.
The Company is following this recommendation. Previously, the Company has published its interim reports within two months after period end and the annual report within the legal allotted 4 months from fiscal year-end with an exeption of the annual financial report for 2020, which was published in June 2021.

6.1.2. As per the recommendation, the Issuer should publish an annex of the annual accounts including a list of companies not belonging to the Issuer's group, in which the holding of Issuer has significant importance to the Issuer. The Issuer should disclose the business name, location, and size of the holding, area of activity, amount of share capital, and net profit or loss during the previous financial year of this Company.
There are no companies in which the Company has participation, which do not belong to the group.

6.1.3. As per the recommendation, the annexes to the annual accounts should contain information regarding the connections of the Issuer with shareholders which are deemed to be connected persons pursuant to standards of international financial reporting provided for in sub section 17 (2) of the Accounting Act.
The Company is following this recommendation.

6.2. Election of the Auditor and Auditing of the Annual Accounts.

6.2.1. Together with notice of calling the General Meeting the Supervisory Council should make available to shareholders the information on a candidate for auditor, including information on their business connections specified below. If there is a desire to appoint an auditor who has audited Issuers reports on previous financial year the Supervisory Council should pass judgment on their work. Before the Supervisory Council presents a candidate of auditor for election in a General meeting, the Supervisory Council should require from a candidate for auditor an overview of what kind of connection pertaining to work, economic connection or other connection possibly affecting the independence of the auditor exists between the auditor, its management body and the auditors in charge on one side and the Issuer and its management body on other side. The Supervisory Council should describe in its evaluation report to judgment of the auditors work *inter alia* the services (including advisory services) that the auditor has provided to the Issuer during the preceding year or should provide during the next year. Also, the remuneration the Issuer has paid or shall pay to the auditor should be published. If the Supervisory Council makes a proposal to elect a new auditor it should justify to the General Meeting its reasons for terminating the contract with previous auditor.

The Company is following this recommendation.

The auditor for the financial year 2020 was AS Deloitte Audit Eesti, which has been providing the service for the Company for 20 years. In 2021, the Management Board of the Company organized a tender to find a new auditor.

Upon the recommendation of the Audit Committee and the Supervisory Council, due to the best proportion of the price offer and their quality of work Ernst&Young Baltic AS was elected as the auditor of the Company for the financial years of 2021, which for 2021 was confirmed at the Company's AGM of 7 July 2021. The fee payable to the auditor for the audit of the Company and its subsidiaries for the financial year of 2021 in the offer was 62 900 euros (net of VAT). In 2021, besides provision of audit services Ernst & Young Baltic AS has not rendered any advisory or other services to the Company. As per the OECD 2015 Corporate Governance recommendations regarding avoidance of using external auditors for performance of non-audit services, the Company is certain that rendering tax advisory and translation services will not impair the auditor's independence as to auditing nor will it result in auditing their own work.

6.2.2. As per the recommendation, before entering a contract for auditing services with an auditor, the Management Board should present the Supervisory Council with the draft contract for approval. In a contract to be concluded with an auditor, above all the auditor's functions, timetable and remuneration should be agreed upon. The Issuer should not conclude a contract, where it is indicated that disclosure of remuneration payable for auditing is breach of contract. Pursuant to the contract the auditor obliges to promptly inform the Chairman of the Supervisory Council of any danger to the independence or professionalism of their work that becomes evident during the course of their work, unless the danger is promptly eliminated. Pursuant to the contract, the auditor should oblige to promptly inform the Supervisory Council of any material circumstances that become known to them that may affect the work of the Supervisory Council and management of the Issuer. The contract to be concluded with an auditor should not in any manner hinder the auditor's evaluation of the Issuer's activities.

The Company is following this recommendation.

6.2.3. Upon organizing the rotation of auditors, the Issuer should comply with guidelines of the Financial Supervision Authority from 24 September 2003, "Rotation of auditors of certain entities under state supervision."

As of listing of the Company shares on NASDAQ OMX Tallinn Stock Exchange, the Company has followed this recommendation.

6.2.4. Pursuant to the contract the auditor obliges to disclose to the Supervisory Council and at the General Meeting the facts, which become evident to them during the course of exercising of a regular audit, indicating non-compliance with the Corporate Governance Recommendations by the Management Board or the Supervisory Council. The Auditor should prepare a memorandum to the Issuer regarding these facts along with the auditor's report. The auditor should not reflect in the memorandum the facts that the Management Board has explained in the Corporate Governance Recommendations Report.

The Company is following this recommendation.

6.2.5. The General Meeting, Supervisory Council and Management Board should enable auditor to carry out the auditing according to international auditing standards.

The Company's annual accounts are audited in accordance with international auditing standards.

6.2.6. Upon introducing the findings of the audit to the Supervisory Council, the Auditor should present *inter alia*:

- an overview of the progress of the audit, co-operation with employees, subject to the internal audit and the Management Board as well as important issues discussed with the Management Board and proposals which were not accepted by the Management Board on drawing up the annual report;
- an overview of the independence of the auditor and the absence of conflict of interests during the audit;
- an analysis of changes in shareholders' equity and circumstances not entered in the report subject to disclosure, yet having significant importance upon the understanding of the financial condition and performance of the Issuer;
- their own opinion regarding one-off items, accounting policy used in book-keeping concerning them and the effect of it;
- his or her opinion regarding financial forecasts made and the quality of the budget.

The Auditor should present an overview, analysis and opinion described above in writing to the Supervisory Council.

The Company is following this recommendation.

7. HUMAN RESOURCE POLICY

7.1. The aim of the Company's human resource policy is to ensure the implementation of the strategic goals of the Company by all employees and ensuring the reputation of valued employer. Company uses both internal and external hiring processes, and persons already working for the Company are preferred for filling the vacant positions. Human resource policy regulates the management techniques and practices, group communication and fundamental work principles. Training and remuneration policy support the learning organization with the aim to remain competitive as an employer. The Company has a well-established induction policy, including regarding health and safety matters, for all new employees, new appointments to the Supervisory Council and the Management Board. Company's human resource policy is constantly evolving.

8. DIVIDEND POLICY

8.1. The Company has historically been financing its operations mainly from retained earnings. Hence there have been limited dividend payments in the past. For the year 1998 dividends in the amount of 345 123 euros were paid, for 2004 dividends in the amount of 2 039 501 euros were paid and for 2017 dividends in the amount of 850 319.31 euros were paid. The declaration and payment by the Company of dividends and their amount depend on the Company's results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed by the Management to be relevant at the time of making a dividend payment proposal. The Supervisory Board has the right to amend such proposal by the Management Board and the proposal is ultimately to be approved by the General Meeting of Shareholders.

In 2021, the Company did not distribute any dividends as profit to the shareholders, but had to cover the loss of 55 677 271 euros.

Management remuneration report

According to Estonian Securities Market Act the Company has to publish remuneration paid to the management. The remuneration principles of the Company will be presented to the shareholders on the next General meeting and after approval will be published and available on Company's website.

In the context of the Estonian Securities Market Act the management of the Company during the reporting year included Management Board Members: Paolo Vittorio Michelozzi, Allan Remmelkoor, Edoardo Axel Preatoni and Angelika Annus.

Management Board Members are selected by the Supervisory Council of the Company based on their expertise in the sector the Company is operating, in addition to candidate's leadership and management experience is taken into account as well as their integrity and their commitment to the Company.

Management Board members are paid monthly remuneration set in their contracts, which are approved by Supervisory Council. Performance fees if applicable are related to achieving targets and strategic objectives set by Supervisory Council and paid annually according to approval of the Supervisory Council. No share options are offered to the management. Management Board members can use general benefits available for all employees of the Company (free parking, coffee/tea in the office etc).

Remuneration information in tables below is stated **in thousands of euros**. All variances have been calculated as follows: (reporting year's records – previous year's records)/previous year's records.

Mr. Paolo Vittorio Michelozzi has been employed in the Company for more than 20 years and held a position of CEO from 22 November 2001 until 31 December 2021. Mr. Michelozzi has been paid monthly remuneration based on his agreements with group companies. Performance fees have been related to targets set by the Supervisory Board of the Company and have been paid annually if achieved. In relation to the end of the term of office a severance payment for over twenty years of service that was assigned by Supervisory Board of the Company has been included in 2021 gross annual remuneration.

Paolo Vittorio Michelozzi	2017	2018	2019	2020	2021
Annual remuneration*	477.22	462.68	427.67	609.53	1 397.15
Basic annual remuneration to additional allowances	86%	90%	100%	71%	38%
Annual remuneration variance	-21%	-3%	-8%	43%	129%
Average employee salary variance	45%	16%	4%	1%	-1%
Gross profit margin variance	0%	-4%	-6%	2%	-6%

Mr. Allan Remmelkoor was employed in the Company on executive position from 1997 and as a Member of the Management Board from 30 May 2008 until 31 August 2021. Mr. Remmelkoor has been paid monthly remuneration based on his agreements with group companies. Performance fees have been related to targets and objectives set by Supervisory Board of the Company and paid annually (if achieved).

Allan Remmelkoor	2017	2018	2019	2020	2021
Annual remuneration*	89.66	81.92	77.70	77.70	32.11
Basic annual remuneration to additional allowances	86%	95%	100%	100%	100%
Annual remuneration variance	3%	-9%	-5%	0%	-59%
Average employee salary variance	45%	16%	4%	1%	-1%
Gross profit margin variance	0%	-4%	-6%	2%	-6%

Mr. Edoardo Axel Preatoni has been the Member of the Management Board of the Company since 01 March 2016 and from the end of 2019 he was holding a position of Head of Development. From 1 January 2022 the Supervisory Board appointed Mr. Preatoni as CEO of the Company. Mr. Preatoni has been paid monthly remuneration based on his agreements with group companies. Performance fees have been related to turnover of Estonian group real estate sales and have been paid on quarterly basis.

Edoardo Axel Preatoni	2017	2018	2019	2020	2021
Annual remuneration*	N/A	N/A	34.75	95.49	154.13
Basic annual remuneration to additional allowances	N/A	N/A	90%	98%	72%
Annual remuneration variance	N/A	N/A	100%	175%	61%
Average employee salary variance	45%	16%	4%	1%	-1%
Gross profit margin variance	0%	-4%	-6%	2%	-6%

Mrs. Angelika Annus has been employed by the Company from 1998-2007 and again since 2008. She holds the position of CFO since 2014. Mrs. Annus was nominated by the Supervisory Council as a Member of the Management Board from September 2021. She has been paid monthly remuneration based on her agreement with the Company. Performance fees are set within the agreement and are related to turnover of Estonian group real estate sales, payable semi-annually starting from 2022.

Angelika Annus	2017	2018	2019	2020	2021
Annual remuneration*	N/A	N/A	N/A	N/A	35.49
Basic annual remuneration to additional allowances	N/A	N/A	N/A	N/A	64%
Annual remuneration variance	N/A	N/A	N/A	N/A	100%
Average employee salary variance	45%	16%	4%	1%	-1%
Gross profit margin variance	0%	-4%	-6%	2%	-6%

**Annual remuneration includes gross total Member of the Board remuneration from all group companies.*

Management declaration

The Management Board declares and confirms that according to their best knowledge, the year 2021 consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by European Union, present a true and fair view of consolidated assets, liabilities, financial situation and loss or profit of AS Pro Kapital Grupp and the undertakings involved in the consolidation as a whole, and the management report gives a true and fair view of the development and results of the business activities and financial status of AS Pro Kapital Grupp and the undertakings involved in the consolidation as a whole and contains a description of the main risks and estimates.

Edoardo Preatoni */digitally signed/*
Chief Operating Officer
Member of the Management Board

Angelika Annus */digitally signed/*
Member of the Management Board

Consolidated financial statements

Consolidated statement of financial position

in thousands of euros	Notes	31.12.2021	31.12.2020
ASSETS			
Current assets			
Cash and cash equivalents	8	9 626	9 393
Current receivables	9	680	755
Prepaid expenses		122	1 042
Inventories	10	57 533	58 352
Total current assets		67 961	69 542
Non-current assets			
Non-current receivables	11	21	3 517
Property, plant and equipment	12	6 754	6 745
Right-of-use assets	12	202	357
Investment property	13	40 734	98 512
Goodwill		262	262
Intangible assets		92	113
Total non-current assets		48 065	109 506
TOTAL ASSETS		116 026	179 048
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	14	3 955	107 581
Customer advances	18	12 419	7 866
Current payables	15	7 297	22 211
Tax liabilities		1 143	458
Short-term provisions	16	713	459
Total current liabilities		25 527	138 575
Non-current liabilities			
Non-current debt	17	46 455	27 255
Other non-current payables	22	20	2 295
Deferred income tax liabilities	30	1 133	1 170
Long-term provisions		48	182
Total non-current liabilities		47 656	30 902
TOTAL LIABILITIES		73 183	169 477
Equity attributable to owners of the Company			
Share capital in nominal value	23	11 338	11 338
Share premium	23	1 748	5 661
Statutory reserve	23	0	1 134
Revaluation surplus	23	2 984	2 984
Retained earnings		26 773	-8 031
Total equity attributable to owners of the Company		42 843	13 086
Non-controlling interests	7,24	0	-3 515
TOTAL EQUITY		42 843	9 571
TOTAL LIABILITIES AND EQUITY		116 026	179 048

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

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Notes	2021	2020
CONTINUING OPERATIONS			
Operating income			
Revenue	25	43 095	13 637
Cost of sales	26	-32 519	-9 424
Gross profit		**10 576**	**4 213**
Marketing expenses	27	-502	-610
Administration expenses	27	-5 592	-4 372
Other operating income	28	35 615	3 865
Other operating expenses	28	-277	-605
Operating profit		**39 820**	**2 491**
Finance income	29	6	4
Finance cost	29	-5 964	-5 420
Profit/ loss before income tax		**33 862**	**-2 925**
Income tax	30	10	-354
Profit/ loss from continuing operations		**33 872**	**-3 279**
Loss from discontinued operations	37	-4 115	-56 177
Net profit/ loss for the period		**29 757**	**-59 456**
Attributable to:			
Equity holders of the Company		29 757	-55 678
Non-controlling interests	24	0	-3 778
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Net change in asset revaluation reserve		0	-278
Total comprehensive profit/ loss for the year		**29 757**	**-59 734**
Attributable to:			
Equity holders of the Company		29 757	-55 956
Non-controlling interests		0	-3 778
Earnings per share			
From continuing operations			
Basic (euros per share)	31	0.60	-0.06
Diluted (euros per share)	31	0.60	-0.06
From discontinued operations			
Basic (euros per share)	31	-0.07	-0.99
Diluted (euros per share)	31	-0.07	-0.99

