

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR IV QUARTER AND 12 MONTHS OF 2023
(UNAUDITED)

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AS Pro Kapital Grupp in brief

AS Pro Kapital Grupp (hereinafter as “the Company” and/or “Pro Kapital”) is the leading real estate development company in the Baltics, with a commitment and passion for developing high quality, uniquely designed residential and commercial buildings. The Company was established in 1994, which makes Pro Kapital the first professional real estate development company in the Baltics with close to 30 years of experience. The key focus is on developing large-scale premium areas in the capitals of Baltic states – Tallinn, Riga and Vilnius, aimed at delivering maximum value for the stakeholders.

Pro Kapital has to date, successfully completed more than 300 thousand square meters of living and commercial premises. The Company is focused on delivering the highest quality. Forward looking business management is implemented through all operations across the value-chain, with inhouse competence. The Company can thereby ensure socially, economically and environmentally sustainable business growth.



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Management report

Key highlights

The total revenue of the Company in 2023 was 23 million euros compared to 66 million euros in the reference period. The total revenue of the fourth quarter was 3 million euros compared to 4 million euros in 2022.

The real estate sales revenues are recorded at the point of time when legal title is transferred to the buyer. Therefore, the revenues from sales of real estate depend on the construction cycle and the completion of the residential developments. In 2023 the real estate revenue decreased compared to previous year due to sales of completed houses of Kalaranna District and two buildings of Kindrali Houses development in 2022, both projects in Tallinn. While we have started the construction of Kalaranna last stage, the construction and delivery of units to clients won't happen until the end of 2024, when the revenues shall be recorded. **The gross profit** for 2023 has decreased by 59% amounting to 7 million euros compared to 17 million euros in 2022. The gross profit in the fourth quarter was 1 million euros compared to 754 thousand euros in comparative period.

The operating result in 2023 was 3 million euros profit comparing to 18 million euros profit during the same period in 2022. The operating result for fourth quarter was 1 million euros profit compared to 6 million euros profit in the fourth quarter of 2022.

The net result for the 2023 was 900 thousand euros loss, comparing to 13 million euros profit in the reference period. The net result of the fourth quarter was 125 thousand euros profit compared to 5 million euros profit in 2022.

Cash generated in operating activities during 2023 was 9 million euros comparing to 18 million euros during the same period in 2022. In the fourth quarter the cash used was 440 thousand euros compared to 2 million euros used in 2022.

Net assets per share on 31 December 2023 totalled to 0.96 euro compared to 0.98 euros on 31 December 2022.

Key performance indicators

	2023 12M	2022 12M	2023 Q4	2022 Q4
Revenue, th EUR	23 021	65 654	3 052	4 026
Gross profit, th EUR	7 028	16 965	1 028	754
Gross profit, %	31%	26%	34%	19%
Operating result, th EUR	2 963	17 657	1 296	5 666
Operating result, %	13%	27%	42%	141%
Net result, th EUR	-900	13 452	125	4 800
Net result, %	-4%	20%	4%	119%
Earnings per share, EUR	-0.02	0.24	0.00	0.08

	31.12.2023	31.12.2022
Total Assets, th EUR	107 237	101 256
Total Liabilities, th EUR	52 814	45 933
Total Equity, th EUR	54 423	55 323
Debt / Equity *	0.97	0.83
Return on Assets, % **	-0.08%	12.4%
Return on Equity, % ***	-1.5%	27.4%
Net asset value per share, EUR ****	0.96	0.98

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

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

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

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

Main events

On **24 January 2023** the Company announced about the decision to withdraw from the preliminary agreement of acquiring the hotel company PK Sicily in Italy.

On **18 April 2023** the Company announced that the next construction phase of the Kalaranna District has started. In this construction phase 4 new houses will be built on the plot of Kalaranna 8 with a total of 146 residential units and 4 business premises.

On **19 June 2023** the Shareholders of the Company approved the Audited Annual Report of the Company for the financial year of 2022 and elected Ernst & Young Baltic AS to be the auditor of the Company for the financial year of 2023. The Shareholders decided to prolong the term of office of Oscar Crameri as a member of the Supervisory Council until 5 July 2026 and elected Patrick Werner and Giovanni Bozzetti as members of Supervisory Council until 5 July 2026.

On **20 June 2023** the Company announced about its intentions to suggest the bondholders to change the terms and conditions of unsecured bonds. The proposal to the bondholders was to extend the bonds redemption term by 2+2 years.

On **24 July 2023** the Company announced about signing a preliminary agreement with an intention of buying 67.5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy). With this agreement the company reserves its rights to buy the shares and initiates due diligence.

On **20 August 2023** the Company announced about proposition to investors to extend the redemption date of the unsecured bonds with ISIN EE3300001676, redemption date 31 October 2024 and total value of 9 685 426.80 euros by 2+2 years.

On **30 August 2023** the Company announced about requesting the approval from holders of secured bonds ISIN SE0013801172 listed in Nasdaq Stockholm in order to enable a partial early redemption of the Company's outstanding unsecured non-convertible bonds listed in Nasdaq Tallinn with ISIN EE3300001676.

On **18 September 2023** the Company announced about obtained approval from holders of secured bonds with ISIN SE0013801172 for partial early redemption of the Company's outstanding unsecured non-convertible bonds with ISIN EE3300001676 in amount equal to maximum 15 percent of the total outstanding amount under, being approximately 1.45 million euros.

On **22 September 2023** the Company announced about changes to the issue terms of unsecured bonds with ISIN EE3300001676. Redemption date has been postponed by 2+2 years, i.e new redemption date is 31 October 2026 with the condition that the issuer may unilaterally postpone the redemption date by two years, i.e to 31 October 2028 by making a respective announcement via Nasdaq Tallinn by 30 September 2026 at the latest. The new interest rate of 9% shall be fixed starting from 1 November 2024. The issuer will redeem 15% of the denomination value of all the bonds on 31 October 2024.

On **1 November 2023** the Company announced about signing a preliminary agreement with an intention of buying 67% of the shares of Preatoni Nuda Proprieta S.R.L. With this agreement the Company reserved its rights to buy the shares and initiated due diligence.

On **23 November 2023** the Company announced about intention to present to the bondholders a proposal for extending the redemption date of 285 secured bonds with ISIN SE0012801172 by four years, until 20 February 2028.

On **30 November 2023** the Company announced about election of Oscar Crameri and Patrick Werner as members of the Audit Committee of AS Pro Kapital Grupp.

On **22 December 2023** the Company announced about initiating written procedure for its senior secured bonds 2020/2024 with ISIN SE0013801172.

On **30 December 2023** the Company announced about leaving of Angelika Annus from the position of Chief Financial Officer and nominating Ann-Kristin Kuusik to the position of Chief Financial Officer from 1 January 2024.

Chairman's summary

Real estate development

In Tallinn, the decision taken earlier in the year on starting the construction and sales of Kalaranna 8 last stage, has proven to be the right one. As a reminder, this last and final stage consists of 4 residential buildings with 146 apartments and 4 commercial units. Furthermore, the decision on taking on the construction management in-house has proven to be the right step. The general contractors to this date seem to be suffering from the consequences of pandemic and the war and their pricing is simply not competitive vis-à-vis smaller contractors that we are able to engage directly. To date we have bought out the excavation/retaining works, underground monolithic concrete works and some smaller jobs the consequence of which has resulted in considerable cost savings. In Q4 we continued the concrete works above ground. Aside from some minor contracts pertaining to ventilation and finishes, we signed all the major contracts in regards to the construction, and we can confidently confirm that our in-house project management model will result in significant cost savings.



