

AS Pro Kapital Grupp

CONSOLIDATED INTERIM REPORT
FOR II QUARTER AND 6 MONTHS OF 2020
(UNAUDITED)

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AS Pro Kapital Grupp in brief

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

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



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Management report

Key highlights

The total revenue of the Company in the first six month of 2020 was 9.1 million euros, which is a decrease of 60% compared to the reference period (2019 6M: 22.5 million euros). The total revenue of the second quarter was 3.2 million euros, a decrease of 74% compared to 12.1 million euros during the same period in 2019. The real estate sales revenues are recorded at the moment of handing over the premises to the buyer. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. The real estate sales revenue was higher in the first six month in 2019 due to completion of apartment buildings in Kristina Houses and Šaltinių Namai projects. In 2020, the Company continues with sales of completed developments - River Breeze Residence in Riga and Šaltinių Namai Attico development in Vilnius.

The gross profit in the first six month of 2020 decreased by 57% amounting to 3.5 million euros compared to 8.2 million euros during the same period in 2019. In the second quarter the gross profit figures were 1.4 million euros and 4.0 million euros respectively. Gross profit margin has increased by 6%.

The operating result in the first six month of 2020 was 0.3 million euros profit comparing to 5.1 million euros profit during the same period in 2019. The operating result of the second quarter was -0.1 million euros comparing to 2.5 million euros in 2019. The decrease in operating result is influenced by the lower total revenues and a slight increase in operating expenses.

The net result in the first six month of 2020 was 7.9 million euros loss and in the second quarter 3.9 million. In the comparable periods the net result was 0.3 million euros loss and 0.2 million euros loss. The net result of the reporting period was influenced by high interest expenses in AS Tallinna Moekombinaat.

Cash from operating activities during the first six month was -2.6 million euros comparing to 0.5 million euros of cash generated in operating activities during the same period in 2019. In the second quarter of 2020 cash used in operating activities was -4.6 million euros and 0.8 million euros generated during the same period in 2019.

Net assets per share on 30 June 2020 totalled to 1.12 euros compared to 1.77 euros on 30 June 2019.

Key performance indicators

	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Revenue, th EUR	9 053	22 512	3 180	12 140	55 276
Gross profit, th EUR	3 491	8 179	1 354	4 037	15 809
Gross profit, %	39%	36%	43%	33%	29%
Operating result, th EUR	250	5 121	-96	2 477	-15 178
Operating result, %	3%	23%	-3%	20%	-27%
Net result, th EUR	-7 903	-276	-3 937	-163	-29 172
Net result, %	-87%	-1%	-124%	-1%	-53%
Earnings per share, EUR	-0.13	0.00	-0.07	0.00	-0.48
		30.06.2020	30.06.2019	31.12.2019	
Total Assets, th EUR		212 836	248 972	210 821	
Total Liabilities, th EUR		149 173	148 510	139 255	
Total Equity, th EUR		63 663	100 462	71 566	
Debt / Equity *		2.34	1.48	1.94	
Return on Assets, % **		-3.7%	-0.1%	-12.8%	
Return on Equity, % ***		-12.1%	-0.3%	-34.4%	
Net asset value per share, EUR ****		1.12	1.77	1.26	

*debt / equity = total debt / total equity

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

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

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

Main events

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

On 12 February 2020 the Company announced about the signing the construction contract with OÜ Vanalinna Ehitus for re-construction of a stables-building and additional construction of a new adjacent building as well as a semi-underground parking to be located at Marsi Street in Kristiine City. The Ratsuri Houses development project will have 39 apartments and the construction cost is ca 3.5 million euros (including VAT). The completion is planned for spring of 2021.

On 19 February 2020 the Company informed about of successful issue of senior secured, callable, fixed rate bonds (New Bonds) in total amount of 28.5 million euros. The new bonds carry a fixed rated coupon of 8% and mature in February 2024.