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

Consolidated statement of cash flows

in thousands of euros	Note	2021	2020
Cash flows from operating activities			
Profit/ loss from continuing operations		33 872	-3 279
Profit/loss from discontinued operations	37	-4 115	-56 177
Profit/loss for the year		29 757	-59 456
Adjustments for:			
Depreciation and amortisation of PPE, ROU and intangible assets		374	416
Gain from disposal of investment property	28	-1 092	0
Loss from write-off of PPE and intangible assets		0	8
Change in fair value of property, plant and equipment		-56	-16
Change in fair value of investment property	13	-5 484	43 128
Gain from loss of control of subsidiary	29	-27 748	0
Finance income and costs	29	10 380	15 994
Change in deferred tax assets and liabilities	30	-37	-178
Other non-monetary changes (net amounts)	29	1 537	-3 111
Movements in working capital:			
Change in receivables and prepayments		4 492	-1 514
Change in inventories	10	818	-13 011
Change in liabilities and prepayments		477	10 025
Change in provisions		-127	59
Net cash flows generated by/used in operating activities		**13 291**	**-7 656**
Cash flows from investing activities			
Payments for property, plant and equipment		-178	-94
Payments for intangible assets		-20	-43
Payments for investment property	13	-459	-844
Proceeds from disposal of investment property	13	2 000	0
Less cash balances of disposed subsidiaries		-182	0
Interests received		3	1
Net cash flows fenerated by/used in investing activities		**1 164**	**-980**
Cash flows from financing activities			
Net proceeds from secured bonds	20	0	28 500
Redemption of convertible bonds	20	-337	-33
Redemption of non-convertible bonds	20	0	-28 000
Proceeds from borrowings	17	22 340	14 410
Repayment of borrowings	17	-30 581	-1 376
Repayment of lease liabilities		-163	-135
Interests paid		-5 481	-5 953
Net cash flows used in/ (generated by financing activities		**-14 222**	**7 413**
Net change in cash and cash equivalents		**233**	**-1 223**
Cash and cash equivalents at the beginning of the period	8	9 393	10 616
Cash and cash equivalents at the end of the period	8	9 626	9 393

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

Consolidated statement of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
01.01.2020	11 338	5 661	1 134	3 262	47 647	69 042	263	69 305
Net loss for the period	0	0	0	0	-55 678	-55 678	-3 778	-59 456
Other comprehensive loss	0	0	0	-278	0	-278	0	-278
Total comprehensive loss for the period	**0**	**0**	**0**	**-278**	**-55 678**	**-55 956**	**-3778**	**-59 734**
31.12.2020	11 338	5 661	1 134	2 984	-8 031	13 086	-3 515	9 571
Net profit for the period	0	0	0	0	29 757	29 757	0	29 757
Other comprehensive income	0	0	0	0	0	0	0	0
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**29 757**	**29 757**	**0**	**29 757**
Allocation of previous periods loss	0	-3 913	-1 134	0	5 047	0	0	0
Changes in non-controlling interest due to loss of control of subsidiary (Note 24)	0	0	0	0	0	0	3 515	3 515
31.12.2021	11 338	1 748	0	2 984	26 773	42 843	0	42 843

Changes in non-controlling interests are described in Note 7 and Note 23. Changes in revaluation reserve are described in Note 23.

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

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements of AS Pro Kapital Grupp (hereinafter the Company) and its subsidiaries (hereinafter the Group) for the financial year ended 31 December 2021 were signed by the Management Board at 20 May 2022.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board and which also includes the consolidated financial statements shall be approved at the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and presented by the Management Board and require preparation of a new annual report.

AS Pro Kapital Grupp is a corporation incorporated in the Republic of Estonia and it operates in Estonia, Latvia, Lithuania and Germany.

Since 23 November 2012, the shares of AS Pro Kapital Grupp have been listed on NASDAQ OMX Tallinn (Nasdaq Baltic) Stock Exchange secondary list, since 19 November 2018 in the main list. Starting from 13 March 2014, the shares of AS Pro Kapital Grupp have been traded on the Quotation Board of Frankfurt Stock Exchange, part of the Open Market segment at Frankfurt Stock Exchange (Frankfurter Wertpapierbörse). On 9 July 2020 the secured non-convertible bonds were listed on Nasdaq Stockholm Stock Exchange.

At the end of reporting period the main shareholders of the Company are the following:

Shareholder	Country of incorporation	Ownership 31.12.2021	Ownership 31.12.2020
Raiffeisen Bank International AG	Austria	51.42%	54.70%
Clearstream Banking AG	Germany	22.01%	20.06%
Nordea Bank ABP/Non-treaty Clients	Finland	2.45%	8.45%
OÜ Svalbork Invest	Estonia	9.86%	6.63%
Six Sis Ltd	Switzerland	8.68%	N/A

The principal place of business of the Company is at its registered address Sõjakooli 11, Tallinn, 11316 Estonia. The principal activities and the structure of the Group are described in Note 5.

Note 2. Application of new and revised International Financial Reporting Standards

2.1 Amendments to IFRSs affecting amounts reported in the financial statements

Accounting policies applied in the year 2021 are consistent with those followed in the preparation of the Group`s annual financial statements for the year ended 31 December 2020, except for the changes outlined below.

Amendments to the existing standards and new standards and interpretation effective for current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted in EU are effective for the current reporting period:

Amendments to IFRS 16 "Leases" - COVID-19-Related Rent Concessions (Amendment)-
The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The Group has used the IFRS 16 "Leases" exemption and recognised the temporary rental discounts in the amount of 10 thousand euros related to the COVID-19 pandemic, in the statement of profit and loss in 2020 financial statements. No impact was recognised in 2021 financial statements.

- "**Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for

determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The amendments had no impact on the financial statements of the Group/Company.

New standards and amendments to the existing standards issued by IASB but not yet effective and not early adopted

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)
  The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.
  In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed

amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- **IFRS 16 Leases -Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Note 3. Significant accounting policies

3.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in European Union.

The consolidated financial statements have been prepared on the historical cost basis except for property, plant and equipment, investment properties, as explained in the accounting policies below.
The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except where otherwise indicated.

The significant accounting policies are set out below.

3.2. Going concern

The Management Board has, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from issuance date. Thus, we continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the parent:
- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee;
- has the ability to use its power to affect its return.

The parent re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of subsidiary begins when the parent obtains control over the subsidiary and ceases when the parent loses control of the subsidiary. The financial statements of the parent and its subsidiaries are consolidated line-by-line basis and all transactions, balances and unrealized profits/losses which have arisen as a result of transactions between the parent and its subsidiaries are eliminated. Specifically, income and expenses of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests and other components of equity. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards).

3.4. Held for sale classification

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount (except for investment properties, which are measured at fair value) and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Investments into subsidiaries are recorded at cost in unconsolidated financial statements of the parent and are tested for impairment.

3.5. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount recognized for any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

3.6. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.5 above) less accumulated impairment losses, if any.

Goodwill is not amortised but a cash-generating unit to which goodwill has been allocated is tested for impairment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergy of the combination.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit of loss on disposal.

3.7. Foreign currencies

The functional currency of the Company and its subsidiaries is EUR. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions, quoted by European Central Bank. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date, quoted by European Central Banks.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

3.8. Current versus non-current classsification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realised or intended to be sold or consumed in the normal operating cycle;
• Held primarily for the purpose of trading;
• Expected to be realised within twelve months after the reporting period;
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
All other assets are classified as non-current.

A liability is current when:
• It is expected to be settled in the normal operating cycle;
• It is held primarily for the purpose of trading;
• It is due to be settled within twelve months after the reporting period;
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

3.9. Fair Value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
• In the principal market for the asset or liability;
Or
• In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

External valuers are involved for valuation of real estate properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

3.10. Cash and cash equivalents

Cash on the statement of financial position and statement of cash flows comprises cash on hand, bank accounts, and short-term bank deposits (with time term less than three months).
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3.11. Inventories

In Group’s financial statements the projects that are under development are recognised as inventories.

Inventories are initially recognised at cost which includes direct purchase costs and other costs directly attributable to the acquisition of the inventories incurred in bringing the inventories to their present location and condition. The principles of recognition of borrowing cost are described in 3.19 “Financial liabilities and equity instruments“.

Inventories are subsequently measured at the lower of cost and net realisable value. For Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, the weighted average cost method is used. Net realisable value represents the estimated selling price in the ordinary course of business based on market prices at the reporting period for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories regarding real estate developments are recognised in two categories: completed property ready to be sold and works in progress.
Transfers to inventory from investment property is made when there is evidence of a change in use.

3.12. Property, plant and equipment

An item of property, plant and equipment is an asset for production, provision of services or administrative with useful life of over one year and it is probable that future economic benefits attributable to them will flow to the Group.

Land and buildings held for supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed after every five years or more often when there are significant indications on possible change in value.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity under revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties' revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Right of use assets are stated at cost less accumulated depreciation and accumulated impairment losses. Right of use assets are depreciated on a straight-line basis over the shorter of lease term and estimated useful life of the assets.

The annual depreciation rates for groups of property, plant and equipment are as follows:

- Buildings in use 2 to 5% per annum;
- Machinery and equipment 8 to 20% per annum;
- Other fixtures 20 to 50% per annum.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure incurred for items of property, plant and equipment are added to the carrying value if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Replaced parts are derecognised. Other repair and maintenance costs are recognised as expenses at the time they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.13. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including land plots and properties for future developments). Land and buildings, which are planned to be held for a longer period of time and which have different possibilities to be used are reported also as investment property.

In case of change in the usage purpose of the investment property, the asset is reclassified and since the reclassification date the accounting principles of the new class of asset are applied. When development of a part or entire investment property starts with the aim to sell developed product, this part or entire investment property is reclassified as inventory when the developed product enters active development phase. The Group considers the start of active development phase when one or several of the following events occur:

- signing reservation agreements with customers;
- applying for construction permit from local municipality;
- signing of development loan agreement;
- signing construction agreement.

Investment properties are initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, based on the market price determined annually by independent appraisers, based on the prices of recent transactions involving similar items (adjusting the estimate for the differences) or using the discounted cash flow method. Changes in fair value are recorded under the income statement items “Other operating income/other operating expenses”. No depreciation is calculated on investment property recognised at fair value.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.14. Intangible assets (excluding goodwill)

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and websites.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at costs less accumulated impairment losses.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The straight- line method is used for amortisation. The amortisation rate for intangible assets is generally 20% per annum, excluded the usage rights, websites and intangible assets with indefinite useful lives. Usage rights and websites are amortised on a straight-line basis and the length of the amortisation period is its useful economic lifetime.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.15. Impairment of non-current assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see Note 3.9 above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.16. Investments in subsidiaries (in parent company´s unconsolidated financial statements)

Investments in subsidiaries that are not held for sale are recognised in the unconsolidated financial statements of the parent company at cost.

3.17. Financial instruments and their initial measurement

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets of financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables are measured at transaction price.

3.18. Financial assets

All recognised financial assets for the purposes of subsequent measurement, are classified as either amortised cost or fair value.
Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Measurement of financial assets at amortized cost

Financial assets that are measured at amortized cost: cash and cash equivalents, trade receivables, loans granted and other financial assets.

The method of amortized cost is applied to financial assets which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the unpaid principal, using the effective interest rate method. Financial asset is

initially recognised at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets except trade receivables (not including financing component) that are initially recognised at their transaction price.
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

Measurement of financial assets at fair value through other comprehensive income

Gains and losses on a financial asset constituting an equity instrument for which was applied the option of fair value through other comprehensive income is recognized in other comprehensive income, except for revenues from received dividends.

The Group doesn't have financial assets measured at fair value through other comprehensive income.

Measurement of financial assets at fair value through profit or loss

Gains or losses on the measurement of a financial asset that is classified as measured at fair value through profit or loss are recognized in profit or loss during the period in which they were recognized. Gains or losses from the valuation of items measured at fair value through profit or loss also include interest and dividend income.

The Group doesn't have financial assets measured at fair value through profit or loss.

Impairment of financial assets

The Group uses the following models for determining impairment allowances:
- general model (basic);
- simplified model.

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.19. Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities (including borrowings and trade and other current and non-current payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.
Financial liabilities are classified as current when they are due to be settled no more than twelve months after the reporting period; or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Also, borrowings are classified as current if the lender had a contractual right at the reporting period to demand immediate repayment of the borrowing due to the breach of conditions set forth in the agreement.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

3.20. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Provision is discounted to its present value when the effect of the time value of money is material.

3.21. Contingent liabilities

Pledges and other commitments, which at certain conditions may turn into liabilities in the future, are disclosed in the Notes of the consolidated financial statements as contingent liabilities.

3.22. Statutory reserve

Statutory legal reserve is recorded based on the requirements of the Estonian Commercial Code and is comprised of the provisions made from the net profit. The annual provision must be at least 1/20 of the approved net profit of the financial year until the statutory legal reserve equals at least 1/10 of share capital amount.

3.23. Revenue recognition

The Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from contracts with customers other than rental income

Revenues from the sale of real estate

The Group develops and sells residential and commercial properties. The Group enters into preliminary contracts with customers to sell property that are either completed or under development. Property is sold when the final agreement is confirmed by the notary and the control over the property has been transferred to the customer. The revenue is measured at the transaction price under the contract and the consideration is due when legal title has been transferred. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer and the premises have been handed over.

(i) *Completed inventory property*

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied. Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

(ii) *Inventory property under development*

The Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Group accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed property (the combined output) which the customer has contracted to buy. For the sale of property under development, the Group has determined that it generally does not meet the criteria to recognise revenue over time. In these cases, control is transferred and hence revenue is recognised at a point in time. This is either property sold to one customer encompassing either all of the land and building or multi-unit property.

For contracts that meet the over time revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

(iii) *Other consideration related to the sale of inventory property*

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

If the consideration in a contract for the sale of property under development includes a variable amount in the form of delay penalties and, in limited cases, early completion bonuses, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur. At the end of each reporting period, an entity updates the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

In addition, for certain contracts involving the sale of property under development, the Group may require customers to make advance payments of 10-20% of the selling price, as work goes on, that give rise to a significant financing component. For contracts where revenue is recognised over time, the Group uses the practical expedient for the significant financing component, as it generally expects, at contract inception, that the length of time between when the customers pay for the asset and when the Group transfers the asset to the customer will be one year or less. For contracts where revenue is recognised at a point in time (i.e., upon completion of the development) and the practical expedient cannot be applied, the Group adjusts the transaction price for the effects of the significant financing component by discounting it using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception. However, the Group has concluded that the impact from this adjustment is immaterial to the financial statements of both the current and prior years.

The Group has determined that contracts involving the sale of completed property do not contain significant financing components. In addition, there is no non-cash consideration or consideration payable to customers.

Revenue from hotel operations

The Group operates a hotel in Bad Kreuznach, Germany. The hotel derives revenue from providing accommodation, renting of banquet halls and related facilities, providing catering, offering access to the thermal bath etc. Revenue from the sale of goods and sale of services is recognised when the Group sells a product or services to the customer which represents the point in time at which the right to consideration becomes unconditional. Payment of the transaction price is usually due immediately when the customer purchases a product or the service is provided.

Revenue from maintenance services

The Group provides maintenance services, which includes only one performance obligation to apartment associations in the residential buildings that the Group has developed. These services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The services are regularly provided to the customers for a fixed fee based on long-term contracts and the Group records revenues monthly on accrual basis and receives payments accordingly. The Group applies the time elapsed method to measure progress and revenue is recognised over time.

Revenue from other services

Revenue from other services is irregular and is recognised depending on the provided service over time or at point in time when the promised goods or service is transferred to the customer.

Rental income

The Group's policy for recognition of revenue from operating leases is described in paragraph 3.23 below.