Kalaranna District February 2024

We have currently sold 52 units out of 146, for a total sold area corresponding to 35,6% of the total inventory. No significant discounts were applied to our price list, making it even more impressive given that sales in Kalaranna represent on average the highest per square meter price ever achieved in Tallinn's residential market.

Within Kristiine City, we are actively advancing the design and permit procedures for the "Dunte" project located at Tondi Street 53. It is noteworthy that we have secured significant concessions from the State Landmark Preservation Committee. This includes the permission to expand the ground floor windows on the rear side of the facade into floor-to-ceiling openings. This adjustment enables us to craft more spacious residential units, to offer improved sunlight exposure and direct access to small private terraces.

Still in Kristiine City, we started to sign reservation agreements for our new project Uus-Kindrali, where the construction is expected to start in Spring 2024. The initial feedback from prospect buyers has been positive, with 31 reservations out of 91 total units. The reservations are converted into notarised pre-sale agreements starting from January 2024.

In Riga, our sales of the esteemed River Breeze Residence, recipient of the Baltics Prestige Award for its exceptional architecture, persist. Adding to the 9 sales which happened in the first 9 months of 2023, we have concluded 1 sale in Q4. 2023 has been the best year in terms of sales of inventory in River Breeze, and we expect the project to be sold out by end of 2024. Overall, we are witnessing an upward trajectory in the real estate segment in Riga, specifically in connection with our project.

We possess a building permit for the City Oasis residential quarter, comprising of approximately 330 apartments and spanning 32 500 square meters GBA, situated in Tallinas iela—a serene and verdant living environment in the heart of the city. We are poised to commence construction as soon as the market conditions align favourably for this extensive and ambitious undertaking.

In 2019 we completed five buildings in Šaltinių Namai Attico project in Vilnius with 115 apartments. Today we have only 3 apartments unsold, out of which one is a model unit. During Q2, we finalized the preparatory works for the start of construction the final phase with city villas (43 units) and a residential-commercial building. As of Q4, we have the excavation and piling works ongoing and we have an agreement with the construction project management company that oversees the construction process. The overall construction is planned to be completed by the end of 2025.

In Q4, we also initiated market outreach for the sales, presenting and securing reservations for about 25% of the upscale units within the City Villas project, affirming the demand for premium class units in Vilnius.

Despite the geopolitical situation, Vilnius market is active in the high-end segment, and we look forward to the next stage of our luxury development.

The Company has also expanded its land portfolio in Vilnius, purchasing a school building in Naugarduko street for the price of 6.3 million euros in 2022. The school will be converted into a high-end residential property located on a hill and opening to spectacular Vilnius Old Town views, consisting of ca 50 luxury apartments. An architectural competition was carried out for the purpose, and the winning studio has been in the process of designing and carrying out the building permit process with the city.

We are in the process of obtaining the building permit, and conditionally to this event we plan on starting the renovation works that will transform the building to a high-end residential project by the end of 2025.

Hotel operations

Following two challenging years that significantly impacted the global tourism sector due to the pandemic, there is now a notable resurgence in demand within the hotel industry.

In Bad Kreuznach, we have achieved a significant operational break-even point despite a considerable portion of the rooms being inaccessible to the public during ongoing renovations. A few years back, we successfully refurbished half of the rooms along with some common areas. The remaining room renovations concluded by the end of Q1 2023, resulting in the availability of the entire room inventory (116 units) for sale. We are already witnessing an increase in the Average Daily Rate, and there are promising trends indicating that we are surpassing the budgeted proforma.

During Q3, we observed a consistent upward trend with each month's actual performance exceeding the budget. Notably, in July, the hotel was awarded a 4-star rating, a development that is expected to further enhance our performance.

Q4 confirmed this positive trend and we can proudly say that the results of the hotel are beyond our expectations, thanks to the renovation works and the great team that is taking care of the management of this beloved asset of ours.

Other matters

On 20 September 2023 we have extended the terms of 9.7 million euros of unsecured bonds issue, with an original maturity date of 31 October 2024. The terms have been revised and, in order to motivate the bondholders on the extension, the interest rate has been increased to 9% from the previous agreed rate of 8%. This minimal increase, despite the changed landscape in the financial and bond markets in the past years, shows the great confidence that the market has in the solidity of our Company. The extension applies to 85% of the principal amount, whereas the remaining 15% will be paid back at the original maturity date of 31 October 2024. The extension is structured for 2 years with the possibility of prolonging it for an extra 2 years should the Company deem it necessary to do so.

As of the date of publishing this report, the Company has extended the terms of conditions of the 28.5 million euro secured bond issue. The Company has made in February, 2024 a partial repayment of 8.6 million Euros before the maturity and has extended the balance of the issue of 19.9 million euros until 20 February, 2028. From 21 February 2024 new interest rate for the bonds is 11% p.a. and the Company has the right to make partial or full repayment of the issue at any time without penalty.

OÜ PKE Treasury previously OÜ Ilmarise Kvartal established for real estate development (Ilmarise Kvartal development project in Põhja Tallinn) was restructured due to the completion and delivery of the aforementioned project. Through the restructuring, it was renamed from OÜ Ilmarise Kvartal to OÜ PKE Treasury.

The aim and purpose for such conversion was arising out of the need of AS Pro Kapital Grupp to manage its cashflows more efficiently within the Estonian group. As the core business of the Company is real estate development, it is imperative to accurately manage the equity investments into various projects across the group and OÜ PKE Treasury is specifically tasked with monitoring the development schedules of each project and to arrange for and provide sufficient funds needed by each project. OÜ PKE Treasury holds an office on lease within PKG headquarters and employs a Treasury Manager responsible for the abovementioned tasks.

As we conclude Q4, the real estate sector in the Baltic region has demonstrated commendable resilience throughout the ongoing challenges posed by the global macroeconomic climate and geopolitical unrest, notably stemming from the conflict in Ukraine. Despite these hurdles, there is a measured sense of optimism within our company, underpinned by the region's favourable economic positioning.

Estonia, Latvia, and Lithuania have experienced sustained economic growth, driven by factors such as increased foreign investment, the expansion of the service sector, and a focus on export-oriented manufacturing. The proximity to Northern Europe and EU membership continues to enhance trade and investment opportunities. While Q3 witnessed a slowdown in sales activity attributed to rising inflation and increased lending rates, the close of the quarter reveals encouraging signs of stabilization.

Acknowledging the challenges posed by the ever-changing global landscape, we are committed to a proactive and adaptive approach. Our confidence in advancing our project portfolio aligns with the region's positive economic indicators. Despite the ongoing supply chain challenges, material costs, and construction-related uncertainties, we remain resilient in our pursuit of meeting market expectations and delivering high-quality properties for the local community.