On 20 February 2020 the Company notified of early redemption of the senior secured, callable fixed rate bonds (Existing Bonds) in full. Pro Kapital sent an irrevocable notice of early redemption to all directly registered owners and registered authorised nominees in the debt register for the Existing Bonds kept by Euroclear Sweden as of 19 February 2020. The Existing Bonds were redeemed on 17 March 2020. In accordance with the terms and conditions for the Existing Bonds, these 279 bonds were redeemed at an amount equal to 101.00 per cent of the nominal amount, *i.e.* 101 000 euros per each bond. The total redemption amount per each Existing Bond, together with accrued and unpaid interest up to and including the early redemption date was 103 355.56 euros.

On 31 March 2020 the owner and operator of T1 Mall of Tallinn shopping centre, AS Tallinna Moekombinaat (TMK), submitted an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability of TMK. **On 3 April 2020** Harju County Court initiated reorganisation proceedings and on **12 June 2020** appointed two experts to evaluate the reorganization plan. Based on experts' opinion the court should decide on the approval of the reorganization plan.

On 22 May 2020 the Company announced about the intention to issue new non-convertible bonds to refinance its PKG1-PKG7 convertible bonds in the aggregate value up to EUR 10 252 258.80 euros. The bonds are expected to be issued in several tranches, whereby the value of first tranche should be at least 5 million euros. During the first subscription period, which ended on **7 July 2020**, 2 925 641 bonds with the total issue value of 8 191 794.80 euros were subscribed. The issue date of the first tranche of the Bonds is expected to take place on **3 August 2020**. New non-convertible

bonds are issued against PKG1-PKG7 convertible bonds. The new bonds will carry an interest at 8%, they are non-convertible and not secured, the final redemption date is 31 October 2024.

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

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

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

On 20 July 2020, after reporting date, the Company announced the merger of its subsidiaries in Lithuania – Pro Kapital Bonum Ltd will be integrated into its parent company PK Invest Ltd. PK Invest Ltd is a 100% subsidiary of Pro Kapital Vilnius Real Estate Ltd. Following the merger, the share capital of PK Invest Ltd will remain the same and all the assets, rights and obligations of Pro Kapital Bonum Ltd will be taken over by PK Invest Ltd.

Chairman's summary

The first six months of 2020 have been quite busy for us in spite of the slow-down of businesses in many sectors due to the influence of the worldwide spread of the SARS-CoV-2 virus and COVID-19.

In the first quarter we refinanced senior secured bonds 2015/2020 with the new bonds 2020/2024 - each denominated 100 000 euros, carrying a fixed rate coupon of 8.00 per cent and maturing in February 2024. The new bonds are available for trading on Nasdaq Stockholm since 9 July 2020.

After the reporting date, in July, the first tranche of refinancing of PKG1-PKG7 convertible bonds started. 2 925 641 convertible bonds with the total value of 8 191 794.80 euros were transferred to AS Pro Kapital Grupp. Convertible bonds received will be cancelled and new non-convertible bonds will be issued and distributed on 3 August. The new bonds are not secured non-convertibles, they carry an interest of 8% and the final date to redeem them is 31 October 2024.

Despite of the changed situation due to COVID-19, our ongoing construction works have been carried on as per our plans. In February we signed construction agreement for Ratsuri Houses project in Tallinn, Kristiine City. The former stable house will be renovated to accommodate unique apartments with high ceilings and a modern New Holland style residential house with semi-underground parking will be built next to the renovated house. The total of 39 apartments will be completed next spring. Construction of Kalaranna District in Tallinn is also continuing and going well so that we are looking forward to the completion of the buildings in 2021. Due to unpredictable situation, we had postponed our further development plans. However, we see that the market is recovering and we have started marketing and registering interest for our new project in Kristiine City – Kindrali Houses.