Other income

Income, which is not related to the core operations of the Group entities, is recorded as other income.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised using the effective interest rate method. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

3.24. Expenses

Cost of sales

Cost of sales includes the costs of bringing real estate objects that are realized during the reporting period and recorded in the net sales to a marketable condition. Real estate rental, development and management expenses, and costs related to hotel management services are also recorded in income statement under "Cost of sales".

Marketing expenses

Marketing expenses include selling expenses, i.e. advertising, agency fees and other marketing expenses.

Administration expenses

Administration expenses include personnel and office management expenses, amortisation cost of plant, property and equipment.

Other expenses

Expenses, which are not related to the core operations of the Group entities, are recorded as other expenses.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (more than one year) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Interest and financing costs are recorded using effective interest rate method on the accrual basis as financial expenses of the reporting period.

3.25. Leases

The Group as a Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in 3.13 Impairment of non-current assets other than goodwill policy.

The Group as a Lessor

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services. The consideration charged to tenants for these services includes fees charged based on proportion of rented spaces and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. For more details see financial assets section 3.16 in this note.

Tenant deposits

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. Refer also to accounting policies on financial liabilities in this note.

3.26. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.27. Taxation

Estonia

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends. Income tax should be calculated also on other payments made from equity that are exceeding the monetary or non-monetary contributions made to the equity. The tax rate applicable is 20/80 from taxable amount since 1 January 2015. From 2019, tax rate of 14/86 can be applied to dividend payments that be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. 2018 is the first year to be taken into account.

Income tax expense to be incurred at the payment of dividends is recognized in the income statement as expense at announcement of dividends or any other distribution of equity.

The Group recognises a deferred tax liability for all taxable temporary differences associated with subsidiaries, except if the timing of reversal of the temporary differences can be controlled and it is probable will not reverse in the foreseeable future.

Other subsidiaries

Profit earned by subsidiaries of the Group is imposed to income tax according to the tax rate stipulated by the legislation of domicile countries. Deferred income tax liability is accounted from all relevant temporary differences between the tax bases of assets and liabilities and their book value. Deferred income tax assets, which are mainly caused by the tax losses carried to future periods, are recognized in the statement of financial position only, when it is likely that it will be realized through the taxable profit earned in the future. Deferred tax assets and liabilities are offset when there is a legally enforceable right in the Group subsidiaries' countries of incorporation to set off current tax assets against current tax liabilities. For calculation of the deferred income tax assets and liabilities, generally the income tax rate enacted or substantially enacted at the balance sheet date is used.

3.28. Segment reporting

According to IFRS 8 Operating Segments, segment reporting is applicable to operating segments whose results are regularly reviewed by the chief decision makers of the Company to make business-related decisions. The primary decisions are made on country basis. Operating segments are components of the entity for which it is possible to obtain discrete financial information to make decisions about resources to be allocated to the segment and assess its performance. Primary criteria for monitoring of operating segments are the following: Revenue from third parties, EBIT, net profit earned and total assets.

3.29. Subsequent events

Consolidated financial statements include impact of significant events that are related with the events of previous periods that affect the valuation of assets and liabilities and occurred between the end of the reporting period and the date that the financial statements are finalized by the management board of the Company.

Events after the reporting period that do not affect the valuation of assets and liabilities but have a significant effect on the result of the following financial year, are disclosed in the Notes to the consolidated financial statement.

Note 4. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Significant judgements in applying accounting policies

The following are the critical judgements, that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of real estate

Real estate classification to inventory, investment property or property, plant and equipment is done based on management's intention over the future use of the object (see Note 10; 12 and 13). Property is recognized as inventory, if the objective of purchase is connected with its development, sale or resale during ordinary course of business. Items are recognized as investment property if purchase objective is gaining profit from rent or capital appreciation. Also, items are recognized as investment property if it is intended to keep them for long time and which have unclear purposes of use.

The Group takes into account the following considerations when reviewing the strategy and which are decisive for classification of the real estate asstes as investment properties:
- there has been no development of such properties over the past 10 years;
- during the upcoming 5+ years perspective the Group has no intention to start developing these properties;
- there are no current plans to sell these properties in the near future;
- the essence of these properties is to be held for capital appreciation;
- an average operating cycle of the Group is usually about 2 years, very complex projects can take up to 4 years, which is less than 5+ years perspective.

Property used for rendering services or for administrative purposes and with useful life of over one year is considered to be property, plant and equipment.

4.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets Notes 10, 11, 12, 13 include details of their nature and their carrying amount through the end of the reporting period.

Estimation of net realisation value of inventories

According to the Group principles, inventories are stated on the statement of financial position at the lower of cost or net realizable value, depending on which is lower. The management should decide upon net realization value if indication occurs that inventory value might be fallen below cost price. If this is the case inventories are written down to their net realization value.

Real estate that has been acquired and developed for sale is presented on the statement of financial position as inventories. In assigning value to such assets, management takes in account market sale transactions of similar type of assets made close to the balance sheet date. If actual sale prices of real estate objects were below the statement of financial position value the assets were written down to their net realizable value.

Fair value of investment property

As of balance sheet date the investment properties are measured at their fair value. In determination of the fair value opinion of independent certified real estate appraisers is used. In determination of the fair value two methods are used: discounted cash flow method and comparative transaction price method, whichever is more appropriate considering the circumstances.

Recoverable value of property, plant and equipment

At the end of each reporting period, the management reviews the carrying amounts of its assets to determine whether there are any indications that the assets may be impaired. If the indication is detected, recoverable value is calculated. In determining the recoverable value of an asset, the impairment test is carried out during what the recoverable value is identified. The recoverable value of the asset is the higher of the present value of the future cash flows from the asset or the fair value of the asset less costs to sell.

For assets carried at revalued amount the management is assessing yearly whether carrying amount approximates fair value.

Useful life of property, plant and equipment

In determining useful life of property, plant and equipment, taken into account the Group business conditions and volumes, previous experience in relevant field and future plans. According to management estimation useful life for buildings is 20-50 years. Useful life for machinery and equipment 5 to 12.5 years depending on the purpose of use and for other equipment 2 to 5 years.

Loss of control over subsidiary

On 2 June 2021 Harju County Court declared bankruptcy of AS Tallinna Moekombinaat and appointed bankruptcy trustees. In evaluating the timing of loss of control, the Group applied judgment by evaluating the provisions of IFRS 10 along with the provisions of the Estonian Reorganisation Act § 2 and Bankruptcy Act § 1. Based on the above, management concluded that the loss of control occurred on 02 June 2021 concurrently with the declaration of the bankrupcy as until that time all control criteria (Note 3.3) were met. From 2 June 2021 and considering the provisions of the Estonian Bankrupcy Act, the Group lost its power over the investee, rights to variable return and consequently its ability to affect and its rights to variable returns. Thus the Group deconsolidated the subsidiary from its consolidated reports from that time. As the net assets of the subsidiary had negative value at the moment of deconsolidation and the fair value of the investment was assessed to be zero, the Group did not recognise the subsidiary as a financial asset.

Note 5. Entities belonging to the Group

Name of the Entity	Country of incorporation and operation	Proportion of ownership interest and voting power held by the Group 31.12.2021	31.12.2020	Principal activity
AS Pro Kapital Grupp	Estonia			Holding activities, parent
Held directly by AS Pro Kapital Grupp:				
AS Pro Kapital Eesti	Estonia	100.00%	100.00%	Real estate development
Pro Kapital Vilnius Real Estate UAB	Lithuania	100.00%	100.00%	Real estate development
Pro Kapital Latvia PJSC	Latvia	100.00%	100.00%	Real estate development
OÜ Pro Kapital Germany Holdings	Estonia	100.00%	100.00%	Real estate development
Pro Kapital Germany GmbH	Germany	100.00%	100.00%	Real estate development
Held directly by AS Pro Kapital Eesti:				
OÜ Ilmarise Kvartal	Estonia	100.00%	100.00%	Real estate development
AS Tondi Kvartal	Estonia	100.00%	100.00%	Real estate development
OÜ Pro Halduse	Estonia	100.00%	100.00%	Real estate management
*AS Tallinna Moekombinaat**	*Estonia*	*93.35%*	*93.35%*	*Shopping centre*
OÜ Kalaranna Kvartal	Estonia	100.00%	100.00%	Real estate development
Held directly by AS Tondi Kvartal:				
OÜ Marsi Elu	Estonia	100.00%	100.00%	Real estate development
OÜ Dunte Arendus	Estonia	100.00%	100.00%	Real estate development
Held directly by Pro Kapital Vilnius Real Estate UAB:				
PK Invest UAB	Lithuania	100.00%	100.00%	Real estate development
In Vitam UAB	Lithuania	100.00%	100.00%	Real estate management
Held directly by Pro Kapital Latvia PJSC:				
Klīversala SIA	Latvia	100.00%	100.00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Latvia	100.00%	100.00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Latvia	100.00%	100.00%	Real estate development
Held directly by OÜ Pro Kapital Germany Holdings:				
PK Hotel Management Services GmbH	Germany	100.00%	100.00%	Hotel management

** AS Tallinna Moekombinaat was declared bankrupt on 2 June 2021 and derecognised from the Group's consolidated accounts (Note 37).*

Note 6. Segment reporting

Group companies consolidated segment information derived from geographical intercompany segment reporting is presented below.

Segment result, assets and liabilities are presented in line with items associated directly with particular segment. Internal transactions are not eliminated in separate segment reporting provided below.

The business activity of the Group is exercised in Estonia (sale of real estate, rent revenues from operating T1 Mall of Tallinn until loss of control in subsidiary and real estate maintenance), Latvia (sale of real estate, rent and real estate maintenance), Lithuania (sale of real estate, rent and real estate maintenance) and Germany (hotel operating).

in thousands of euros	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
2021							
Revenue (Note 25)	749	37 101	2 411	1 639	1 998	*-803*	43 095
Incl. sales of real estate	*0*	*36 971*	*2 314*	*1 331*	*0*		***40 616***
Incl. rental income	*0*	*3*	*78*	*18*	*0*		***99***
Incl. hotel operating	*0*	*0*	*0*	*0*	*1951*		***1 951***
Incl. maintenance services	*0*	*73*	*0*	*278*	*0*		***351***
Incl. other services	*749*	*54*	*19*	*12*	*47*	*-803*	***78***
Other operating income & expenses (net)	-21	33 953	272	5	1 002	2	35 213
Incl. fair value adjustments	*0*	*5 278*	*262*	*0*	*0*	*0*	***5 540***
Segment operating profit/ loss	-2 020	41 443	252	-135	571	*16*	40 127
Finance income and cost (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
Non-controlling interest	0	0	0	0	0		0
Net profit/ loss for the financial year attributable to owners of the Company	**-7 984**	**37 594**	**-203**	**-67**	**410**	*7*	29 757

in thousands of euros	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
31.12.2021							
Assets	55 494	158 914	27 969	13 815	7 220	*-147 385*	116 027
Liabilities	133 882	28 712	20 254	1 488	4 692	*-115 844*	73 184
Acquisition of non-current assets (excluding investment properties)	0	4	8	6	166		185
Write-off of non-current assets	0	-129	-22	-19	0		-170
Depreciation and amortisation	0	46	-23	-8	-231		-216

in thousands of euros	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
2020							
Revenue (Note 25)	736	6 687	2 007	8 874	1 684	*-754*	19 234
Incl. sales of real estate	*0*	*1 002*	*1 903*	*8 574*	*0*		***11 479***
Incl. rental income	*0*	*5 588*	*78*	*23*	*0*		***5 689***
Incl. hotel operating	*0*	*0*	*0*	*0*	*1 684*	*-12*	***1 672***
Incl. maintenance services	*0*	*62*	*0*	*224*	*0*		***286***
Incl. other services	*736*	*35*	*26*	*53*	*0*	*-742*	***108***
Other operating income & expenses (net)	22	-42 874	-602	0	346		**-43 108**
Incl. fair value adjustments	*0*	*-42 526*	*-602*	*0*	*0*		***-43 128***
Segment operating profit/ loss	-1 369	-43 517	-613	2 786	-404	*9*	**-43 108**
Finance income and cost (net)	-5 917	-9 425	-475	-15	-148	*-14*	**-15 994**
Profit/ loss before income tax	**-7 286**	**-52 942**	**-1 088**	**2 771**	**-552**	**-5**	**-59 102**
Income tax	0	0	-2	-348	-4		**-354**
Non-controlling interest	0	-3 778	0	0	0		**-3 778**
Net profit/ loss for the financial year attributable to owners of the Company	**-7 286**	**-49 164**	**-1 090**	**2 423**	**-556**	**-5**	**-55 678**

31.12.2020							
Assets	53 832	214 948	28 224	13 518	7 492	*-138 966*	**179 048**
Liabilities	124 237	125 854	20 306	1 401	5 096	*-107 417*	**169 477**
Acquisition of non-current assets (excluding investment properties)	0	60	1	3	73		**137**
Write-off of non-current assets	0	-33	-11	0	0		**-44**
Depreciation and amortisation	-5	-62	-49	-29	-227		**-372**

Note 7. Changes in ownership in subsidiaries

AS Tallinna Moekombinaat received a loan of 65 million euros for the construction of T1 Mall of Tallinn during 2016-2018. Operating profitability of AS Tallinna Moekombinaat was lower than expected and it triggered non-fulfilment of two financial maintenance covenants under the loan facility agreement. The subsidiary entered into negotiations with the lender. Negotiations turned to be unsuccessful and on 3 April 2020 Harju County Court initiated reorganisation proceedings of AS Tallinna Moekombinaat. However, the court proceedings in all three instances did not support reorganisation of the subsidiary. On 26 April 2021 the reorganisation proceedings of AS Tallinna Moekombinaat were terminated and the subsidiary became permanently insolvent. The Company is not consolidating the subsidiary into group financial reports from the moment of loss of control since 2 June 2021, when AS Tallinna Moekombinaat was declared bankrupt. More information can be found in Notes 24 and 37.

Note 8. Cash and cash equivalents

in thousands of euros	31.12.2021	31.12.2020
Cash at hand	8	12
Bank accounts	9 618	9 381
Total	**9 626**	**9 393**

Cash and cash equivalents recorded in the statement of financial position and statement of cash flows comprise cash at hand and bank accounts as at the end of each reporting period. Foreign currency accounts in SEK (Swedish krona) have been translated into euros at the European Central Bank currency exchange rates prevailing on the reporting date.

Note 9. Current receivables

in thousands of euros	31.12.2021	31.12.2020
Trade receivables from contracts with customers	667	152
Trade receivables related to operating leases (IFRS 15)	0	1 027
Allowance for doubtful debts	-41	-511
Other receivables	44	60
Accrued income	10	27
Total	**680**	**755**

Trade receivables from contracts with customers have increased by 515 thousand euros compared to the previous period mainly due to final sales transactions concluded in Kalaranna Kvartal at the end of 2021. The decrease in allowance for doubtful debts is related to derecognition of T1 Mall of Tallinn from the group.