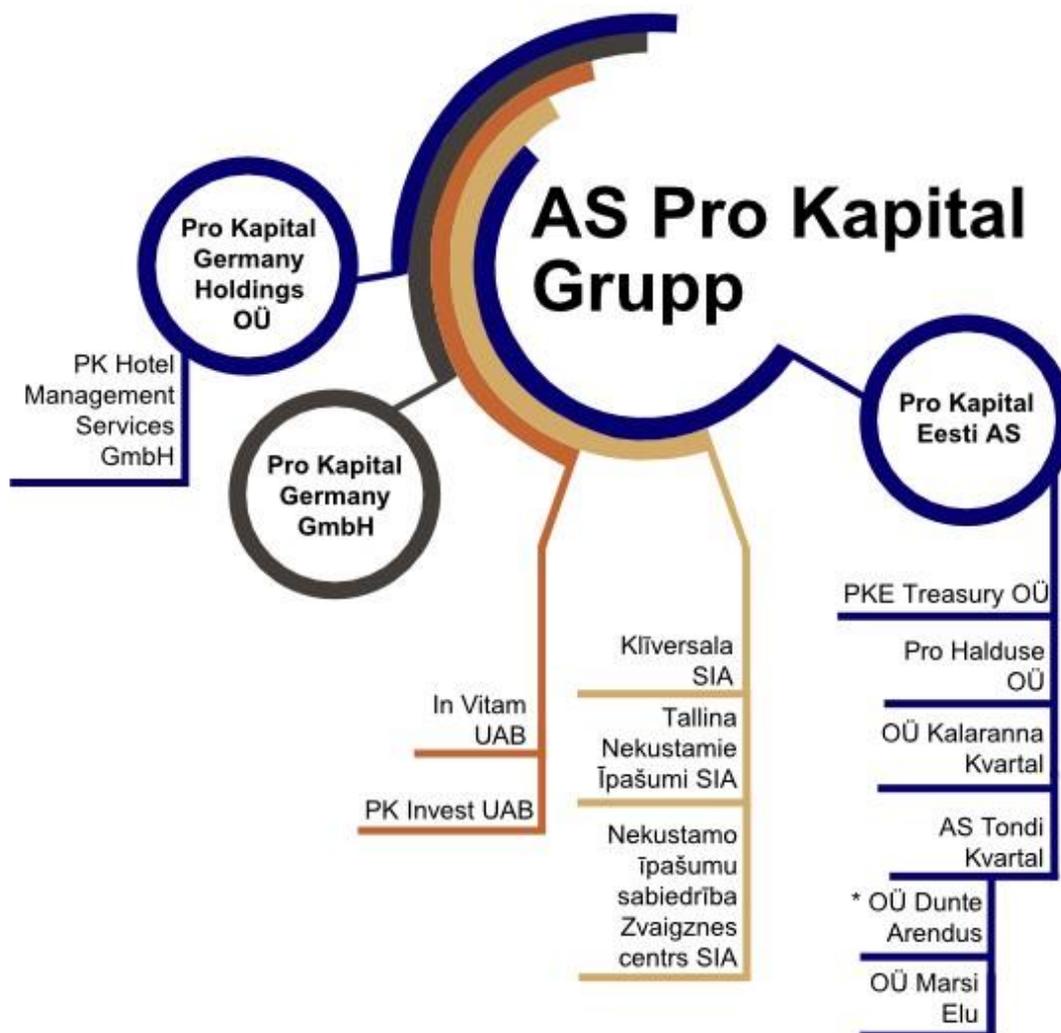
The Baltic region's economic fundamentals and the gradual alignment of salary increments with inflation rates contribute to a sense of market recovery. As we navigate the dynamic real estate sector, we continue to explore innovative strategies to anticipate future needs. Our commitment to staying ahead of the curve reflects our confidence in the region's potential and our readiness to capitalize on opportunities as they arise in this evolving global panorama.



Edoardo Preatoni
CEO
AS Pro Kapital Grupp
27 February 2024

Group structure

As at 31 December 2023



* OÜ Dunte Arendus was renamed Kindrali Majad OÜ in January 2024. Since the Group plans to begin a new development under this entity in Spring 2024.

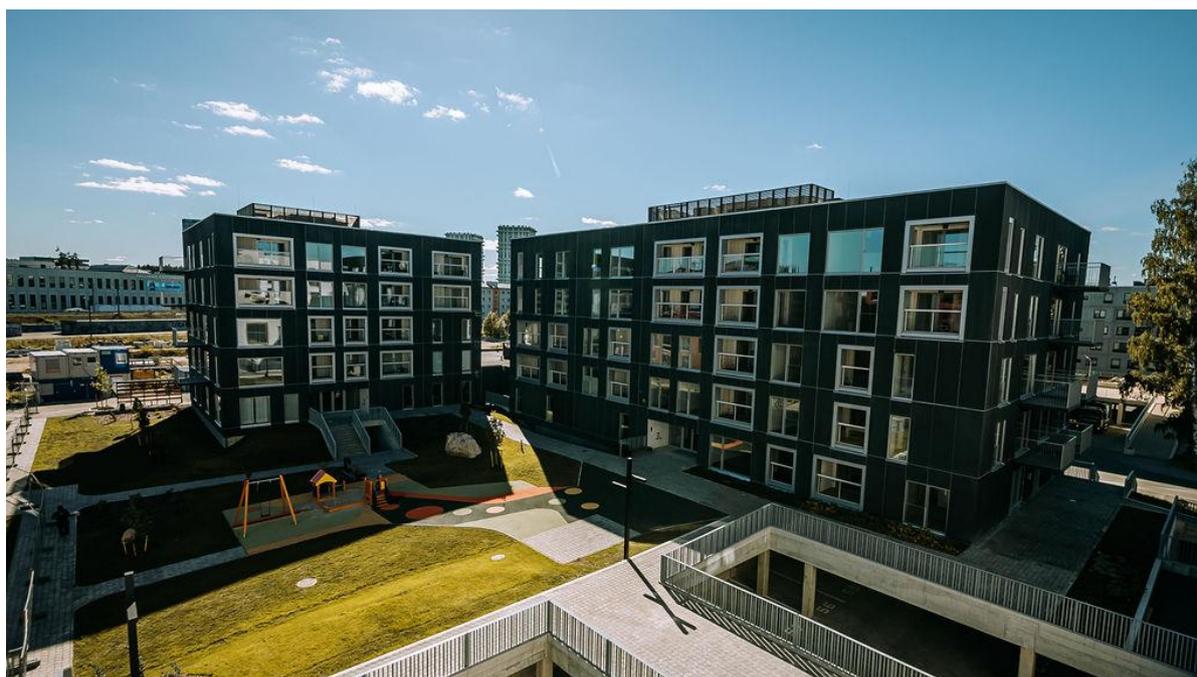
Overview of the development projects

Kristiine City in Tallinn

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

Kindrali Houses in Kristiine City

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



friends. Kindrali Houses project has been completed and last apartments were handed over to the homeowners during the reporting period except one, which serves as a showroom. In December 2023, we have started with reservations for the next stage of the project Uus-Kindrali.

Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. Located at Kalaranna 8, the development will have twelve 4-5 storey buildings on nearly six hectares. The area is being developed in two stages. An integral part of the residential quarter is well-thought-out landscape architecture and a beach promenade that largely preserves the existing natural environment. During the first phase of construction, eight buildings were completed with 239 apartments, commercial premises and an underground car park. The area includes the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. The construction of the next phase with 4 houses started in spring 2023. There are no apartments available for sale in the first stage of the development and the pre-sales of the next phase is ongoing. Kalaranna was nominated in the category of the "Best Development Project 2022" at Tallinn City Enterprise Centre's business awards competition.



Ülemiste 5, Tallinn

Ülemiste 5 will be developed for commercial use with gross leasable area of ca 14 thousand square meters. Located right next to Rail Baltica Ülemiste Terminal, this development project will play a significant role in establishing the new public transportation centre of Tallinn.

Kliversala in Riga

The district of Kliversala is located in the most picturesque and beautiful part of the centre of Riga. A land plot of almost five hectares in total, is located on the peninsula surrounded by the Daugava River and Agenskalna bay, facing the towers of Old Riga and the President Castle. The property will be developed as an integral residential quarter.



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

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

Brīvības Business Quarter in Riga

Commercial property development for modern office complex is located on the site of a former factory. The building permit has been issued.

The Company has taken the decision to sell this property as it is not in line with our core development direction, i.e. building residential properties. We started the marketing activities in 2023 and the goal is to close the sale within 2024.

City Oasis Quarter in Riga



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

Šaltinių Namai in Vilnius

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

landscape, this unique area has the first Italian courtyard garden in the city, designed by an Italian concept architect Gianmarco Cavagnino. To date we have completed five houses of the Šaltinių Namai | Attico project and have started the following construction phase with city villas and a commercial building in September 2023



Naugarduko 5 in Vilnius

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

Segments and sales information

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

Revenue structure of twelve months, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	12M	12M	12M	12M	12M	12M	12M	12M	12M	12M
Real estate	10 199	59 676	6 099	1 673	424	359	0	0	16 722	61 708
Rent	0	1	210	177	111	39	0	0	320	217
Hotel	0	0	0	0	0	0	5 452	3 270	5 452	3 270
Maintenance	117	120	14	5	362	295	0	0	493	420
Other	6	22	13	12	14	5	0	0	34	39
Total	10 322	59 819	6 336	1 867	911	698	5 452	3 270	23 021	65 654

Revenue structure of the fourth quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4	Q4
Real estate	473	2 816	455	0	399	19	0	0	1 327	2 834
Rent	0	0	36	72	32	21	0	0	68	93
Hotel	0	0	0	0	0	0	1 520	965	1 520	965
Maintenance	31	36	1	5	99	73	0	0	131	114
Other	1	14	2	4	2	2	1	0	6	20
Total	505	2 866	494	81	532	115	1 521	965	3 052	4 026

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

The share of the Estonian segment as a percentage of total revenues of the Company for 2023 amounted to 45% compared to 91% during the same period last year.

During the reporting period the total of 68 apartments, 90 parking lots and 82 storage rooms were sold (2022 12M: 243 apartments, 262 parking lots, 20 business premises and 188 storage rooms). At the end of the reporting period the stock consisting of 1 apartment, 22 storage rooms and 74 parking spaces in Tallinn were recorded as inventory. The apartment in stock serves as showroom in Kindrali Houses development and therefore is not available for sale.

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

The share of the Latvian segment as a percentage of total revenues of the Company for the twelve months amounted to 28% comparing to 3% in the same period last year. During the reporting period 10 apartments, 15 storage rooms and 19 parking lots were sold (2022 12M: 6 apartments, 7 parking spaces and 7 storage rooms). At the end of the reporting period the stock consisting of 7 luxury apartments, 13 storage rooms and 38 parking lots were available for sale in Latvia.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company for the twelve months amounted to 4% comparing to 1% during the same period last year. During the reporting period 1 apartment, 5 storage rooms and 1 parking lot was sold in Lithuania (2022 12M: 1 apartment, 5 storage rooms and 4 parking lots). There were 3 apartments, 1 business premise, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

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

The share of the German segment as a percentage of total revenues of the Company for the twelve months amounted to 24% comparing to 5% last year. The occupancy rate of 69% of PK Parkhotel Kurhaus has increased by 21% compared to 48% during the same period in 2022. Due to increased occupancy and higher room rates total revenues of twelve months were 5.4 million euros compared to 3.2 million euros during the same period in 2022. Net result for nine months of 2023 was 356 thousand euros profit (2022 12M: 435 thousand euros loss). In 2022 there were ongoing renovation works in the hotel (for the upgrade of the rooms), therefore it was operating only with partial capacity. The renovation works were finalised in spring 2023.

Other operative data of the fourth quarter and twelve months

	EST	EST	LV	LV	LT	LT	Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022
	12M	12M	12M	12M	12M	12M	12M	12M
M ² sold*	4 087	15 870	1 709	529	61	53	5 857	16 452
Average price, m ² /EUR*	2 325	2 877	3 197	2 827	5 796	4 905	2 616	2 881
M ² under maintenance	48 276	43 255	0	0	26 768	26 768	75 044	70 022

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

	EST	EST	LV	LV	LT	LT	Total	Total
	2023 Q4	2022 Q4						
M ² sold*	76	1 201	149	0	61	0	286	10 452
Average price, m ² /EUR*	5 217	2 106	2 711	0	5 796	0	4 033	3 334
M ² under maintenance	48 276	43 255	0	0	26 768	26 768	75 044	68 836

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

The average price for a square meter sold in Estonia has decreased in 2023 as it is influenced by a different type of the product – sales in Kristiine City were finalised during reporting period, while price in 2022 was influenced by the high-end product sales in Kalaranna.

Financing sources and policies

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

During the reporting period, the Company received 3.9 million and repaid 62.5 thousand euros of the bank loans and as at 31 December 2023, the total loan debt to the banks was 4.4 million euros (Note 8).

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

As at 31 December 2023 the Company had issued 28.5 million euros secured bonds with redemption date in February 2024 and 9.7 million euros unsecured bonds with original redemption date on 31 October 2024. In September 2023 the bondholders

approved the extension of the unsecured bonds to 2+2 years with new maturity date of 31 October 2026 with the right to postpone the redemption date until 31 October 2028. The company will redeem 1.5 million euros, 15% of the denomination value of each bond on 31 October 2024. From 1 November 2024 the bonds in amount 8,2 million euros will carry an interest rate of 9%.

In January 2024 the bondholders approved the extension of secured non-convertible bonds to 20 February 2028. The Company will redeem 8.6 million euros of the bonds no later than 20 February 2024 by way of reducing the outstanding amount of each bond pro rata at a price equal to 100 per cent of the nominal amount. From 21 February 2024 the senior secured bonds in amount of 19.9 million euros will carry an interest rate of 11%. (Note 8.)

Shares and shareholders

As at 31 December 2023 Pro Kapital had issued 56 687 954 shares in total with the nominal value 0.20 euros. The registered share capital of the Company was 11 337 590.80 euros.

As at 31 December 2023 there were 1 048 shareholders registered in the shareholders' register. Many of the registered shareholders are nominee companies, which represent multiple non-resident investors.