Currently, we have no ongoing constructions in Riga. The market has been slow in our segment also before COVID-19 pandemia. Today we see high interest, but customers are careful to take the final decision. The situation is complicated also due to the inflexible conditions of the banks towards their customers. Nevertheless, we continue selling apartments in River Breeze Residence, which has remained as the market leader in the premium segment. Also, we prepare to proceed with the development of further phases of Kliversala Quarter. The technical projecting process for Tallinas residential quarter and Brivibas street business quarter are ongoing. We are making preparations to be ready to start construction of new projects, when the market conditions are more favourable.

In Vilnius, more than 84% of the five houses of Šaltinių Namai Attico project which were completed last year have been sold already and customers have remained active even in the current economic conditions. Following the initial negative impact of COVID-19, the sales have recovered quite well and our project has been successful comparing to the competitors in higher class segment. In the nearest future we will decide about the timing of the start of construction of the following phase of Šaltinių Namai project.

Due to the restrictions in Germany, PK Parkhotel Kurhaus in Bad Kreuznach has been closed since the end of March. There were no revenues during second quarter and the costs of the hotel were reduced to the minimum during the closure. The half-year impact of COVID-19 has been over 1 million euros in less hotel revenues and ca 0.5 million lower net result. After release from restrictions, the hotel was reopened on the 1 July. PK Parkhotel Kurhaus operating company has applied for a long-term government support loan in amount of 500 000 euros on favourable conditions: no guarantee is required from the company; 3% interest will be charged per annum. These funds will be used to support the reopening period.

There has been a significant influence of the Emergency State (which were declared in all countries of our operations) on retail business and consequently on T1 Mall of Tallinn shopping centre. The shopping centres in Estonia were closed since the end of March and reopened on 11 May. Meanwhile, only the food stores and pharmacies were allowed to remain open. AS Tallinna Moekombinaat (TMK), a subsidiary owning and operating T1 Mall of Tallinn, submitted an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability. On 3 April 2020 Harju County Court initiated reorganisation proceedings. In cooperation with the reorganization advisor TMK has prepared and submitted a realistic and fair reorganization plan to the creditors. Although the most of the creditors voted in favour of the reorganisation plan, it was not enough to accept the plan as the major creditor, the lender, voted against it. TMK applied to the court to accept the plan through the expert procedures. The court has appointed two experts and requested to provide their opinion to the court by 22 July 2020. Opinions of the experts were in general supportive towards the reorganisation plan. As per Tallinn District Court instructions, Harju County Court is requested to make additional analysis about appointment of the experts. Harju County Court should take a decision on that request and also on approval of the reorganisation plan in the nearest future. The initiation of reorganisation proceedings shall not influence the day-to-day economic activities of the T1 Mall of Tallinn, its tenants and partners – it means that T1 Mall of Tallinn continues its operations. The purpose of reorganisation proceedings is to ensure continuation of normal daily business by safeguarding the rights and interests of investors, employees, creditors and all cooperation partners. The reorganisation process involves only AS Tallinna Moekombinaat and has no direct influence to any other group company of AS Pro Kapital Grupp. No group company has secured nor guaranteed liabilities of AS Tallinna Moekombinaat. In the worst-case scenario, if reorganization proceedings will fail and AS Tallinna Moekombinaat goes bankrupt, the group (AS Pro Kapital Eesti) will have to record the maximum losses of 27 million euros including loan amount of 22.2, unpaid interest balance 2.6 million euros, unpaid invoices 0.3 million euros and the portion of equity of TMK in the amount of 2.2 million euros as at 30 June 2020. However, it would not affect liquidity of the group nor the short-term cash flows. The situation would influence the long-term cash flows to the extent of loan and interest payments.

Our revenues from the sales of the real estate depend on the completion of the residential developments, as the revenues are recorded at the moment notary deeds of sale are concluded. The result of 2019 was influenced by completion of one new building in Kristina Houses project and five new buildings in Šaltinių Namai. In 2020 we have been selling our remaining inventories. 2020 half-year results in general have exceeded our expectations. The sales revenues for the first half-year of 2020 were 9.1 million euros, which is a decrease of 60% compared to the 22.5 million euros during the same period last year. The operating profit for the first six months was 0.3 million euros comparing to 5.1 million euros during the same period in 2019. The net result was influenced by 5.9 million euros interest expenses related to T1 project. Consequently, the net result of the first half-year in 2020 was 7.9 million euros loss compared to 0.3 million euros loss during the same period in 2019.