Note 10. Inventories

in thousands of euros	31.12.2021	31.12.2020
Completed property	**20 635**	**11 534**
incl. Kristina Houses, Tallinn	*19*	*58*
incl. Kalaranna District, Tallinn	*11 548*	*0*
incl. River Breeze, Riga	*7 213*	*8 705*
incl. Šaltinių Namai | Attico, Vilnius	*1 747*	*2 663*
incl. other properties	*108*	*108*
Works in progress	**36 731**	**46 694**
incl. Kristiine City, Tallinn	*11 361*	*7 059*
incl. Kalaranna District, Tallinn	*19 352*	*33 663*
incl. Šaltinių Namai, Vilnius	*6 018*	*5 972*
Goods bought for resale	52	124
Prepayments for inventories	115	0
Total	**57 533**	**58 352**

Completed property include completed real estate stock in Tallinn, Riga and Vilnius. In 2021 completed property with the total value of 23 937 thousand euros has been finalised as sales in Kalaranna District. The balance of Completed property of Kalaranna District is expexted to be handed over to the buyers within 2022 – almost all premises have been booked or presold. Works in progress include properties under development or waiting for development in the nearest future in Tallinn and Vilnius. After completion properties are transferred from "works in progress" to "completed property"). Works in progress include two development projects being currently under construction in Tallinn - Kindrali Houses (part of Kristiine City development) and Kalaranna District. The following phase of Šaltinių Namai is waiting for the start of development, construction tender is ongoing.

Note 11. Non-Current receivables

in thousands of euros	31.12.2021	31.12.2020
Accrued income	0	3 490
Finance leases	21	26
Other non-current receivables	0	1
Total	**21**	**3 517**

Accrued income in reference period includes accrued rental income of T1 Mall of Tallinn according to IFRS 16, which has been adjusted with expected credit losses in the amount of 901 thousand euros according to IFRS 9.

Note 12. Property, plant and equipment

Since 2011 the Group's land and buildings are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value of a property is determined either based on the valuation of an independent expert or the management. 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.

Property, plant and equipment at cost in thousands of euros	Land and buildings revaluation value	Machinery and equipment	Other property, plant and equipment	Total	Right-of-use assets
01.01.2020	9 077	959	336	10 372	674
Additions:					
Acquired	47	27	20	94	0
Disposals and write offs:					
Change in fair value	-278	0	0	-278	-10
Written off	0	0	-34	-34	0
31.12.2020	8 846	986	322	10 154	664
Additions:					
Acquired	125	40	22	187	0
Change in fair value	40	0	0	40	0
Disposals and write offs:					
Derecognition of subsidiary	0	0	-70	-70	-66
Written off	0	0	-12	-12	-24
31.12.2021	9 011	1 026	262	10 299	574

Accumulated depreciation in thousands of euros	Land and buildings revaluation value	Machinery and equipment	Other property, plant and equipment	Total	Right-of-use assets
01.01.2020	2115	889	222	3 226	155
Additions:					
Charge for the period	152	20	52	224	152
Change in fair value	-16	0	0	-16	0
Disposals and write offs:					
Written off	0	0	-25	-25	0
31.12.2020	2 251	909	249	3 409	307
Additions:					
Charge for the period	149	26	33	208	138
Change in fair value	-15	0	0	-15	0
Disposals and write offs:					
Derecognition of subsidiary	0	0	-46	-46	-50
Written off	0	0	-11	-11	-23
31.12.2021	2 385	935	225	3 545	372

Balance sheet value

in thousands of euros	Land and buildings revaluation value	Machinery and equipment	Other property, plant and equipment	Total	Right-of-use assets
31.12.2020	6 595	77	73	6 745	357
31.12.2021	6 626	91	37	6 754	202

Valuation of properties

According to IFRS 13 classification, land and buildings measured at revalued amounts are classified as belonging to Level 3 fair value hierarchy. The valuation of such properties is based on inputs that are not observable and significant to the overall fair value measurement.

Valuations of the Group's properties are mainly being made by using discounted cash flows (DCF) method. Considering that the Group is operating a hotel in a property owned by real estate subsidiary, the valuators do not take into account rental income to property owner, but hotel's ability to generate cash flows and to operate properties effectively. Historical data and expected projections of hotel performance, which include such inputs as occupancy, average rate, departmental revenues and costs, administrative and marketing costs are used for valuation. This information is derived from management reporting prepared by hotel manager and reviewed by Financial Controller. Also, assumptions and valuation models, which are typically market related such as discount rates and exit yields, are used. Valuation reports are reviewed and accepted by the Management of the Group.

Sensitivity of measurement to variance of significant unobservable inputs:
- a decrease in the estimated revenues either due to lower occupancy or lower average room rate will decrease the fair value;
- an increase of departmental and other costs will decrease the fair value;
- an increase in discount and exit yield rates will decrease the fair value.

Discount and exit yield rates are partially determined by market rate conditions but are also influenced by expected return rate, which is the rate of return expected by the shareholders.

Latest independent valuation was carried out in 2016 for the hotel. However, as per management's decision it was not used for revaluation because of too optimistic approach of the valuator. Due to COVID-19 effect to accommodation industry, the Group decided not to renew valuation but to use the management assessment of the fair value of the hotel property.

The following assumptions have been used by the management. Gross operating profit (GOP) of the 1st year is based on estimated budget for 2022, 2nd year the same as the actual result in 2019. Growth rate of 2% has been used for GOP starting from the 2nd year. Calculations include property taxes, insurance expenses and payments related to the property which are made by the owner of the heritable right. Although historical investments into property have been lower with an exception of renovation works in 2016-2017, the management has estimated 100 000 euros for CAPEX expenditure. Discount rate of 7.45% was used. No exit value nor related sales costs were accounted for.

Sensitivity analyses

	GOP		CAPEX		Discount rate	
in thousands of euros	+5%	-5%	+5%	-5%	+5%	-5%
Fair value of the hotel property (5 850 thousand euros)	451	-451	-64	64	-311	339

Note 13. Investment property

in thousands of euros	Property held for increase in value	Properties held for operating lease	Total
Balance at 01.01.2020	**36 465**	**108 639**	**145 104**
Additions:			
Acquired	687	157	844
Changes in fair value:			
Income/ loss from change in fair value (Note 26)	2 880	-42 520	-39 640
Double-counted adjustment – recognised as separate assets	0	-3 487	-3 487
Reclassified into inventories (Note 10)	-4 309	0	-4 309
Balance at 31.12.2020	**35 723**	**62 789**	**98 512**
Additions:			
Acquired	435	23	458
Changes in fair value:			
Gain/ Loss from change in fair value (Note 26)	5 484	0	5 484
Disposals and write-offs:			
Sold	-908	0	-908
Derecognition of Subsidiary (Note 37)	0	-62 812	-62 812
Balance at 31.12.2021	**40 734**	**0**	**40 734**

The fair value of most of the Group's investment property at 31 December 2021 and 31 December 2020 has been derived on the basis of valuations carried out by Colliers International independent valuators not related to the Group. Valuation company has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. 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 in 2020. In 2021 the valuators to use sales comparison method due to uncertainty in the markets, especially in Latvia.

The total result of valuations in 2021 was 5.5 million euros income, in 2020 respectively 43 million euros loss, of which 46 million from T1 Mall of Tallinn. During 2021 the Group has paid for investments 0.5 million euros (2020: 0.9 million euros). During reporting period, the Group lost control of the operator of T1 mall of Tallinn and sold a property in Tallinn, which was planned to be developed in the latest stage of the project.

Valuation of properties

According to IFRS 13 classification, investment properties owned by the Group are classified as belonging to Level 3 value hierarchy. The valuation of such properties is based on inputs that are not observable and significant to the overall fair value measurement.

Valuations of the Group's properties are being made by independent and qualified experts. The Group provides valuators with the following information: purpose of a property, development plans, estimated construction costs and estimated sales or rental prices if available. Valuators also use assumptions and valuation models, which are typically market related such as discount rates and exit yields. Valuation reports prepared by the experts are reviewed and accepted by the Management of the Group.

Ülemiste 5, Tallinn

Ülemiste property is situated next to the railway and the future Rail Baltica Ülemiste joint terminal. It is planned to develop office and retail spaces with total leasable area of 14 410 square meters. In the previous years the market value was calculated using Residual approach as the property was considered to be an extension to the shopping centre nearby. For 2020 valuation the valuator has considered the following inputs: construction period of 3 year, starting after 2-year of waiting period, construction cost 906 €/m², total average cost of net leasable area 1 532 €/m², average rent 13.20 €/m² for retail spaces, total average rent including annual increase and vacancy loss 11.30 €/m², exit yield after 3.5-year rental period 7% with exit price after vacancy, operating expenses and brokerage fee 13.64 €/m². 6-year discounted cash flow method was used by the valuator with a discount rate of 12.0%. For 2021 valuation the market value was determined by using sales comparison method. Five comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 203 €/ m² was reached per building right (GBA) square meter above ground. 18 500 square meters have been considered as GBA for the project. The change in value comparing to last year was 1 150 thousand euros, the subsidiary has invested 450 euros into the project in 2021, total net effect of revaluation is 1 150 thousand euros.

Kristiine City, Tallinn

Kristiine City is one of the largest residential blocks in the Baltics, located close to the city centre in the former Dunte summer manor and latter territory of the military school. It has been planned to develop the territory in 5 phases. The first two phases have been completed: a red brick historical building (Tondi 51), former officers' building (Marsi 6 lofts) and stable (Ratsuri Houses) have been renovated and 10 new houses with more than 300 apartments have been built. The valuator has considered the following inputs in valuation of investment for different phases: total net sellable residential area of 50 804 square meters and rentable commercial area of 1 531 square meters (2020: 46 929 square meters and 4 130 square meters), construction period for each phase 2-3 years (2020: the same), construction cost 884 €/m² (2020: 691-738 €/m²), total average cost of net areas 1 640 €/m² (2020: 1 524 €/m²), starting average sale price 2 300 €/m² (2020: 2 130 €/m²), total average apartment sale price with annual increase including storage and parking areas 2 600 €/m² (2020: 2 384 €/m²). Rental revenues were not assumed for commercial spaces (2020: starting average rent 11 €/m², total average rent including annual increase and vacancy loss 12.01 €/m², exit yield after 2-year rental period 7.25-7.75% with exit price after vacancy, operating expenses and brokerage fee 11.99 €/m²). For valuation 13-years (2020: 11.5-years) discounted cash flow method has been used by the valuator with discount rate 12.0% (2020: the same). The change in value comparing to last year was 3 240 thousand euros, the subsidiary has invested 76 thousand euros into the project in 2021, sold a property at cost of 908 thousand euros, total net effect of revaluation is 4 072 thousand euros.

Kliversala residential complex, Riga

Kliversala is a residential and commercial development project located on the left bank of river Daugava. The land is located between two main bridges, next to one of the biggest parks in Riga and has a long coastline. The property is situated on the waterfront and provides views of the Old Town on the opposite bank. The project for the residential area foresees a series of exclusive apartment buildings coupled with commercial premises. It has been planned to develop the property in phases. The first phase, the River Breeze Residence, was completed in spring 2018 and is recorded as saleable inventories. Remaining phases are classified as investment property. Net sellable residential area of 52 493 square meters and rentable commercial area of 1 271 square meters were valued in 2021 (2020: residential area of 51 575 square meters and rentable commercial area of 1 271 square meters). The valuator has used in valuation two approaches – income approach for the next phase and market approach for the remaining of the property. For 6 682 net sellable area the following inputs were considered (comparative data in 2020 is for the full project), construction period of 2 years for each phase, average construction cost 1 000 €/m² (2020: 992 €/m²), total average cost of net areas 2 305 €/m² (2020: 2 232 €/m²), starting average apartment sale price 3 200 €/m² (2020: 3 000 €/m²), total average apartment sale price with annual increase including storage and parking areas 3 388 €/m² (2020: 3 583 €/m²). 4-year discounted cash flow method has been used by the valuator with a discount rate of 11.00% and starting without delay (2020: 13-year discounted cash flow method has been used by the valuator with a discount rate of 11.35% and starting without delay). For market approach and sales comparison method in 2021 five comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 155.30 €/ m² was reached per building right (GBA) square meter above ground. 73 413 square meters have been considered as GBA for the project. The change in value comparing to last year was 556 thousand euros, the subsidiary has invested 80 thousand euros into the project in 2021, total net effect of revaluation is 476 thousand euros.

City Oasis residential complex, Riga

City Oasis is a residential development project located in Tallinas street, Riga at the right bank of river Daugava, right next to the border of Riga's historical City Centre. The project for the residential area foresees a series of apartment buildings with commercial functions on the first floor with net sellable area of 20 814 square meters and 357 square meters respectively. It has been planned to develop the property in one phase. In 2021 the valuator has used the market (comparable sales) approach for valuation. In 2020 the valuator has considered the following inputs in valuation: construction period of two years, construction cost 857 €/m², total average cost of net areas 1 810 €/m², starting average apartment sale price 2 500 €/m², total average apartment sale price with annual increase including storage and parking areas 2 768 €/m², starting average rent 13 €/m² for commercial spaces, total average rent including annual increase and vacancy loss 12.55 €/m², exit yield after 2 year rental period 7.25% with exit price after vacancy, operating expenses and brokerage fee 7.21 €/m², 7-year discounted cash flow method has been used by the valuator with a discount rate of 11.00% and with the assumption of start after one year waiting period.

For market approach and sales comparison method in 2021 four comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 114.9 €/ m² was reached per building right (GBA) square meter above ground. 31 631 square meters have been considered as GBA for the project. The change in value comparing to last year was 60 thousand euros, the subsidiary has invested 176 thousand euros into the projecting of the property in 2021, total net effect of revaluation is 116 thousand euros.

Brivibas Business Quarter, Riga

Brivibas is a mixed development project located at one of the main transport arteries heading through the city, next to the railways within a former industrial area. The project foresees renovation of the existing industrial building into mostly office buildings with total net rentable area of 18 080 square meters. The project is expected to be developed in two phases as the initial phase includes the renovation. In 2021 the valuator has used the market (comparable sales) approach for valuation. In 2020 the valuator has considered the following inputs in valuation: construction period of 2 years of each phase, 4 years in total without a waiting period, construction cost 822 €/m², total average cost of net areas 1 678 €/m², starting rent 11.5-13.5 €/m² for commercial spaces, total average rent including annual increase and vacancy loss 7.39 €/m², exit yield after 3-5-year rental period 7.5% with exit price after vacancy, operating expenses and brokerage fee 13.17 €/m². For valuation 6 -year discounted cash flow method has been used by the valuator with a discount rate of 11.25%. For market approach and sales comparison method in 2021 four comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 76.70 €/ m² was reached per building right (GBA) square meter above ground. 31 212 square meters have been considered as GBA for the project. The change in value comparing to last year was 6 thousand euros, the subsidiary has invested 103 thousand euros into the project in 2021, total net effect of revaluation is -97 thousand euros.

For all investment properties the average of 4.5% disposal costs (property costs and maintenance until sales, direct sales costs including commissions) from total sales and rental revenue is considered by the valuator in discounted cash flows model.