Shareholders holding over 5% of the shares as at 31 December 2023 were as follows:

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	30 985 780	54.66%
Caceis Bank SA	7 247 155	12.78%
Clearstream Banking AG	6 228 435	10.99%
Svalbork Invest OÜ	5 590 639	9.86%
Six Sis Ltd	3 093 302	5.46%

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 2023 Ernesto Preatoni and his affiliates control 49.31% of shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 5 590 639 shares representing 9.86% of the total shares of the Company.

- 20 646 241 shares representing 36.42% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 1 718 183 shares representing 3.03% of the total shares of the Company held through a nominee account opened by Clearstream Bank.

The major shareholder has informed the Company that the shares of the Company controlled by him and his affiliates have been transferred to SA Preatoni Group as of 30 December 2023. Being a major shareholder in that French entity, Ernesto Preatoni remains still as a final beneficiary of the shares. Following the transfer the shares will continue to be held on the same nominee accounts. Although the holding in AS Pro Kapital Grupp is less than 50%, the French company – Preatoni Group – will consolidate the reporting group and is to be considered an ultimate parent for AS Pro Kapital Grupp.

No Council Member nor Member of the Management Board is holding any shares of the company.

Earnings per share during the twelve months of 2023 were -0.02 euros (2022 12M: 0.20 euros).

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January – 31 December 2023, NASDAQ Baltic Main List



Source: nasdaqbaltic.com

On 23 November 2012 the Company was listed on the secondary list of Tallinn's stock exchange. Starting from 19 November 2018 the shares of the Company are traded in the Main List of Tallinn's stock exchange. During the period 1 January – 31 December 2023 the shares were traded at the price range 0.60-1.12 euros, with the closing price of 1.1 euros per share on 31 December 2023. During the period 1.4 million of the Company's shares were traded with their turnover amounting to 965 thousand euros.

Legal overview and developments

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

AS Pro Kapital Eesti continues to be in litigation with the Land Board concerning the cadastral unit with the address Kalasadama 3, Tallinn, with 100% purpose of land under water, and the litigation relates to a claim for compensation. AS Pro Kapital Eesti is of the opinion that it has unjustly paid a portion of the purchase price and land tax from this cadastral unit. The company is claiming from the state compensation of 192 338 euros of land tax paid in excess during 1 January 2004-31 December 2018 as well as that the state compensate 681 816 euros of the purchase price overpaid by the company for that portion of land (including notary and state fees paid in excess = 675 546 + 2 034 + 4 236), the claim for compensation amounting to 874 152 euros in total in the principal sum plus 1 176 261.55 euros of interest in arrears.

AS Pro Kapital Eesti proposed to end the dispute with a settlement, which was not accepted by the other party, so the litigation continues. In this litigation, an expert's report is ordered to determine the damage related to the acquisition of the property.

Main contractor of one of the developments of Pro Kapital, AS Oma Ehitaja, has started legal proceedings against OÜ Marsi Elu, a subsidiary of Pro Kapital.

Contractor has filled the claim to court wanting to identify that Pro Kapital subsidiary does not have any penalty claims against the contractor and alternatively asks the court to reduce the penalty claims and seeks the payment of the balance of the invoices (in base amount of 587 932 euros, plus delay interest). Pro Kapital subsidiary is of opinion that contractor claim is baseless, the penalty claims are in accordance with the contract, are justified due to long delay in the completion of the construction, the penalty claims have already been reduced and the balance of the invoices has been paid via set-off with the penalty claim. The litigation continues. Pro Kapital is of opinion that this court case does not have any substantial negative impact on financial results of Pro Kapital. The construction invoices in question have been accounted for as costs of construction during construction already, thus any possible negative outcome of the court case will not increase the costs (except for the delay interest and court costs).

The litigation with the City of Tallinn arising from the public interest acquisition procedure of Ülemiste tee T3, Ülemiste tee T4 and Ülemiste tee T6 properties owned

by AS Pro Kapital Eesti. As the parties failed to reach an agreement on the prices of Ülemiste tee T3, Ülemiste tee T4 and Ülemiste tee T6 during the negotiations, the City of Tallinn has issued an expropriation decision for the acquisition of Ülemiste tee T3, Ülemiste tee T4 and Ülemiste tee T6. AS Pro Kapital Eesti has objected to the expropriation decision (in particular the justification of the fair compensation awarded) before the Administrative Court, arguing that the fair compensation (including consequential damages) is higher than the amount awarded. The complaint by AS Pro Kapital Eesti was upheld by the court.

Pro Kapital, its Lithuanian subsidiary and one other company (not affiliated with Pro Kapital) and a private individual have been sued in Rome by two Italian citizens. According to the complainants, the alleged financial claim has passed to them by inheritance. Pro Kapital and its Lithuanian subsidiary deny any connection with the alleged claim as they have never had any contractual or non-contractual relations with the person whose claims are allegedly inherited. Pro Kapital and its Lithuanian subsidiary have lodged their statement of objections with the Rome Court. There is no further information available at this stage as to the further course of the proceedings.

People

As at 31 December 2023 the Company employed 85 people compared to 75 people on 31 December 2022. 48 of them were engaged in hotel and property maintenance services (39 on 31 December 2022). The number of employees does not include council members.

Risks

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

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

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

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

Significant business risk would occur with another crisis, the decrease of the substantial purchasing capability and consumer confidence, the increase of the interest rates for mortgage loans and other factors which could decrease the demand for real estate and have a negative impact to the Company's operating activities by decreasing the sales and other services. The Company has evaluated possible business risks and has taken necessary measures to ensure the sustainability in its development.

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

Edoardo Preatoni

Chief Executive Officer
and Member of the Management Board

27 February 2024

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	31.12.2023	31.12.2022
ASSETS			
Current assets			
Cash and cash equivalents		17 065	10 589
Current receivables		3 551	955
Prepaid expenses		128	64
Inventories	4	35 563	34 224
Total current assets		56 307	45 832
Non-current assets			
Non-current receivables	5	10	2 016
Property, plant and equipment	6	7 763	7 294
Right-of-use assets	6	365	195
Investment property	7	42 696	45 575
Goodwill		0	262
Intangible assets		96	82
Total non-current assets		50 930	55 424
TOTAL ASSETS	3	107 237	101 256
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	8	30 141	173
Customer advances	9	3 657	1 659
Current payables	10	4 911	4 626
Tax liabilities		161	111
Short-term provisions		11	5
Total current liabilities		38 881	6 574
Non-current liabilities			
Non-current debt	8	12 695	38 184
Deferred income tax liabilities		1 130	1 130
Long-term provisions		108	45
Total non-current liabilities		13 933	39 359
TOTAL LIABILITIES		52 814	45 933
Equity			
Share capital in nominal value		11 338	11 338
Share premium		5 661	5 661
Statutory reserve		1 134	1 134
Revaluation reserve		2 092	2 012
Retained earnings		34 198	35 178
Total equity		54 423	55 323
TOTAL LIABILITIES AND EQUITY		107 237	101 256