In 2020 we do not foresee completion of any real estate projects and we concentrate on development and presales of ongoing projects, sell inventory, make preparations to start new projects and contribute to re-establishing normal activities in rental and hotel operations. Presales of new projects are going well, but they are not impacting profit and loss until the finals sales are concluded. Covid-19 has changed the world and the market. We are monitoring these changes in our field of activities and make considerations carefully in our future plans to find the right balance between the expectations and possibilities even in post-Covid-19 situation.



Paolo Michelozzi
CEO
AS Pro Kapital Grupp
29 July 2020

Group structure*

As at 30 June 2020



* On 20 July 2020 the Company announced the merger of its subsidiaries in Lithuania – Pro Kapital Bonum UAB will be integrated into its parent company PK Invest UAB. Following the merger, the share capital of PK Invest UAB will remain the same and all the assets, rights and obligations of PK Bonum UAB will be taken over by PK Invest UAB.

Overview of the development projects

T1 Mall of Tallinn – a new standard of retail and entertainment

The concept of T1 Mall of Tallinn is unique across the Baltics. The distinctive idea is to balance the traditional shopping experience by creating an environment where people can spend time and experience something new and exciting. T1 aspires to create new user journeys by introducing unique international brands to the market which in well-distinctive balance with the versatile world of entertainment allows a different customer mindset to emerge.

T1 has spacious, bright interior architecture, shopping and art, but also versatile dining area “Taste of Tallinn” or “TOT” which is unique in Estonia both, for scope and layout. Most restaurants are located on the fourth floor above regular shopping with an opportunity to admire the breath-taking views to the city. T1 has world-class Cinamon Movie Theatre, the region’s largest indoor family entertainment centre – Super Skypark and a rooftop observation wheel Skywheel of Tallinn, unique in Europe.



Ülemiste 5, Tallinn

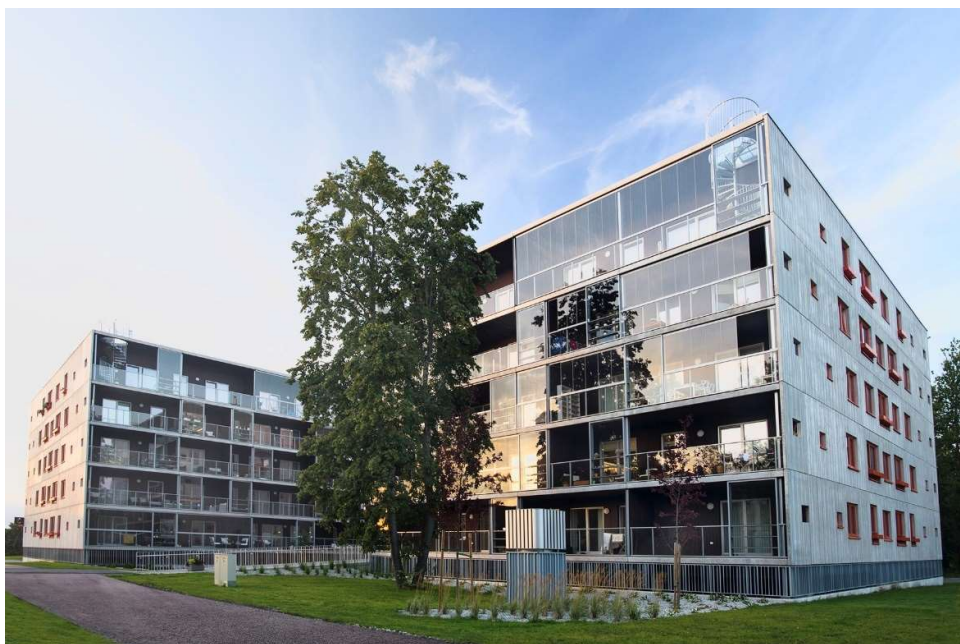
Ülemiste 5 land plot is closely connected to the T1 Mall of Tallinn property, located on Peterburi road 2. Ülemiste 5 will be developed for commercial premises with gross leasable area 14 thousand square meters. This development project will play a significant role in establishing the new public transportation centre of Tallinn. The Company is currently in the process of establishing new detail plan with regards to the connection with Rail Baltica terminal in close co-operation with the city of Tallinn.