The following tables illustrate possible changes to fair value of investment property (in thousands of euros) given changes in main unobservable inputs as presented in Colliers's valuation reports:

		Construction costs/m²		Sale price/ m²		Rent price/ m²		Exit yield	
31.12.2020	**Fair value**	**5%**	**-5%**	**5%**	**-5%**	**5%**	**-5%**	**5%**	**-5%**
T1 Mall*	66 276	N/A	N/A	N/A	N/A	3 660	-3 660	-2 763	4 463
Ülemiste	2 610	-780	760	N/A	N/A	920	-900	-730	790
Kristiine City	13 800	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kliversala	13 348	-3 450	3 450	4 080	-4 090	100	-100	N/A	N/A
City Oasis	3 576	-1 560	1 560	1 735	-1 735	36	-36	N/A	N/A
Brivibas	2 388	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

31.12.2021	Fair value	Construction costs/m^2 5%	-5%	Sale price/ m^2 5%	-5%	Rent price/ m^2 5%	-5%	Discount rate 5%	-5%
Ülemiste (SCA)**	3 760	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kristiine City	17 040	N/A	N/A	N/A	N/A	N/A	N/A	-590	640
Kliversala (Income + SCA)***	13 904	-1 370	690	770	-770	N/A	N/A	-140	140
City Oasis (SCA)	3 636	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brivibas (SCA)	2 394	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**In 2021 the Group lost control over the subsidiary who owned and operated the mall*
*** SCA as sales comparison approach, no sensitivity analyses provided by the valuator*
****Sensitivity is provided for the component of income approach with the value of 2.5 million euros*

All estimated costs, sales and rental prices in this Note are presented without VAT.

Investment properties of the Group are evaluated based on the assumed highest and best use according to management judgement.

Information about investment property pledged as collaterals is disclosed in Note 21 to these consolidated financial statements.

Note 14. Current debt

in thousands of euros	Loans and overdrafts (Note 19)	Convertible bonds (Note 20)	Non-convertible bonds (Note 20)	Current portion of financial lease	Total
01.01.2020	**77 726**	**5 875**	**27 967**	**191**	**111 759**
Changes from financing cash flows	345	-33	-28 000	-181	-27 869
Other changes	387	-4 546	27 675	175	23 691
31.12.2020	**78 458**	**1 296**	**27 642**	**185**	**107 581**
Changes from financing cash flows	0	-337	0	-142	-479
Other changes	-74 818	-765	-27 642	79	-103 146
31.12.2021	**3 640**	**194**	**0**	**122**	**3 956**

The balance of current debt has changed mainly due to refinancing of convertible and non-convertible bonds in 2020.

The major change in current debt in 2021 is related to the subsidiary AS Tallinna Moekombinaat. Due to loss of control on 2 June 2021, the loans related to the subsidiary were deconsolidated including the development loan with accumulated interests in the total amount of 75.4 million euros. Non-convertible bonds were refinanced in 2020, but new bonds were remained classified as current debt due to the breach with financial covenants at this point of time. Investors provided the waiver until the end of the year 2021. At the end of the reporting year the requested covenants were met and the bonds were classified as non-current debt (Note 20).

Other changes are mainly related to reclassification of debt for non-current debt to current debt and vice versa (Note 17).

Note 15. Current payables

in thousands of euros	**31.12.2021**	**31.12.2020**
Trade payables	1 498	7 069
Accrued expenses	1 522	1 629
Accrued interests	1 359	13 511
Payables to construction companies	2 918	0
Other	0	2
Total	**7 297**	**22 211**

Accrued expenses at the end of 2020 included interest payable to the main creditor T1 Mall of Tallinn Lintgen Adjacent Investments S.A.R.L. in the amount of 12.3 million euros. Due to derecognition of a subsidiary AS Tallinna Moekombinaat as at 2 June 2021 these have been deconsolidated from Company's financial statements (Note 19).

The balance of trade payables consists mostly of construction invoices issued at the end of the year related to ongoing constructions in Kalaranna Quarter and Kristiine City.

Note 16. Short-term provisions

in thousands of euros	**31.12.2021**	**31.12.2020**
Deferred income	701	454
Other short-term provisions	12	5
Total	**713**	**459**

Deferred income includes revenues from contracts signed at the end of the year for the properties that were handed over to customers in the beginning of new year.

Note 17. Non-current debt

in thousands of euros	Loans and overdrafts (Note 19)	Convertible bonds (Note 20)	Non-convertible bonds (Note 20)	Payables to minority share-holders	Non-current portion of financial lease	Total
01.01.2020	**5 687**	**4 250**	**0**	**510**	**424**	**10 871**
Changes from financing cash flows	12 688	0	27 451	100	0	40 239
Other changes	-487	-4 059	-19 158	41	-192	-23 855
31.12.2020	**17 888**	**191**	**8 293**	**651**	**232**	**27 255**
Changes from financing cash flows	-8 241	0	0	0	0	-8 241
Other changes	-537	-191	28 955	-651	-135	27 441
31.12.2021	**9 110**	**0**	**37 248**	**0**	**97**	**46 455**

The Group received loans for 22.3 million euros and repaid loans for 30.6 million euros. The balance of non-current debt has changed due to repayment of long-term loans in amount of 8.8 million euros and reclassification of secured non-convertible bonds from current to non-current debt (Note 14).

Note 18. Customer advances

in thousands of euros	31.12.2021	31.12.2020
Advances for real estate	12 382	7 809
Advances from hotel services	37	57
Total	**12 419**	**7 866**

Customer advances are recorded in the financial statements from receiving the deposit and instalment payments until the properties are handed over to customers. The increase in customer advances is mainly related to high sales activity in Kalaranna Quarter and Kristiine City.

Note 19. Loans and overdrafts

Borrower	Creditor	Loan balance in thousands of euros 31.12.2021	31.12.2020	Maturity
AS Tondi Kvartal	Luminor Bank AS	0	387	02.09.2021
OÜ Marsi Elu**	Coop Pank AS	0	1 722	25.02.2022
OÜ Marsi Elu	AS LHV Pank	3 638	0	22.08.2024
OÜ Kalaranna Kvartal	AS LHV Pank	8 610	8 610	21.02.2023
OÜ Kalaranna Kvartal**	AS LHV Pank	0	8 778	18.02.2023
PK Hotel Management Services GmbH	Sparkasse	500	500	30.06.2030
Kliversala SIA	AS Swedbank (Latvia)	0	993	14.11.2021
AS Tallinna Moekombinaat*	Lintgen Adjacent Investments S.A.R.L.	0	75 356	27.12.2021
AS Tallinna Moekombinaat*	Colosseum Finance OÜ	0	104	31.12.2022
AS Tallinna Moekombinaat*	Fiduciaria Emiliana SRL	0	353	22.05.2029
AS Tallinna Moekombinaat*	Anndare Limited	0	194	14.10.2029
Total		**12 748**	**96 997**	

** On 2 June 2021 AS Tallinna Moekombinaat was declared bankrupt and the Company lost control over the subsidiary. As a result, subsidiary's loans were derecognised from Company's financial reports (Note 37).*
*** Loans were repaid prematurely*

All debts are related to development activities with an exception of loan from Sparkasse to our German hotel as part of the subsidy related to Covid-19 support.

All agreements and liabilities are concludedin euros. Loan amounts to be repaid within 12 months total to 3.6 million euros, 8.6 million euros are expected to be repaid within five years and 0.5 million euros by the end of June in 2030. Current loans are described in Note 14, non-current loans in Note 17, collaterals of the loans in Note 21 and finance costs in Note 29.

The total interest cost on loans for the reporting period was 6.6 million euros (2020: 12.1 million euros).

Note 20. Convertible and non-convertible bonds

in thousands of euros	31.12.2021	31.12.2020
Current convertible debt (Note 14)	194	1 296
Current non-convertible debt (Note 14)	0	27 642
Non-current convertible debt (Note 17)	0	191
Non-current non-convertible debt (Note 17)	37 248	8 293
Total	**37 442**	**37 422**

Convertible bonds

In accordance with the decision of extraordinary meeting of shareholders of AS Pro Kapital Grupp on 13 April 2009, the total of 4 025 758 convertible bonds within seven separate issuances were subscribed with an issue price of 4.5 euros per bond. All convertible bonds have been registered in the Estonian Central Register of Securities. In 2011 the Group was split and as a result the issue price of the convertible bonds remains 2.8 euros per bond. According to the terms convertible bonds of AS Pro Kapital Grupp issued during the period 2009-2011 could be converted into shares of the Company with the exchange rate one convertible Note per share. No bonds have been converted into shares until 31 December 2021 (Note 23).

During 2017-2021 the total of 411 738 bonds in amount of 1 152 866.40 euros have been redeemed.

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 total value of convertible bonds at that moment). The bonds were issued in several tranches. Within the three tranches the total of 3 459 081 convertible bonds were refinanced and new bonds in the same amount with the total value of 9 685 426.80 euros were subscribed and issued. New non-convertible bonds were issued against the same amount of PKG1-PKG7 convertible bonds. The new bonds carry an interest at 8%, they are non-convertible and not secured. The final redemption date is 31 October 2024.

Remaining balance of convertible bonds was 196 thousand euros on 31 December 2021 (2020: 1.5 million euros). The balance sheet value was 194 thousand euros as 2 thousand euros of prolongation fees have been deducted from the value of the convertible bonds (2020: 1.49 million euros and 15 thousand euros respectively.)

Bonds to be redeemed in 2022	PKG2*	PKG3	PKG4	PKG5
Number of bonds	10 666	6 900	27 999	24 500
Issue price per bond	2.80 EUR	2.80 EUR	2.80 EUR	2.80 EUR
Issued amount, in euros	29 865	19 320	78 397	68 600
Annual return (%) from issue price	7%	7%	7%	7%
Interest payment frequency	Twice a year	Twice a year	Twice a year	Twice a year
Redemption date/ exchange date	20 Jan 2022	10 Aug 2022	16 Sept 2022	29 Nov 2022

**PKG2 bonds were redeemed after the reporting date.*

Interest cost of the period is described in Note 29.

Number of bonds	2021	2020
Number of convertible bonds at the beginning of period	536 434	3 661 521
Number of redeemed bonds	-120 431	-11 994
Number of refinanced bonds	-345 938	-3 113 143
Number of convertible bonds at the end of period	**70 065**	**536 434**

in thousands of euros	2021	2020
Value of convertible bonds at the beginning of period	1 502	10 252
Value of redeemed bonds	-337	-33
Value of refinanced bonds	- 969	-8 717
Value of the bonds at the end of the period	**196**	**1 502**
Current portion of liabilities at the end of the reporting period	**196**	**1 306**
Non-current portion of liabilities at the end of the reporting period	**0**	**196**

Unsecured and secured non-convertible bonds

Due to the refinancing of PKG1-PKG7 convertible bonds as described in the chapter "Convertible bonds" above, new 2 925 641 unsecured and non-convertible bonds with the total face value of 8 191 794.80 euros were issued in August 2020. During the second subscription period, 187 502 bonds with the total issue value of 525 005.60 euros were issued in November 2020. During the third subscription period, 345 938 bonds with the total issue value of 968 626.40 euros were issued in January 2021. New unsecured non-convertible bonds have been listed on Nasdaq Tallinn bond list since 27 January 2021. The balance sheet value on the reporting date was 9.4 million euros – nominal value minus 325 thousand refinancing costs (2020: 8.3 million euros and 423 thousand euros).

Registration date of bonds issued	February 2020 (secured)	August 2020 – January 2021 (unsecured)
Number of bonds	285	3 459 081
Issue price per bond	100 000 EUR	2.80 EUR
Total nominal value, in euros	28 500 000	9 685 426.80
Annual return (%) from issue price	8%	8%
Interest payment	Twice a year	Twice a year
Redemption date	20 February 2024	31 October 2024

In February 2020 the Company secured refinancing of 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 AS Tallinna Moekombinaat were pledged. 285 bonds (value of 100 000 euros each) carry a fixed rate coupon 8% and mature in February 2024. The Existing Bonds were redeemed on 17 March 2020. The New Bonds were approved for trading on Nasdaq Stockholm bonds list on 9 July 2020.

Due to not meeting financial covenants and the breach of secured non-convertible bonds terms as a result of an adjusting event (permanent insolvency of AS Tallinna Moekombinaat), the Company has reclassified the bonds as a short-term liability as at the end 2020, however as the Company is meeting financial covenants as at the end of 2021, the bonds have been reclassified as long term, considering their redemption date. According to terms and conditions of the bonds, the Company has to meet maintenance test, which requires equity to assets ratio to be higher than 35%. The equity ratio was 36.90% as at the end of the reporting period.

Remaining balance of the secured non-convertible bonds is 28.5 million euros on 31 December 2021. The balance sheet value is 27.6 million euros as nominal value minus 612 thousand euros of refinancing costs, which are being discounted over the effective period of the New Bonds.

Number of unsecured bonds	**2021**	**2020**
Number of unsecured non-convertible bonds at the beginning of period	3 113 143	0
Number of unsecured non-convertible bonds issued	345 938	3 113 143
Number of unsecured non-convertible bonds at the end of period	3 459 081	3 113 143

in thousands of euros	**2021**	**2020**
Value of unsecured non-convertible bonds at the beginning of period	8 717	0
Value of unsecured non-convertible bonds issued	968	8 717
Value of the unsecured bonds at the end of the period	9 685	8 717
Current portion of liabilities at the end of the reporting period	**0**	**0**
Non-current portion of liabilities at the end of the reporting period	**9 685**	**8 717**

Number of secured bonds	**2021**	**2020**
Number of secured fixed rate bonds at the beginning of period	285	293
Number of secured fixed rate bonds issued	0	285
Number of secured fixed rate bonds redeemed	0	-293
Number of secured fixed rate bonds at the end of period	285	285

in thousands of euros	**2021**	**2020**
Value of secured fixed rate bonds at the beginning of period	28 500	29 300
Value of secured fixed rate bonds issued	0	28 500
Value of secured fixed rate bonds redeemed	0	-29 300
Value of secured fixed rate bonds issued at the end of the period	28500	28 500
Current portion of liabilities at the end of the reporting period	**0**	**28 500**
Non-current portion of liabilities at the end of the reporting period	**28 500**	**0**

Note 21. Collaterals and pledged assets

Liabilities disclosed in Notes 14, 17 and 19 of these consolidated financial statements are partially pledged with the following properties in book value:

in thousands of euros

Beneficiary	Collateral description	31.12.2021	31.12.2020
Bank accounts			
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB	23	25
Inventories (Note 10)			
AS LHV Pank (EE)	Kalaranna St. 8, 22, Tallinn	30 901	33 663
AS LHV Pank (EE)	Rivi 6, Sammu 5, Sõjakooli 14/16, Talli 2/4, Tallinn	11 361	0
AS Swedbank (LV)*	Trijadibas St. 5, Riga	N/A	23 489
Coop Pank AS (EE)*	Talli 5, Tallinn	N/A	3 310
Property, plant and equipment (Note 12)			
Luminor Bank AS (EE)*	Sõjakooli 11, Tallinn	N/A	730
Colosseum Finance OÜ (EE)**	AS Tallinna Moekombinaat fixed assets and trademark	N/A	67
Investment property (Note 13)			
Lintgen Adjacent Investments S.A.R.L.**	Peterburi tee 2, Tallinn	N/A	62 789

** Loans have been repaid during the reporting period*
*** The subsidiary has been derecognised since 2 June 2021*

AS Pro Kapital Grupp has pledged in favour of Nordic Trustee & Agency AB the shares of all subsidiaries. The pledges have been set to guarantee the secured non-convertible bonds issued in February 2020 in total amount of 28.5 million euros. The total value of pledged shares is 56 million euros (total nominal value of share capital of subsidiaries). In addition to share pledges, the Company's bank accounts held with Nordea Bank AB in Sweden are pledged. The cash balance in Nordea bank pledged accounts was 23 thousand euros on 31 December 2021.