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

Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2023 12M	2022 12M	2023 Q4	2022 Q4
CONTINUING OPERATIONS					
Operating income					
Revenue	11	23 021	65 654	3 052	4 026
Cost of sales	12	-15 993	-48 689	-2 024	-3 272
Gross profit	13	7 028	16 965	1 028	754
Marketing expenses		-705	-498	-219	-153
Administration expenses	14	-5 440	-4 946	-1 580	-1 203
Other operating income	15	2 119	6 278	2 103	6 278
Other operating expenses	15	-39	-142	-36	-10
Operating profit		2 963	17 657	1 296	5 666
Finance income	16	254	3	80	1
Finance cost	16	-4 115	-4 211	-1 257	-875
Profit/loss before income tax		-898	13 449	119	4 792
Income tax		-2	3	6	8
Net profit/loss for the period		-900	13 452	125	4 800
Other comprehensive income, net of income tax					
Net change in asset revaluation reserve		80	-972	80	-972
Total comprehensive income for the period		-820	12 480	205	3 828
Earnings per share (Basic) €	17	-0.02	0.24	0.00	0.08

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2023 12M	2022 12M	2023 Q4	2022 Q4
Cash flows from operating activities					
Profit for the period		-900	13 452	125	4 800
Adjustments for:					
Depreciation and amortisation of PPE, ROU and intangible assets		441	406	132	406
Gain from disposal of investment property		-111	-2 329	-111	-2 329
Change in fair value of property, plant, equipment		0	13	0	13
Change in fair value of investment property		-1 972	-3 841	-1 972	-3 841
Finance income and costs	16	3 861	4 207	1 176	873
Change in deferred tax assets and liabilities		0	-3	-6	-8
Other non-monetary changes (net amounts)		5 330	1	5 276	-1
Movements in working capital:					
Change in receivables and prepayments		1 414	-2 212	1 355	631
Change in inventories		-1 340	23 310	-7 898	1 004
Change in liabilities and prepayments		2 300	-12 106	1 463	-2 901
Change in provisions		64	-2 927	20	10
Net cash generated by/ used in operating activities		9 087	17 971	-440	-1 613
Cash flows from investing activities					
Payments for property, plant, equipment	6	-746	-1 777	-33	-474
Payments for intangible assets		-38	-16	-6	0
Payments for investment property	7	-473	-1 000	-175	-464
Payments for shares of subsidiaries		-2 000	0	0	0
Proceeds from disposal of investment property		111	2 329	111	2 329
Interests received		182	1	63	1
Net cash used in/ generated by investing activities		-2 964	-455	-40	1 392
Cash flows from financing activities					
Redemption of convertible bonds		0	-196	0	-68
Proceeds from borrowings		3 974	14 427	3 974	546
Repayment of borrowings		-63	-26 641	-16	-702
Repayment of lease liabilities		-152	-147	-38	-35
Interests paid		-3 406	-3 996	-170	-19
Deposits paid		0	0	14	0
Net cash used in financing activities		353	-16 553	3 764	-278
Net change in cash and cash equivalents		6 476	963	3 284	-499
Cash and cash equivalents at the beginning of the period		10 589	9 626	13 781	11 088
Cash and cash equivalents at the end of the period		17 065	10 589	17 065	10 589

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

Consolidated interim statements of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2021	11 338	5 661	1 134	2 984	-8 031	13 086	-3 515	9 571
Covering losses of previous period	0	-3 913	-1 134	0	5 047	0	0	0
Changes in non-controlling interest	0	0	0	0	0	0	3 515	3 515
Comprehensive profit for the period	0	0	0	0	29 757	29 757	0	29 757
31 December 2021	11 338	1 748	0	2 984	26 773	42 843	0	42 843
Allocation of profit of previous periods	0	3 913	1 134	0	-5 047	0	0	0
Comprehensive income for the period	0	0	0	-972	13 452	12 480	0	12 480
31 December 2022	11 338	5 661	1 134	2 012	35 178	55 323	0	55 323
Comprehensive loss for the period	0	0	0	80	-980	-900	0	-900
31 December 2023	11 338	5 661	1 134	2 092	34 198	54 423	0	54 423

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

Notes to consolidated interim financial statements

Note 1. General information

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

Shareholder	Country of incorporation	Ownership 31.12.2023	Ownership 31.12.2022
Raiffeisen Bank International AG	Austria	54.66%	53.16%
Caceis Bank SA	France	12.78%	0%
Clearstream Banking AG	Germany	10.99%	22.38%
Svalbork Invest OÜ	Estonia	9.86%	9.86%
Six Sis Ltd	Switzerland	5.46%	6.91%

For the purpose of comparable financial figures of these interim financial statements as at 31 December 2023, AS Pro Kapital Grupp is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting and to forward information to the investors.

For the comparable period of 2022, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Parent Company and its subsidiaries.

Note 2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 „Interim Financial Reporting” as adopted by the European Union. The consolidated interim financial statements do not include all of the information required by complete set of financial statements and should be read in conjunction with annual consolidated financial statements of the Company as at and for the year ended 31 December 2022.

The accounting policies applied by the Company in these consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2022. The audited consolidated financial statements of 2023 will be published by 30 April 2024.

Note 3. Segment reporting

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2023 12M							
Revenue	1 322	10 322	6 344	911	6 003	-1 881	23 021
incl. sale of real estate	0	10 199	6 099	424	0		16 722
incl. rental income	0	0	210	111	480	-480	321
incl. hotel operations	0	0	0	0	5 452		5 452
incl. maintenance services	0	117	14	362	0		493
incl. other revenue	1 322	6	21	14	71	-1 400	34
Other operating income and expenses (net)	-1	2 169	-89	1	0	-1	2 080
Segment operating profit/loss	-1 740	2 847	1 885	-485	431	25	2 963
Financial income and expense (net)	-6 792	3 658	-101	-393	-232	-1	-3 861
Profit/loss before income tax	-8 532	6 505	1 784	-878	199	24	-898
Income tax	0	0	0	5	-7		-2
Net profit/loss for the period	-8 532	6 505	1 784	-873	192	24	-900

31.12.2023

Assets	57 634	169 305	23 507	16 168	9 149	-168 526	107 237
Liabilities	152 550	9 264	11 973	5 071	6 661	-132 705	52 814
Acquisition of non-current assets	0	86	108	7	894		1 095
Decrease of non-current assets	0	-22	0	-6	-358		-386
Depreciation and amortisation	-1	-49	-35	-38	-295		-418

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2022 12M							
Revenue	805	59 819	1 873	698	3 326	-867	65 654
incl. sale of real estate	0	59 676	1 673	359	0		61 708
incl. rental income	0	1	177	39	0	0	217
incl. hotel operations	0	0	0	0	3 270		3 270
incl. maintenance services	0	120	5	295	0		420
incl. other revenue	805	22	18	5	56	-867	39
Other operating income and expenses (net)	-2	6 549	-523	0	112		6 136
Segment operating profit/loss	-1 818	20 771	-547	-352	-412	15	17 657
Financial income and expense (net)	-6 178	2 561	-407	-6	-172	-6	-4 208
Profit/Loss before income tax	-7 996	23 332	-954	-358	-584	9	13 449
Income tax	0	0	0	1	2		3
Net profit/loss for the period	-7 996	23 332	-954	-357	-582	9	13 452

31.12.2022

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

Note 4. Inventories

in thousands of euros	31.12.2023	31.12.2022
Property held for sale	5 474	9 313
<i>incl. Kindrali Houses, Tallinn</i>	165	237
<i>incl. Kalaranna, Tallinn</i>	958	1 215
<i>incl. River Breeze, Riga</i>	2 897	6 171
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	1 454	1 604
<i>incl. other properties</i>	0	86
Works in progress	29 885	24 854
<i>incl. Uus-Kindrali, Tallinn</i>	5 324	7 182
<i>incl. Kalaranna, Tallinn</i>	11 048	5 192
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	7 211	6 223
<i>incl. Naugarduko, Vilnius</i>	6 302	6 257
Goods bought for resale	126	57
Prepayments for inventories	78	0
Total	35 563	34 224

Property held for sale include completed real estate stock in Tallinn, Riga and Vilnius. Works in progress include properties being under development or waiting for development in the nearest future in Tallinn and Vilnius. Properties are transferred from “works in progress” to “property held for sale” upon completion.