Kristiine City in Tallinn

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

Kristina Houses in Kristiine City

This is a development of ten new apartment buildings located in Kristiine City with 22 thousand square meters of net sellable area in total. The last three buildings were completed in October 2019. Kristina Houses have been highly valued by our customers as all apartments in this project are sold.



Ratsuri Houses in Kristiine City

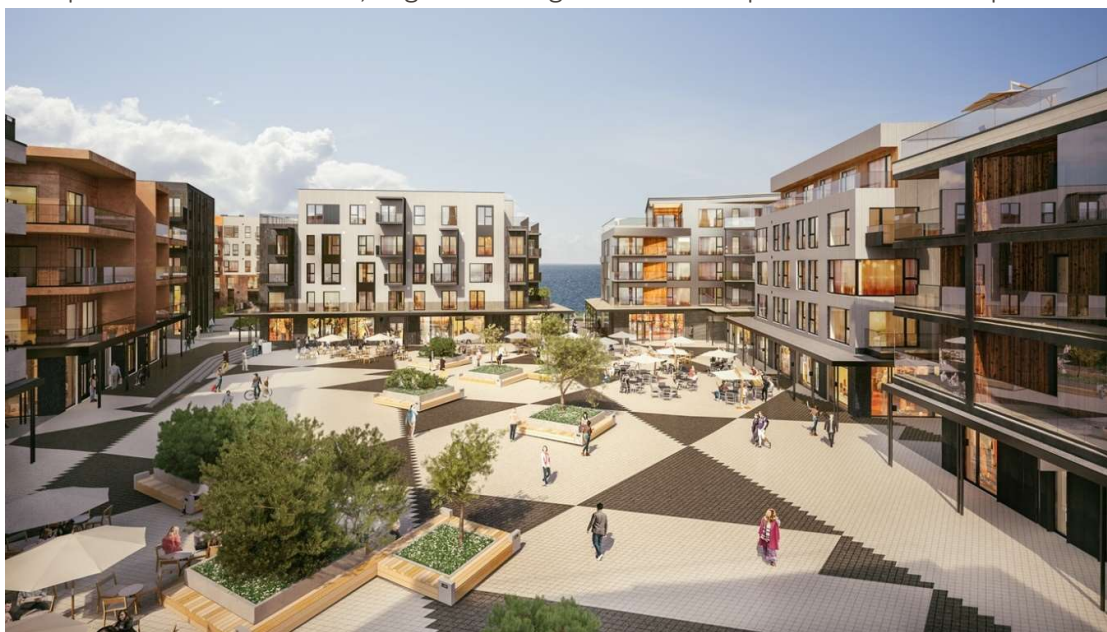
The project Ratsuri Houses has been named after its history as a horse stable which will receive a new look being united with a modern New Holland style building. Ratsuri Houses is being constructed by OÜ Vanalinna Ehitus. The construction will include the reconstruction of a 20th-



century, two-storey stables building on Marsi 5 property, the construction of an extension and partially underground car park. The building is scheduled for completion in spring 2021. Ratsuri Houses will have a total of 39 apartments – 17 in the former stables and 22 in the modern New Holland style building. To date, close to 70% of apartments have been reserved or presold.