The Estonian parent company has issued a guarantee to LHV Pank AS to assure a potential loan liability of OÜ Kalaranna Kvartal, an entity belonging to AS Pro Kapital Eesti subsidiary group, in amount of 4 million euros and with termination date of 21 February 2023.

Note 22. Other non-current payables

in thousands of euros	31.12.2021	31.12.2020
Payables to construction companies	0	1 585
Other non-current liabilities	20	710
Incl. rent deposits from tenants	*0*	*682*
Total	**20**	**2 295**

Payables to construction companies have been reclassified into current payables during 2021 as they are to be settled within next year. The balance of other non-current payables has decreased due to loss of control and derecognition of subsidiary AS Tallinna Moekombinaat since 2 June 2021.

Note 23. Share capital and reserves

Share capital

Owners of AS Pro Kapital Grupp ordinary shares have the right to receive dividends, in case these are announced, and to participate in voting at general shareholders' meetings of the entity with one vote per share. The Company has not issued any preference shares.

On 31 December 2021 and on 31 December 2020 the share capital in the amount of 11.3 million euros consisted of 56 687 954 ordinary shares at a nominal value of 0.20 euros per share. All shares have been paid for in full.

According to the articles of association effective on 31 December 2021, the minimum share capital amounts to 6 million euros, whereas maximum share capital amounts to 24 million euros.

As described in Note 20 to these consolidated financial statements, AS Pro Kapital Grupp has issued convertible bonds. The owners of the convertible bonds have not exercised their option to convert the bonds into shares of the Group.

Reserves

Statutory legal reserve of the Company is recorded based on the requirements of the Estonian Commercial Code § 336 and the decision of Annual General Meeting. Losses are covered from reserves and share premium except for revaluation reserve, which cannot be used to cover Group's losses.

The statutory legal reserve as at 31 December 2021 amounted to 0 euros (2020: 1.1 million euros). Due to positive retained earnings as at 31 December 2021, the Company will propose for changes to be made in the statutory legal reserve.

Revaluation surplus results from adoption of revaluation model to property, plant and equipment (specifically land and buildings) under IAS 16 "Property, Plant and Equipment" (Note 12). Revaluation surplus as at 31 December 2021 is 3 million euros (2020: 3 million euros).

Note 24. Non-controlling interest

in thousands of euros	31.12.2021	31.12.2020
Arising from AS Pro Kapital Eesti subgroup	0	-3 515
Total	**0**	**-3 515**

At the end of 2020 the Group had one subsidiary with non-controlling interests - AS Tallinna Moekombinaat in Estonia. On 2 June 2021 the subsidiary was declared bankrupt and the Company lost control over the subsidiary. After loss of control the Group stopped consolidation of AS Tallinna Moekombinaat financials into the group financial statements. Discontinuing consolidation had a positive effect to the Group (Note 37).

AS Tallinna Moekombinaat	
Principal place of business	Estonia
Non-controlling interest as at 31.12.2018	6.65%
Non-controlling interest as at 31.12.2019	6.65%
Non-controlling interest as at 31.12.2020	**6.65%**
Loss of control on 2 June 2021	*-6.65%*
Non-controlling interest as at 31.12.2021	**0%**

in thousands of euros	
Non-controlling interest as at 31 December 2019	**263**
Loss for the reporting period	-3 778
Non-controlling interest as at 31 December 2020	**-3 515**
Loss for the reporting period	-285
Loss of control on 2 June 2021	3 800
Non-controlling interest as at 31 December 2021	**0**

Note 25. Revenue

Segment revenue (Note 6)

in thousands of euros	2021	2020
Revenue from contracts with customers		
Revenue from sale of real estate	40 616	11 479
Hotel operating revenue	1 951	1 672
Revenue from maintenance and other services	429	382
Total revenue from contracts with customers	**42 996**	**13 533**
Rental income	99	104
Total	**43 095**	**13 637**

Timing of revenue recognition		
in thousands of euros	**2021**	**2020**
At a point in time		
Revenue from sale of real estate	40 616	11 479
Hotel operating revenue	1 951	1 672
Revenue from other services	79	108
Total revenue recognised at a point in time	**42 646**	**13 259**
Over time		
Revenue from maintenance fees	350	274
Total revenue recognised over time	**350**	**274**
Rental income	99	104
Total	**43 095**	**13 637**

Revenue from discontinued operations is disclosed in Note 37.

Revenue from sale of real estate has increased by 254% compared to reference period due to completion of Ratsuri Houses in spring 2021 and beginning of sales of Kalaranna District apartments at the end of the year. Sales of available inventory have continued in Kliversala in Riga and in Šaltinių Namai in Vilnius. Revenue from hotel operations has increased by 17% compared to the previous reference period. Due to COVID-19 restrictions the hotel was closed form 2 November 2020 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. Most of the balance of 12.4 million euros of customer advances at the end of 2021 will be recognized as revenue from sale of real estate during 2022 (Note 18).

Note 26. Cost of sales

Split by activities

in thousands of euros	**2021**	**2020**
Cost of real estate sold	30 469	7 385
Cost of providing rental services	36	18
Cost of hotel operations	1807	1 852
Cost of maintenance and other services	207	169
Total	**32 519**	**9 424**

Split by type

in thousands of euros	**2021**	**2020**
Personnel expenses	520	707
Depreciation charge	205	208
Other	31 794	8 509
Incl. cost of real estate sold	*29 916*	*7 118*
Incl. maintenance services purchased	*638*	*547*
Incl. supplies costs	*754*	*606*
Incl. commissions and service fees	*481*	*195*
Incl. other	*5*	*43*
Total	**32 519**	**9 424**

Cost of sales from discontinued operations is disclosed in Note 37.

Cost of real estate sold has increased in proportion to the revenues from sale of real estate (Note 25).

Note 27. Marketing and administration expenses

Marketing expenses

in thousands of euros	**2021**	**2020**
Personnel expenses	215	326
Other	287	284
Total	**502**	**610**

Administration expenses

in thousands of euros	**2021**	**2020**
Personnel expenses	3 563	2 811
Depreciation charge	126	128
Allowance for doubtful debt	505	0
Land and real estate taxes	334	391
Other	1 064	1 042
Total	**5 592**	**4 372**

As at the end of 2021 the number of employees in the Group was 67 (2020: 84) and total personnel cost (included in direct, marketing and administrative costs) in 2021 were 3.6 million euros comparing to 2.8 million euros in 2020. Personnel expenses were influenced by one time severance payment to the former CEO.

Note 28. Other operating income and expenses

Other income

in thousands of euros	**2021**	**2020**
Fines collected	6	0
Profit from sale of investment property (Note 13)	1 092	0
Net gain from fair value adjustments	5 540	3 508
Incl. from investment property (Note 13)	*5 484*	*3 487*
Gain from derecognition of subsidiary (Note 37)	27 747	0
Other	1 230	357
Total	**35 615**	**3 865**

Other expenses

in thousands of euros	**2021**	**2020**
Fines and penalties paid	21	0
Net loss from fair value adjustments	0	602
Incl. from investment property (Note 13)	*0*	*602*
Other	256	-6
Total	**277**	**605**

In 2021 the investment properties were valued 5.5 million euros higher resulting a gain from fair value adjustments. Gain from derecognition of subsidiary is the net result from positive effect of derecognition of negative net assets of subsidiary and written off receivables from the subsidiaey. Other income includes non-refundable state aid received by our German hotel in the amount of 1 million (2020: 351 thousand) euros in relation to COVID-19 pandemic.

Note 29. Finance income and cost

Finance income

in thousands of euros	**2021**	**2020**
Interest income	6	4
Total	**6**	**4**

Finance cost

in thousands of euros	2021	2020
Interest expenses:	5 945	5 386
Interest expenses of the bonds	*3 724*	*3 804*
Interest expenses of loans and overdrafts	*2 221*	*1 582*
Loss from foreign currency translation	0	1
Other financial expenses	19	33
Total	**5 964**	**5 420**

Bond interest conditions are described in Note 20.

Note 30. Income tax

Rates of statutory corporate income tax	2021	2020
Estonia	20%	20%
Latvia	20%	20%
Lithuania	15%	15%
Germany	15%	15%

According to Income Tax Acts in Estonia and Latvia net profit is not taxed until distribution.

Income tax expense in unconsolidated reports

2020 in thousands of euros	Estonia	Latvia	Lithuania	Germany	Total
Profit/ loss before taxation (unconsolidated)	-61 028	-627	2 896	-341	-59 100
Income tax, statutory rate	0	0	434	0	434
Non-deductible expenses	0	0	25	0	25
Non-taxable income and tax incentive	0	0	-25	0	-25
Tax loss utilised	0	0	-54	0	-54
Reversals	0	0	0	0	0
Total income tax expense	**0**	**0**	**381**	**0**	**381**
Effective income tax rate	**0%**	**0%**	**13%**	**0%**	**1%**

2021 in thousands of euros	Estonia	Latvia	Lithuania	Germany	Total
Profit/ loss before taxation (unconsolidated)	33 544	308	-60	641	34 433
Income tax, statutory rate	0	0	-9	0	-9
Non-deductible expenses	0	0	5	0	5
Non-taxable income and tax incentive	0	0	-5	0	-5
Tax loss utilised	0	0	0	0	0
Reversals	0	0	0	0	0
Total income tax expense	**0**	**0**	**-9**	**0**	**-9**
Effective income tax rate	**0%**	**0%**	**15%**	**0%**	**0%**

Income tax expense in consolidated report

in thousands of euros	2021	2020
Profit/loss before income tax	29 747	-59 102
Estimated income tax respective to the tax rates	-37	-178
Adjustments to estimated income tax:		
Income tax, statutory rate	-9	434
Non-deductible expenses (+)	5	25
Non-taxable income and tax incentive	-5	-25
Tax loss utilised	0	-54
Income tax expense	**-46**	**203**
Including tax expense in continuing operations	**-46**	**203**
Effective tax rate	N/A	N/A
Income tax expense	27	532
Deferred income tax expense	-37	-178
Total effect on income statement	**-10**	**354**
Income tax paid	323	815

Deferred income tax asset and liability (net) movements

in thousands of euros	Accelerated tax depreciation	Deferred development cost	Revaluation of assets	Deferred tax losses	Total
01.01.2020	**0**	**918**	**430**	**0**	**1 348**
Effect on income statement:					
Income tax expenses and reclaims of the reporting period	0	-178	0	0	-178
31.12.2020	**0**	**740**	**430**	**0**	**1 170**
Effect on income statement:					
Income tax expenses and reclaims of the reporting period	0	-37	0	0	-37
31.12.2021	**0**	**703**	**430**	**0**	**1 133**

Deferred income tax balances

in thousands of euros	31.12.2021	31.12.2020
Deferred income tax liability (+)	1 133	1 170
Total, net	**1 133**	**1 170**

Contingent corporate income tax

The Group's retained earnings and maximum possible amount of corporate income tax (CIT) obligation were as follows:

in thousands of euros	31.12.2021	31.12.2020
Group's retained earnings	26 773	-8 031
Estonian tax rate applicable	20%	20%
Contingent CIT obligation	**5 355**	**0**
Maximum net dividend	**21 418**	**0**

The calculation of maximum possible income tax liability is based on the assumption that the sum of distributable net dividends and the income tax expense which occurs on distribution of dividends cannot exceed total retained earnings as at 31 December 2021 and 31 December 2020.

The Company has received dividends from its subsidiary Pro Kapital Latvia PJSC, which is the resident and taxable person in the Republic of Latvia. As at 31 December 2021 the Company has potential opportunity (in case of retained earnings) to pay dividends that are not taxable with income tax in amount of 44.2 million euros (31 December 2020: 44.2 million euros). The Company has also the potential opportunity to distribute paid in capital in the total amount of 78.4 million euros without income tax applied. The total maximum possible income tax free amount that could be considered as contingent asset and could be paid as net dividends is 30.7 million euros.

Note 31. Earnings per share

Earnings per share are calculated by dividing the net profit/ loss for the period with the weighted average number of shares in the period:

Average number of shares:

For the period	01.01.2021-31.12.2021	(56 687 954 x 366/366)	=56 687 954
For the period	01.01.2020-31.12.2020	(56 687 954 x 365/365)	=56 687 954

Indicative earnings per share from continuing operations:

2021	33 872 thousand euros/ 56 687 954=0.60 euros
2020	-3 279 thousand euros/ 56 687 954 = -0.06 euros

Indicative earnings per share from discontinued operations:

2021	-4 115 thousand euros/56 687 954=-0.07 euros
2020	-56 177 thousand euros/56 687 954=-0.99 euros

Note 32. Transactions and balances with related parties

Balances and transactions between a parent and its subsidiaries have been eliminated within consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below.

Transactions with related parties are considered to be transactions with shareholders, members of the Supervisory Council and the Management Board (defined as "key management"), their immediate families and the companies in which they hold control or have significant influence.

Transactions with related parties

in thousands of euros	2021	2020
Significant owners and owner related companies		
Sales of goods/ services	13	144
Loans received	0	100
Interest expenses incurred	8	4
Minority shareholders		
Interest expenses incurred	10	37
Other shareholders/ bondholders		
Interest expenses incurred	912	754
Redemption of non-convertible bonds	337	100
Interest payments	746	789
Members of the Management Board and Council		
Salaries and bonuses paid to management*	1 733	915
Purchase of goods/ services	161	19

**Including remuneration paid to supervisory council and management board members of all subsidiaries, not only Group management remuneration as stated in the Management Remuneration Report.*

The Company is disclosing information about redemption, interest calculations/ payments for convertible bonds as most of the bondholders are shareholders of the Company as well.

No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

The Group has provided loans to related parties within consolidation group at rates comparable to the average commercial rate of interest. The loans to related parties have no collaterals.

Payables to related parties

in thousands of euros	31.12.2021	31.12.2020
Long-term payables		
To significant owner related company	0	104
To minority shareholders	0	547
Total	**0**	**651**

Long-term payables at the end of 2020 included loan and interest balances owed to minority shareholders of AS Tallinna Moekombinaat. Due to loss of control on 2 June 2021 the subsidiary was derecognised from consolidated financial statements.

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

Holdings in the Company	31.12.2021	31.12.2020
Significant owner and owner related companies	49.59%	45.99%
Members of the Council and individuals related them	0.05%	0.08%
Members of the Board and individuals related them	0.50%	0.50%

Mr Emmanuele Bozzone, member of the Supervisory Council, with his affiliates holds 357 000 unsecured, fixed rate nonconvertible bonds of the Company with the nominal value of 2.80 euros each, i.e. 999 600 euros in total.

Note 33. Risk management

The business of the Group involves business risk and several financial risks: market risk (interest and currency risk), credit risk and liquidity risk. It is aimed to minimize the negative impact of these risks to the Group's financial results with the risk management. The main purpose of the risk management is to assure the retention of Group's equity and to carry Group activities as a going concern.