Works in progress include current development stage in Kalaranna (Tallinn) and the final phase with city villas and a residential-commercial building in Vilnius, as well as Uus- Kindrali project (Tallinn) which will start the activities in spring 2025.

With Naugarduko we are in the process of obtaining the building permit subject to which we plan on starting the renovation works in summer 2024.

Note 5. Non-current receivables

in thousands of euros	31.12.2023	31.12.2022
Finance leases	10	16
Other non-current receivables	0	2 000
Total	10	2 016

The prepayment of 2 million euros for potential purchase of a new subsidiary PK Sicily that was recorded under non-current receivables as at 31 December 2022. Due to the decision to withdraw from purchase of the subsidiary the balance was reclassified to current receivables. The prepayment has been fully repaid during reporting period.

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

Land and buildings held for providing services or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. On 31 December 2023 land and buildings comprised of hotel property in Bad Kreuznach, Germany and office premises in Tallinn, Estonia.

In thousands of euros	31.12.2023	31.12.2022
Acquisition value of property, plant and equipment	9 185	11 038
Accumulated depreciation	-1 422	-3 744
Residual value of property, plant and equipment	7 763	7 294

in thousands of euros	31.12.2023	31.12.2022
Acquisition value of right-of-use assets	654	701
Accumulated depreciation	-289	-506
Residual value of right-of-use assets	365	195

Right-of-use assets comprise of land in Germany (rentable until end of heritable building right agreement) and Lithuania (rentable until sales of the properties), office premises in Latvia and Lithuania, machinery and equipment in the group.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	PPE total	Right-of-use assets
Acquisition value 31.12.2021	9 011	1 026	262	0	10 299	574
Acquired	1 584	160	33	0	1 777	127
Change in fair value	-984	0	0	0	-984	0
Sold	0	0	-14	0	-14	0
Written off	0	-30	-10	0	-40	0
Acquisition value 31.12.2022	9 611	1 156	271	0	11 038	701
Acquired	578	113	48	6	746	311
Changes in accounting methodology	-2 571	0	0	0	-2 571	0
Written off	0	0	-28	0	-28	-358
Acquisition value 31.12.2023	7 618	1 269	291	6	9 185	654

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	PPE total	Right-of-use assets
Accumulated depreciation 31.12.2021	2 385	935	225	3 545	372
Depreciation charge for the period	186	37	22	245	134
Written off	0	-30	-16	-46	0
Accumulated depreciation 31.12.2022	2 571	942	231	3 744	506
Depreciation charge for the period	189	63	23	276	132
Changes in accounting methodology	-2 571	0	0	-2 571	0
Written off	0	0	-26	-26	-349
Accumulated depreciation 31.12.2023	189	1 005	228	1 422	289

Note 7. Investment property

in thousands of euros	Property held for increase in value
Balance at 31.12.2021	40 734
Additions:	
Investments	1 000
Changes in fair value	6 170
Disposals	-2 329
Balance at 31.12.2022	45 575
Additions:	
Investments	473
Changes in fair value	1 972
Reclassification to inventories	-5 324
Balance at 31.12.2023	42 696

The fair value of the Company's investment properties has been derived on the basis of valuations carried out by Colliers International, an independent valuator, at the end of 2023. The valuations were performed by reference to recent market information by external valuator.

Note 8. Current and non-current debt

Current debt

in thousands of euros	31.12.2023	31.12.2022
Bank loans and overdrafts	63	63
Convertible bonds	0	0
Secured non-convertible bonds	29 903	0
Lease liabilities	175	110
Total	30 141	173

Non-current debt

in thousands of euros	31.12.2023	31.12.2022
Bank loans and overdrafts	4 318	406
Secured non-convertible bonds	0	28 157
Unsecured non-convertible bonds	8 129	9 466
Lease liabilities	248	155
Total	12 695	38 184

Creditors

in thousands of euros	31.12.2023	31.12.2022
AS LHV Pank (EE)	3 975	0
Sparkasse (DE)	406	469
Secured bonds, various investors (discounted value)	28 450	28 157
Unsecured bonds, various investors (discounted value)	9 582	9 466
Lease agreements (related to right-of-use assets)	423	265
Total	42 836	38 357

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 16) for the year 2023 was 3 million euros (2022 12M: 4.2 million euros).

Unsecured non-convertible bonds

3 459 081 unsecured non-convertible bonds with the total issue value of 9 685 426.80 euros were issued in three tranches in 2020 to substitute former convertible bonds. The new bonds carry annual fixed interest rate of 8% and they have been listed on Nasdaq Tallinn bond list since January 2021 and initially their maturing date was in October 2024. With the consent from bondholders, redemption date has been postponed by 2+2 years, i.e new redemption date is 31 October 2026 with the condition that the Company may unilaterally postpone the redemption date by two years, i.e to 31 October 2028 by making a respective announcement via Nasdaq Tallinn by 30 September 2026 at the latest. The company will redeem 1.5 million euros, 15% of

the denomination value of each bond on 31 October 2024. From 1 November 2024 the bonds in amount 8,2 million euros will carry an interest rate of 9%.

The balance sheet value on the reporting date is 9.6 million euros, which consists of nominal value 9.7 million euros minus 0.1 million euros of refinancing costs.

Secured non-convertible bonds

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

Remaining balance of the secured non-convertible bonds is 28.5 million euros on 31 December 2023. The balance sheet value is 28.5 million euros. According to terms and conditions, the Company has to maintain the equity ratio above 35% at all times. As at the end of the reporting period the calculated equity ratio was 50.8%. The equity ratio is positively influenced, when construction is completed and revenues are recorded on the balance sheet. With the consent of bondholders received in January 2024 the redemption date of the bonds was extended to 20 February 2028. The Company will redeem 8.6 million euros of the bonds by way of reducing the outstanding amount of each bond pro rata at price equal to 100 per cent. of the nominal amount together with accrued but unpaid interest on the prepaid amount. From 21 February 2024 the senior secured bonds in amount of 19.9 million euros will carry an interest rate of 11%.