Kalaranna in Tallinn

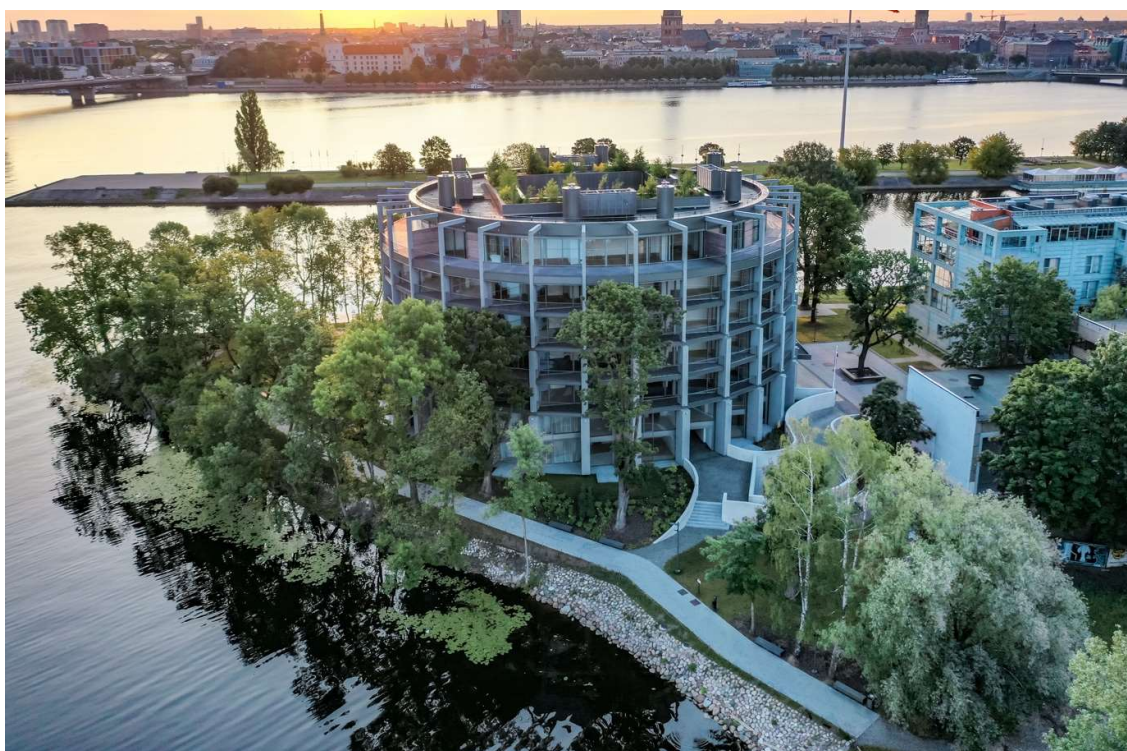
Kalaranna District is a unique sea-side residential district on the boarder of Tallinn's central city and old town. Kalaranna District, located at Kalaranna 8, will have twelve 4-5 storey buildings on nearly six hectares. The area will be developed in two stages. An integral part of the residential quarter is well-thought-out landscape architecture and a beach promenade that largely preserves the existing natural environment. During the first phase of construction, eight buildings will be completed with 240 apartments,



commercial premises and an underground car park. The area will include the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. The first buildings will be completed by September 2021 at the latest. To date, close to 60% of apartments have been reserved or presold.

Kliversala in Riga

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



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

The River Breeze Residence is the first residential building in Kliversala Quarter. We are in the process of projecting the second phase of the area - the Blue Marine, named by its close proximity to the river and yacht port area.

Brivibas Business Quarter in Riga

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



foresees renovation of the existing industrial building into an office building. The construction of new office and commercial buildings will be carried out as a second phase of the project. The site is ready for construction, existing building is conserved. The Company started the design works for the renovation in 2017 and is currently in progress with technical design of the premises.