Financial risks

Financial assets

in thousands of euros	31.12.2021	31.12.2020
Cash and bank balances	9 626	9 393
Current receivables	802	1 797
Non-current receivables	21	3 517
Total	**10 449**	**14 707**

Financial assets include cash and bank balances and short-term and long-term receivables.

Financial liabilities

in thousands of euros	31.12.2021	31.12.2020
Current debt	3 955	107 581
Current payables	7 297	22 211
Non-current debt	46 455	27 255
Non-current payables	20	2 295
Total	**57 727**	**159 342**

Financial liabilities include loans, convertible and non-convertible bonds, payables to suppliers. Financial liabilities of the Group belong to category 'other financial liabilities at amortised cost'.

Interest risk

Interest risk is reffering to potentially higher financing costs due to possible change of interest rate. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Main interest risk rises from loans of the Group. In general, the interest rates of loans raised by the entities belonging to Group are fixed through Euribor plus a risk margin. Interest risk appears from Euribor and the volatility of the average market interest rates which affect the Group's interest expenses.

The breakdown of interest-bearing financial debt is as follows:

in thousands of euros	31.12.2021	31.12.2020
Fixed rate liabilities	41 801	114 346
Variable rate liabilities (1-12 months)	0	3 102
Variable rate liabilities (12+ months)	8 610	17 388

The management does not expect significant changes in base interest rates as those have shown stability and interest rates remain low.

Cash in banks also bear interest risk, especially due to negative rates and possible flooring. As at 31 December 2021 the Group had 9.6 million euros on bank accounts (31 December 2020: 9.4 million euros).

Currency risk

Currency risk is a form of risk that arises from the change in price of one currency against another. Entities belonging to the Group perform transactions in currency applicable in the resident country, currency risk arises in case of exchange currency transactions, which are performed with currencies not related to euro. To ground the currency risk, all the relevant contracts in the Group are signed in Euro or in currencies related to euro. Thus, the main currency risk is related with devaluation of currencies related to euro, against which the Group is not protected.

Due to the fact that Group's liabilities are all in euro and majority of Group's income comes from euro-based contracts, the Group's management estimates that it has limited exposure to foreign currency risk.

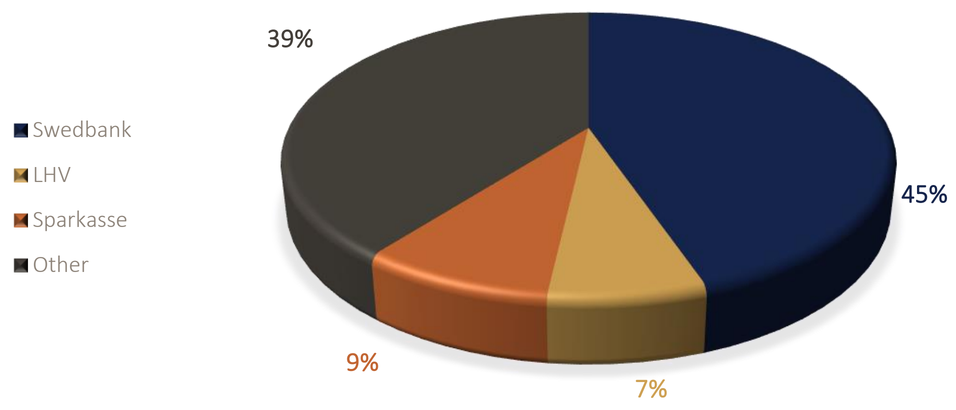
Credit risk

The Credit risk expresses potential loss that occurs, when counterparty does not fulfil their contractual obligations to the Group resulting in financial loss.

In general, the sales of real estate are secured with clients' prepayments. In case of sales of the real estate under the instalment, the creditworthiness of each client is analysed separately. The ownership of the sales object belongs to the Group entities until the client has settled all debt. In extremely rare cases it may happen that the ownership is transferred to the buyer prior to final settlement. In this case a mortgage is set in favour of the Group entity to secure the debt. There were no such cases in 2021.

For rental, hotel and maintenance businesses the payment discipline of the customers is consistently followed and dealt with for mitigating the credit risk. Credit evaluations are performed and prepayments are requested for, where appropriate. The highest risk of credit losses was related to rental activities since the opening of T1 Mall of Tallinn shopping centre at the end of 2018. Due to derecognition of the subsidiary on 2 June 2021 the Group is no longer exposed to credit losses risk related to rental activities.

Also, cash accounts with the banks are subjects to the credit risk. The Group has narrowed the risk by having its assets in different high ratings assigned banks. Currently the Group is holding assets in the following banks: LHV, Swedbank, Luminor, Nordea, Kölner Banken and Sparkasse. Cash on accounts in the banks as at 31 December 2021 was distributed as follows:



Liquidity risk

Liquidity risk expresses the potential risk that if the Group's financial condition will change, the Group's ability to settle its liabilities on time will degrade. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by constantly monitoring cash flow forecasts and actual cash balances, and by matching the maturity profiles of financial assets and liabilities. As at 31 December 2021 the working capital of the Group's is positive and the current assets portion of short-term liabilities is 2,7 (as at 31 December 2020: 0.6). The current liabilities described below for comparative period of 2020 include the loan of AS Tallinna Moekombinaat, which became permanently insolvent, in amount of 75.4 million euros and interests until the due date in amount of 22.5 million euros.

Financial liabilities of the Group by due dates:

in thousands of euros	31.12.2021	Repayment of liabilities Within 1 year	Within 2-5 years	After 5 years	31.12.2020	Repayment of liabilities Within 1 year	Within 2-5 years	After 5 years
Loans	14 189	4 862	8 774	553	121 882	101 915	19 399	568
Lease liabilities	219	122	97	0	417	185	232	0
Other loans	0	0	0	0	977	0	114	863
Convertible bonds	212	212	0	0	1 606	1 394	212	0
Non-convertibles	11 882	775	11 107	0	11 627	697	10 929	0
Secured bonds	32 202	2 280	29 922	0	30 780	30 780	0	0
Trade payables	1 498	1 498	0	0	7 069	7 069	0	0
Other debt	18 394	17 193	1 201	0	12 432	8 785	3 647	0
Total	**78 596**	**26 942**	**51 102**	**553**	**186 789**	**150 826**	**34 533**	**1 430**

Financial liabilities carrying interests include accumulated interest amounts until repayment.

Short-term liabilities of the Group (loans and bonds) by due dates:

in thousands of euros	31.12.2021	Repayment of liabilities Within 1 month	2-3 months	4-12 months	31.12.2020	Repayment of liabilities Within 1 month	2-3 months	4-12 months
Loans	4 862	0	0	4 862	101 915	0	0	101 915
Lease liabilities	122	10	20	92	185	15	31	139
Convertible bonds	212	38	0	174	1 394	44	69	1 281
Non-convertibles	775	387	0	387	697	349	0	349
Secured bonds	2 280	0	1 140	1 140	30 780	28 500	1 140	1 140
Total	**8 251**	**435**	**1 160**	**6 656**	**134 971**	**28 908**	**1 240**	**104 824**

Financial liabilities carrying interests include accumulated interest amounts until repayment. Interest bearing liabilities have decreased significantly due to derecognition of the subsidiary AS Tallinna Moekombinaat on 2 June 2021.

Fair value

Based on the estimates of the Group's management, book value of the financial assets and liabilities does not differ significantly from their fair value.

Fair value of interest-bearing receivables and liabilities is not considered to be significantly different from their book value, because the interest rates fixed by the contracts underlying the corresponding receivables and liabilities do not significantly differ from the effective market interest rates.

Capital risk management

The purpose of capital risk management is to provide the Group's sustainability and to ensure profit for the shareholders through optimal structure of capital. The Group uses debt and equity instruments for financing business activities and it monitors percentage of equity to total assets in designing its financial structure and in assessment of risk.

	31.12.2021	31.12.2020
Equity to total assets	36.9%	5.3%
Debt to total assets	63.1%	94.7%
Long-term debt to total assets	41.1%	17.3%

The Group strives to pursue conservative financing policy. The goal is to use external financing so as to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. The Group seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Group's credit standing.

Long-term financing is planned and obtained on project-by-project basis. Prior to application for external finance a company constructs budget for the project in question, performs sensitivity analysis. When applying for external financing, company carefully considers the effect such additional financing may have on its debt/equity ratio, gearing ratio and NPV of the project. Additional borrowing conditions in face of loan/financial covenants, as well as interest rate risks are taken into consideration. If any special conditions are set in external financing agreement (rental income, ratio of rented/vacant space, etc.), company seeks to meet them yet before the agreement is signed. Generally, the Group's policy is to finance its assets and operating requirements in the currency of the country/currency zone concerned, in order to create a natural hedge and avoid any currency risk.

Long-term partners are preferred for external financing, given their offers are most favourable. Long-term loans are to be approved by the Company's Council prior to the assumption of loan obligations. Short term overdrafts may be used to smooth out the seasonality of company's business and to maintain cash balances that are adequate for operating levels. Short term financing partners are usually those through whom everyday banking operations of a company are carried out.

Estonian Commercial Code §301 establish a restriction to the level of mandatory equity level: total equity shall not be less than ½ of registered share capital. Under the Estonian Accounting Act such a compliance assessment is made based on the adjusted unconsolidated equity of the Company. The adjusted unconsolidated equity equals unconsolidated equity of the Company less book values of investments into subsidiaries measured at cost less impairment plus the amount of investments into subsidiaries measured under the equity method of accounting. As disclosed in Note 35 to these consolidated financial statements, the Company has been in compliance with such an equity restriction as at 31 December 2021 and 31 December 2020.

Note 34. Lawsuits

As at 31 December 2020, AS Pro Kapital Eesti had two interlinked administrative court cases in progress. In the first court case, the company is requesting nullification of a decision of the Land Board whereby a cadastral unit located at Kalasadama 3, Tallinn, with 100% purpose of land under water bodies was not registered. On 27 March 2020, the Tallinn District Court decided in favour of AS Pro Kapital Eesti and ruled that the Land Board should make a new decision or, then, should invalidate its original 30 April 1999 decision from the privatisation era. On 27 April 2020 the Land Board appealed the District Court’s decision to the Supreme Court, which has accepted the appeal and granted AS Pro Kapital Eesti the right of response. The company has responded on time on 6 October 2020. On 24 March 2021, the Supreme Court issued its judgment, upholding Land Board’s view and denying AS Pro Kapital Eesti’s claim. 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, 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.

Note 35. Going concern

According to terms and conditions of secured bonds, the Company has to meet maintenance test, which requires equity to assets ratio to be higher than 35%. Due to the adjusting event of insolvency of the subsidiary in 2021, the equity ratio fell to 32.4% as at 31 December 2020. Investors provided a waiver to give the Company time to reach the necessary ratio as at the end of 2021. On 31 December 2021 the equity ratio was 36.9%.

Taking into consideration the results of the reporting year, the management assesses that the Company is a going concern. The Company has enough assets to meet its liabilities.

Note 36. Supplementary disclosures on the parent

The financial information of the parent comprises separate primary statements of the Company (statement of financial position, statement of income, statement of cash flows and statement of changes in equity), the disclosure of which is required by the Estonian Accounting Act. The primary financial statements of the parent have been prepared using the same accounting methods and measurement bases as those used for the preparation of the consolidated financial statements, except for subsidiaries which are reported at cost in the separate primary financial statements of the parent.

Statement of financial position

in thousands of euros	31.12.2021	31.12.2020
ASSETS		
Current assets		
Cash and cash equivalents	848	182
Current receivables	6 148	5 972
Total current assets	**6 996**	**6 154**
Non-current assets		
Investments in subsidiaries	29 165	29 165
Non-current receivables	16 953	16 128
Intangible assets	5	10
Total non-current assets	**46 123**	**45 303**
TOTAL ASSETS	**53 119**	**51 457**
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	36 451	62 452
Current payables	2 445	1 711
Tax liabilities	55	52
Total current liabilities	**38 951**	**64 215**
Non-current liabilities		
Long-term debt	37 248	8 484
Non-current payables	57 650	51 489
Other non-current payables	33	48
Total non-current liabilities	**94 931**	**60 021**
Total liabilities	**133 882**	**124 236**
Equity		
Share capital in nominal value	11 338	11 338
Share premium	5 661	5 661
Statutory reserve	1 134	1 134
Accumulated losses	-98 896	-90 912
Total equity	**-80 763**	**-72 779**
TOTAL LIABILITIES AND EQUITY	**53 119**	**51 457**

Statement of income

in thousands of euros	2021	2020
Operating income		
Revenue	749	736
Gross profit	**749**	**736**
Marketing expenses	-6	-8
Administration expenses	-2 742	-2 120
Other operating income	0	22
Other operating expenses	-21	0
Operating loss	**-2 020**	**-1 370**
Finance income and cost		
Interest income	575	559
Interest expense	-6 509	-6 445
Other finance income and cost	-30	-30
Loss for the year	**-7 984**	**-7 286**

Statement of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Retained earnings	Loss for the year	Total equity
01.01.2020	11 338	5 661	1 134	-77 230	-6 396	-65 493
Result of the financial year	0	0	0	0	-7 286	-7 286
Total comprehensive income	**0**	**0**	**0**	**0**	**-7 286**	**-7 286**
Allocation of net loss	0	0	0	-6 396	6 396	0
31.12.2020	11 338	5 661	1 134	-83 626	-7 286	-72 779
Cost of subsidiaries' shares	X	X	X	X	X	-29 165
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	111 515
Adjusted unconsolidated equity 31.12.2020	**11 338**	**5 661**	**1 134**	**X**	**X**	**9 571**
Result of the financial year	0	0	0	0	-7 984	-7 984
Total comprehensive income	**0**	**0**	**0**	**0**	**-7 984**	**-7 984**
Allocation of net loss	0	0	0	-7 286	7 286	0
31.12.2021	11 338	5 661	1 134	-90 912	-7 984	-80 763
Cost of subsidiaries' shares	X	X	X	X	X	-29 165
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	152 771
Adjusted unconsolidated equity 31.12.2021	**X**	**X**	**X**	**X**	**X**	**42 843**

Statement of cash flows

in thousands of euros	2021	2020
Cash flows from operating activities		
Loss for the year	-7 984	-7 286
Adjustments for:		
Amortisation of intangible assets	5	5
Finance income and costs	5 963	5 916
Change in foreign currency translation	1	1
Change in receivables and prepayments	-37	371
Change in liabilities and prepayments	575	196
Change in provisions	-15	38
Cash flow used in operating activities	**-1 492**	**-759**
Cash flows from investing activities		
Loans granted	-740	-654
Repayments of loans granted	350	1 658
Interest received	0	3 473
Cash flows used in/ generated by investing activities	**-390**	**4 477**
Cash flows from financing activities		
Bonds issued	0	28500
Convertible bonds redeemed	-337	-33
Non-convertible bonds redeemed	0	-28 000
Proceeds from borrowings	6 108	481
Repayments of borrowings	0	-501
Interests paid	-3 223	-4 375
Cash flows generated by financing activities	**2 548**	**-3 928**
Net change in cash and cash equivalents	**666**	**-210**
Cash and cash equivalents at the beginning of the year	182	392
Cash and cash equivalents at the end of the year	848	182

Note 37. Discontinued operations

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. Based on experts' opinions the court should have decided on the approval of the reorganization plan. On 14 August 2020 the county court made a new ruling in the matter and terminated the reorganization proceedings because it had established that AS Tallinna Moekombinaat is allegedly permanently insolvent. AS Tallinna Moekombinaat disagreed with the views expressed in the county court ruling and disputed the termination of the reorganisation proceedings. On 29 January 2021 the country court issued a ruling, which decided not to satisfy the appeals of AS Tallinna Moekombinaat (TMK) and its three creditors - Elkoral OÜ, OÜ Kristiine KVH and AS Merko Ehitus Eesti - against the ruling in which Harju County Court decided to terminate the reorganization proceedings. AS Tallinna Moekombinaat filed an appeal to the Supreme Court of Estonia. On 26 April 2021 the the Supreme Court decided not to take AS Tallinna Moekombinaat's appeal into proceedings. Without the reorganisation proceedings AS Tallinna Moekombinaat was not capable of fulfilling its obligations and become permanently insolvent. On 2 June 2021 Harju County Court declared bankruptcy of AS Tallinna Moekombinaat and the Group lost control over this 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.