Pledged assets in balance sheet value in thousands of euros

Beneficiary	Collateral description	31.12.2023	31.12.2022
Bank accounts			
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	18	23
Inventory			
LHV Pank AS	Kalaranna 8, 22, Tallinn	12 005	N/A

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

		31.12.2023	31.12.2022
NTA	Pro Kapital Germany Holdings OÜ	12	12
NTA	Pro Kapital Germany GmbH	25	25
NTA	PK Hotel Management Services GmbH	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880
NTA	OÜ PKE Treasury	3	3
NTA	Pro Halduse OÜ	26	26
NTA	AS Tondi Kvartal	160	160
NTA	OÜ Marsi Elu	20	20
NTA	Kalaranna Kvartal OÜ	3	3
NTA	Dunte Arendus OÜ	3	3
NTA	Pro Kapital Latvia JSC	12 948	12 948
NTA	Kliversala SIA	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	10 300	10 300
NTA	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	6 100	6 100
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335
NTA	In Vitam UAB	3	3
NTA	PK Invest UAB	823	823
Total		63 288	63 288

Note 9. Customer advances

in thousands of euros	31.12.2023	31.12.2022
Advances for real estate	3 623	1 630
Advances for hotel services	34	30
Total	3 657	1 659

Customer advances are recorded in the financial statements from receiving deposit and instalment payments until the properties are handed over to customers. The advances have increased due to start of the new phase in Kalaranna District in 2023.

Note 10. Current payables

in thousands of euros	31.12.2023	31.12.2022
Trade payables	2 731	2 134
Accrued expenses	961	766
Accrued interests	1 214	1 211
Payables to employees	4	8
Other	1	507
Total	4 911	4 626

Note 11. Revenue

Segment revenue

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Revenue from contracts with customers				
Revenue from sale of real estate	16 722	61 708	1 327	2 835
Hotel operating revenue	5 452	3 270	1 520	965
Revenue from maintenance and other services	526	460	136	134
Total revenue from contracts with customers	22 700	65 438	2 983	3 934
Rental income	321	216	69	92
Total	23 021	65 654	3 052	4 026

Timing of revenue recognition

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
At a point in time				
Revenue from sale of real estate	16 722	61 708	1 327	2 835
Hotel operating revenue	5 452	3 270	1 520	965
Revenue from other services	34	40	6	21
Total revenue recognised at a point in time	22 208	65 018	2 853	3 821
Over time				
Rental income	321	216	69	92
Revenue from maintenance fees	492	420	130	113
Total	23 021	65 654	3 052	4 026

Revenue from sale of real estate has decreased by 73% compared to reference period as most of the inventory in Kindrali Houses and Kalaranna District has been sold mainly in 2022 and final units in the beginning of 2023 and the next stage of Kalaranna District is currently under construction. Sales of available inventory have continued in Kliversala

in Riga and in Šaltinių Namai in Vilnius. Revenue from hotel operations has increased significantly compared to the reference period as the renovation works that influenced the hotel revenues during 2022 have been finalised in spring 2023 and refurbished premises attract more guests.

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

Note 12. Cost of sales

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Cost of real estate sold	11 703	45 420	851	2 235
Cost of providing rental services	86	66	17	18
Cost of hotel operations	3 906	2 977	1 080	960
Cost of maintenance services	286	221	75	57
Cost of other services	12	5	1	2
Total	15 993	48 689	2 024	3 272

Note 13. Gross profit

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Real estate	5 019	16 288	476	600
Rental revenue	235	150	52	74
Hotel operating	1 546	293	440	5
Maintenance services	206	199	55	57
Other services	22	35	5	18
Total	7 028	16 965	1 028	754

Note 14. Administration expenses

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Staff costs	2 994	3 189	848	688
Land and real estate taxes	279	306	87	96
Depreciation charge	165	138	42	0
Bad debt	5	0	3	43
Other	1 997	1 313	600	376
Total	5 440	4 946	1 580	1 203

Note 15. Other income and expenses

Other income

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Fines collected	1	0	0	0
Gain from fair value adjustments	1 992	6 157	1 992	5 329
Profit from sales of investment property	111	0	111	2 328
Other	15	121	0	121
Total	2 119	6 278	2 103	6 278

Other expenses

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Fines paid	5	2	3	0
Loss from write off of non-current assets	0	0	0	0
Loss from fair value of non-current assets	20	0	20	0
Other	14	140	13	10
Total	39	142	36	10

Note 16. Finance income and cost

Finance income

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Interest income	254	3	80	1
Other financial income	0	0	0	0
Total	254	3	80	1

Finance cost

in thousands of euros	2023 12M	2022 12M	2023 Q4	2022 Q4
Interest expenses	3 494	4 192	878	868
Foreign currency loss	0	0	0	0
Other financial expenses	621	19	379	7
Total	4 115	4 211	1 257	875

Note 17. Earnings per share

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

Average number of shares:

For the period	01.01.2023-31.12.2023	(56 687 954x365/365)	=56 687 954
For the period	01.01.2022-31.12.2022	(56 687 954x365/365)	= 56 687 954
For the period	01.10.2023-31.12.2023	(56 687 954x92/92)	= 56 687 954
For the period	01.10.2022-31.12.2022	(56 687 954x92/92)	=56 687 954

Indicative earnings per share from continuing operations:

For the period	01.01.2023-31.12.2023	-900 thousand euros/ 56 687 954 = -0.02 euros
For the period	01.01.2022-31.12.2022	13 452 thousand euros/56 687 954 = 0.24 euros
For the period	01.10.2023-31.12.2023	125 thousand euros/56 687 954 = 0.00 euros
For the period	01.10.2022-31.12.2022	4 800 thousand euros/ 56 687 954 = 0.08 euros

Note 18. Shareholders meetings

The annual shareholders meeting of AS Pro Kapital Grupp took place in 19 June 2023. Minutes of the annual shareholders meeting have been published on AS Pro Kapital Grupp web page www.prokapital.com.

Note 19. Transactions with related parties

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

Transactions with related parties

in thousands of euros	2023 12M	2022 12M
Significant owners and owner related companies		
Revenues	9	8
Administrative expenses	513	0
Other shareholders / bondholders		
Interest expenses incurred	890	892
Redemption of convertible bonds	0	196
Interest payments	775	794
Members of the Management Board and Council		
Salaries and bonuses paid to management	580	650

Receivables from related parties

in thousands of euros	2023 12M	2022 12M
Significant owners and owner related companies		
Prepayments	2 000	2 000
Other receivables	68	0

In 2022 the Company made a prepayment to purchase shares of PK Sicily SpA from a related party for 2 million euros. After performing a thorough due diligence to evaluate potential gain on transaction it was decided not to buy the shares of hotel company. The prepayment has been fully returned by the seller by balance sheet date.

In July 2023 the Company signed a preliminary agreement with an intention of buying 67.5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy) and made a prepayment to the seller in amount of 2 million euros. With the preliminary agreement the company reserved its rights to buy the shares and initiated due diligence.

Payables to related parties

in thousands of euros	2023 12M	2022 12M
Significant owners and owner related companies		
Trade payables	105	0

Shareholding in the Company %	31.12.2023	31.12.2022
Significant owner and owner related companies	49.31%	49.63%
Members of the Council and individuals related them	0.00%	0.05%

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for twelve months and the fourth quarter of 2023.

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

Edoardo Preatoni Member of the Management Board 27 February 2023