As net assets of the subsidiary at the time of derecognition were negative, after loss of control, the Group considers the fair value of the financial asset as 0.

Statement of financial position

in thousands of euros	02.06.2021	31.12.2020
DISCONTINUED OPERATIONS		
ASSETS		
Current assets		
Cash and cash equivalents	182	192
Current receivables	432	583
Inventories	51	52
Total current assets	**666**	**827**
Non-current assets		
Non-current receivables	3 823	4 053
Property, plant and equipment	40	55
Investment property	62 813	62 790
Intangible assets	12	11
Total non-current assets	**66 689**	**66 909**
TOTAL ASSETS	**67 354**	**67 736**
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	75 381	75 404
Other short-term liabilities	2 408	2 112
Customer advances	1	0
Current payables	20 684	17 395
Tax liabilities	41	52
Total current liabilities	**98 514**	**94 963**
Non-current liabilities		
Long-term debt	8	8
Non-current payables	24 944	24 712
Long-term provisions	68	119
Total non-current liabilities	**25 020**	**24 838**
Total liabilities	**123 534**	**119 802**
Net assets directly associated with discontinued operations	**-57 322**	**-52 066**
Equity		
Share capital in nominal value	12 829	12 829
Share premium	1 541	1 541
Statutory reserve	855	855
Accumulated losses	-71 405	-67 291
Total equity	**-56 180**	**-52 066**
TOTAL LIABILITIES AND EQUITY	**67 354**	**67 736**

Statement of income

in thousands of euros	2021	2020
DISCONTINUED OPERATIONS		
Operating income		
Revenue	1 735	5 597
Cost of sales	-887	-3 035
Gross profit	**848**	**2 562**
Marketing expenses	-1	-11
Administration expenses	-415	-1 782
Other operating income	60	94
Other operating expenses	-185	-46 462
Operating profit/ loss	**307**	**-45 599**
Interest income	0	0
Finance cost	-4 422	-10 578
Profit/ loss before income tax	**-4 115**	**-56 177**
Income tax	0	0
Profit/ loss from discontinued operations	**-4 115**	**-56 177**
Earnings per share		
From discontinued operations		
Basic (euros per share)	-0.07	-0.99

Statement of cash flows

in thousands of euros	2021	2020
DISCONTINUED OPERATIONS		
Cash flows from operating activities		
Loss for the year	-4 115	-56 177
Adjustments for:		
Amortisation of intangible assets	15	42
Change in disposal of PPE	0	8
Change from fair value of investment proprety	0	46 007
Finance income and costs	4 993	10 961
Other non-monetary changes	1 543	0
Change in receivables and prepayments	4 069	-1 371
Change in liabilities and prepayments	-5 829	380
Change in inventories	52	-2
Change in provisions	-119	18
Cash flow used in operating activities	**609**	**-134**
Cash flows from investing activities		
Additions to PPE	0	-10
Payments for intangible assets	-1	0
Payments for investment property	-23	-157
Cash flows used in/ generated by investing activities	**-25**	**-167**
Cash flows from financing activities		
Proceeds from borrowings	0	391
Payments for lease obligations	-23	-13
Interests paid	-572	-3
Cash flows generated by financing activities	**-594**	**375**
Net change in cash and cash equivalents	**-10**	**74**
Cash and cash equivalents at the beginning of the year	192	119
Cash and cash equivalents at the end of the year	182	192

The Group has recognised 27.7 million euros as profit from discontinued operations in its other operating income (Note 28), which includes the following: share capital of AS Tallinna Moekombinaat 12.8 million euros, share premium 1.5 million euros, reserves 855 thousand euros, retained loss 72.5 million euros, minority interest correction 3.5 million euros and written off loans to subsidiary 26 million euros.

Note 38. Subsequent events

Russia started a military conflict in Ukraine this February. Already recovering from COVID-19, the construction market is facing another setback – most of the steel had been delivered by Ukrainian, Russian and Belorussian markets and with the start of the war, accompanying economic sanctions and increase in prices have influenced the situation. Also, there are still problems with delivery of other construction and finishing materials. In our ongoing projects these problems are not significant because we are towards the end of the development process. However, the problems on construction market influence our future projects. Ukraine, Russia and Belorussia have been main providers for steel and other materials and it takes time for the suppliers to rearrange their sources and it will influence the prices. Today construction companies prefer to sign open end contracts or minimise their risks with higher margins. If construction prices for the new projects are not in corelation with the sales prices, we will have to postpone start of the new projects until the situation on market stabilises.

In Tallinn we are currently developing sea-side residential area of Kalaranna District in the City centre and Kristiine City close to the heart of Tallinn. The bank financing of the ongoing developments is secured and relevant presales agreements with the clients have been signed to guarantee the necessary proceeds to complete the works. We expect to finalise construction of Kalaranna Kvartal and Kindrali Houses within this year.

In Riga there is no ongoing construction and preparations are being made to start the new stage of development in Kliversala Quarter. Projecting is ongoing for the other two developments: in Tallinas and Brivibas streets. There is unsold inventory available in the River Breeze Residence, which is one of the high-end projects in the city. As the prices are in accordance with the luxury quality of the product, the sale of this project has been slower than in other projects already before the start of the pandemic. Though, there has been some interest towards the apartment sale in spite of the economic situation in the world.

In Vilnius we are planning to start construction of the next stage of Saltiniu Namai project.

Last years have 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 2020 and from November until June 2021. PK Parkhotel Kurhaus operating company received a long-term government support loan in amount of 500 000 euros on favourable conditions (Note 19) and non-refundable grants (Note 28). These funds have helped to support the period of uncertainty. Hotel has not laid off employees and hotel operator has received state support also for salary payments. We are adjusting plans according to the changes in the situation and restrictions imposed by the German Government.

Considering the start of new residential developments, AS Pro Kapital Grupp monitors the economic situation in all Baltic countries and in the world in general and if necessary, might postpone its development plans until the situation stabilizes. To secure health and wellbeing of our employees, clients and partners, the employees in our offices are working remotely if needed, however being available by e-mails and on the phone. We have reviewed and reduced our fixed and variable costs and plan to make adjustments to spending where appropriate in the future. Although the economies of the world have been severely hit by the current situation, the business model of AS Pro Kapital Grupp is having a long- term view. We are constantly reviewing our risks and we strive to minimize any external impact to enable AS Pro Kapital Grupp reach its targets.

The major shareholder of AS Pro Kapital Grupp has informed 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 26 April 2022 AS Pro Kapital Grupp signed a preliminary agreement with an intention to buy 100% of the shares of P.K. Sicily S.P.A. which owns and operates hotel Domina Zagarella Sicily. With the agreement AS Pro Kapital Grupp reserves its rights to buy 100% of the shares for 12 million euros. Financial and legal due diligence has been initiated.

Signatures of the Management Board and Supervisory Council

The Management Board of AS Pro Kapital Grupp has prepared the management report, the consolidated financial statements and the profit allocation proposal for 2021.

Edoardo Preatoni

Chairman of the Management Board *⁄digitally signed⁄*

Angelika Annus

Member of the Management Board *⁄digitally signed⁄*

The Supervisory Council has reviewed the consolidated annual report which consists of the management report and the consolidated financial statements prepared by the Management Board, and which also includes the auditor's report and the profit allocation proposal and approved it for presentation at the General Meeting of Shareholders.

Emanuele Bozzone *\/digitally signed/*

Chairman of the Supervisory Council

Petri Olkinuora *\/digitally signed/*

Member of the Supervisory Council

Oscar Crameri *\/digitally signed/*

Member of the Supervisory Council

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
Faks.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/et_ee

Äriregistri kood 10877299
KMKR: EE 100770654

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Estonia
Phone.: +372 611 4610
Fax.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/en_ee

Code of legal entity 10877299
VAT payer code EE 100770654

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Pro Kapital Grupp

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AS Pro Kapital Grupp and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. We have determined the matters described below to be the key audit matters to be communicated in our report. The matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on the matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key Audit Matter	*How our audit addressed the key audit matter*
Valuation of investment properties As at 31 December 2021 the carrying value of the Group's investment properties accounted at fair value is 40.7 mln EUR, which constitutes 35% of the Group's total assets. These investment properties are stated at their fair values based on independent external valuations. The estimation of the fair value of investment properties requires a high level of judgment. This is due to factors including the individual nature of each property, as well as the specific location and the outlook of each property. A relatively minor adjustment in the assumptions in the valuations of each individual property can lead to a material difference in the financial statements. Due to the size of these assets relative to the balance sheet total and given the significant estimation uncertainty associated with the valuation of these assets we have considered the valuation of investment properties as a key audit matter.	*Our audit procedures included, among others the following:* ▸ We obtained an understanding of the management's investment properties valuation process (including assumptions and methods). ▸ We have involved our valuation specialists to assist the engagement team in the estimation of the fair value of investment properties to verify methodology and inputs applied in the valuation reports. ▸ We assessed the competency and independence of the professional valuers engaged by the Group's management. In addition, we performed substantive audit procedures to evaluate the accuracy of the property information provided to the appraisers by the Management, as well as verification of mathematical accuracy of the valuation models. ▸ Discussed the key assumptions and critical judgmental areas (such as WACC and GOP rates used, expected cash flows, etc.) with the professional valuers and understood the approaches taken by them in determining the valuation of each and every investment property of the Group; ▸ Due to the high level of judgment by the management in the valuation of investment properties and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. ▸ We assessed the values of sales prices and construction costs by benchmarking the inputs against specific market data. ▸ We reconciled the appraised value in the valuation reports with the amounts recorded. We also assessed the mathematical accuracy and the forecasts used in the valuation reports. ▸ We discussed with the management both COVID-19 and Russia's invasion in Ukraine and its impact on the market the Group is operating in, including any potential changes it brings to the value of investment properties. Finally, we considered the adequacy and completeness of the disclosures related to the estimations of the fair value of the investment property in the financial statements (Note 13).

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Key Audit Matter	*How our audit addressed the key audit matter*
Loss of control of AS Tallinna Moekombinaat As described in Notes 3, 4, 7 and 37 to the consolidated financial statements, on 2 June 2021 bankruptcy of AS Tallinna Moekombinaat (hereonafter "Subsidiary") was declared by the court. As a result, the Group lost control over this subsidiary and it was derecognized from the Group since that date. AS Tallinna Moekombinaat was a material subsidiary for the Group and its derecognition required complex judgements made by the management such as timing of loss of control, as well as measurement and presentation of results of its financial effect on the Group's consolidated financial statements. Due to significance of this event to the Group' consolidated financial statements and its complexity, we consider this to be a key audit matter.	*Our audit procedures included, among others the following:* ► We reviewed the assessment made by the Group's management over de-recognition of AS Tallinna Moekombinaat and assessed its correctness. ► We have involved our IFRS specialist to assist the engagement team in the assessment of relevant IFRS requirements to be applied for the given transaction, including considerations in relation to loss of control and discontinued operations presentation. ► We assessed the time the Group lost control over its Subsidiary by considering the court's decision and legal opinion on the matter. ► We analyzed the value of investment measured at fair value the Group had after loss of control. The fair value was assessed to be zero. ► We assessed the recording of the Subsidiary's operations in the Group's consolidated financial statements. ► We considered legal analysis prepared by the management and management's internal and external legal advisors on the possibility of any legal obligations the Group might face due to the bankruptcy of the Subsidiary. ► We tested the impact of the de-recognition of the Subsidiary, by inspecting the data included in calculations and re-performing the calculations to evaluate mathematical correctness. Finally, we considered the adequacy of the disclosures in the consolidated financial statements in this area presented in Notes 3, 4, 7 and 37.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed a qualified opinion on them on 11 June 2021 as the auditor was unable to gain sufficient audit evidence in respect of the subsequent events disclosure included in those financial statements.

Other information

Other information consists of Corporate profile, Results for 2021, Chairman's summary, Management report, Corporate governance report, Management remuneration report and Management declaration, but does not consist of the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

Furthermore, in accordance with Securities Market Act of the Republic of Estonia we are required to consider whether the Remuneration Report is prepared in compliance with the requirements of Article 135^3 of the Securities Market Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion:

- the Management Report is consistent, in all material respects, with the consolidated financial statements;
- the Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia;
- the Remuneration Report is prepared in compliance with the requirements of Article 135^3 of the Securities Market Act of the Republic of Estonia.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to

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modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made on 7 July 2021 by the Annual General Meeting of shareholders we have been chosen to carry out the audit of Group's consolidated financial statements for the first time in 2021.

Consistency with Additional Report to Supervisory Board and Audit Committee

Our audit opinion on the annual consolidated financial statements expressed herein is consistent with the additional report to the Supervisory Board and Audit Committee of the Group, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit services

We confirm that in light of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council. In addition to statutory audit services, no other services were provided by us to the Group.

Report on the compliance of format of the consolidated financial statements with the requirements for European Single Electronic Reporting Format

Based on our agreement we have been engaged by the management of the Group to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the consolidated financial statements of the Group, including consolidated annual report for the year ended 31 December 2021 (the Single Electronic Reporting Format of the consolidated financial statements) contained in the file "asprokapitalgrupp-2021-12-31-en final.zip" (sha-256-checksum: 0820c72fde63eca94323ec8c73f20b98b9680cf8367f5d063076c8e43e5cc28b).

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Description of a subject and applicable criteria

The Single Electronic Reporting Format of the consolidated financial statements has been applied by the management of the Group to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Group is responsible for the application of the Single Electronic Reporting Format of the consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the "ISAE 3000 (R)"). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of Single Electronic Reporting Format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified;
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the consolidated financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

The responsible certified auditor on the audit resulting in this independent auditors' report is Olesia Abramova.

Tallinn, 21 May 2022

/signed digitally/

Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58

/signed digitally/

Kärt Viilup
Authorised Auditor's number 712

Profit allocation proposal

The Management Board of AS Pro Kapital Grupp proposes to distribute the profit of the year ended at 31 December 2021 in amount of 29 757 million euros to recover share premium, statutory reserve and the remaining amount into retained earnings.