Tallinas Quarter in Riga



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

Šaltinių Namai in Vilnius

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



Segments and sales information

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

Revenue structure of six months, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	6M	6M	6M	6M	6M	6M	6M	6M	6M	6M
Real estate	489	5 970	931	3 903	3 224	5 609	0	0	4 644	15 482
Rent	3454	4937	39	35	14	35	0	0	3 507	5 007
Hotel	0	0	0	0	0	0	737	1 873	737	1 873
Maintenance	31	22	0	0	107	72	0	0	138	94
Other	8	28	12	11	7	17	0	0	27	56
Total	3 982	10 957	982	3 949	3 352	5 733	737	1 873	9 053	22 512

Revenue structure of second quarter, in thousands of euros

	EST	EST	LV	LV	LT	LT	GER	GER	Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
Real estate	146	1 505	11	1 528	1 450	5 551	0	0	1 607	8 584
Rent	1450	2435	19	18	3	15	0	0	1 472	2 468
Hotel	0	0	0	0	0	0	14	1 009	14	1 009
Maintenance	16	12	0	0	55	36	0	0	71	48
Other	7	13	7	6	2	12	0	0	16	31
Total	1 619	3 965	37	1 552	1 510	5 614	14	1 009	3 180	12 140

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

The share of the Estonian segment as a percentage of total revenues of the Company for the six months amounted to 44.0% compared to 48.7% during the same period last year.

During the reporting period of six months the total of 3 apartments, 4 parking lots and 4 storage rooms were sold (2019 6M: 41 apartments, 58 parking lots and 34 storage rooms).

At the end of the reporting period the stock consisting of several parking spaces and storage rooms were available for sale in Tallinn.

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 six months amounted to 10.8% comparing to 17.5% in the same period last year. At the end of the reporting period the stock consisting of 32 luxury apartments, several storage rooms and parking lots are available for sale in Latvia.

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

The share of the Lithuanian segment as a percentage of total revenues of the Company for the six months amounted to 37.0% comparing to 25.5% during the same period last year.

During the reporting period 6 apartments, 2 cottages, 2 business premises, 5 storage rooms and 11 parking lots were sold in Lithuania (2019 6M: 21 apartments, 1 cottage, 26 storage rooms and 23 parking lots). There were 25 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 six months amounted to 8.1% comparing to 8.3% last year. The occupancy rate of 53% of PK Parkhotel Kurhaus has decreased by 17% compared to 64% during the same period in 2019. In the second quarter there was no occupancy available due to the COVID-19 (2019 6M: 70%). Total revenues of six months were 737 thousand euros compared to 1 873 thousand euros during the same period in 2019. Net result for the six months was 432 thousand euros loss (2019 6M: 299 thousand euros profit). Due to the Emergency State and restrictions set by the German Government the hotel was closed during 21 March-30 June 2020. The hotel was re-opened from 1 July 2020.

Other operative data of six months

	EST		LV		LT		Total	Total
	2020 6M	2019 6M	2020 6M	2019 6M	2020 6M	2019 6M	2020 6M	2019 6M
M ² sold*	228	3 005	286	1 129	1 140	1 862	1 655	5 996
Average price, m ² /EUR*	1 958	1 816	3 018	3 152	2 629	2 508	2 604	2 283
M ² under maintenance	26 307	26 307	0	0	24 946	18 045	51 253	44 352

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

Other operative data of second quarter

	EST		LV		LT		Total	Total
	2020 Q2	2019 Q2	2020 Q2	2019 Q2	2020 Q2	2019 Q2	2020 Q2	2019 Q2
M ² sold*	76	716	0	440	472	1 862	548	3 018
Average price, m ² /EUR*	1 918	1 864	0	3 187	2 852	2 508	2 723	2 454
M ² under maintenance	26 307	26 307	0	0	24 946	18 045	51 253	44 352

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

Financing sources and policies

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

During the reporting period, the Company borrowed 2.7 million euros from LHV Pank AS, 94 thousand euros from Coop Pank AS and 100 thousand euros from Colosseum Finance OÜ. The Company repaid 0.7 million euros of the bank loans, 0.1 million euros of non-convertible bonds (which matured last year) and refinanced non-convertible bonds with the nominal value of 27.9 million euros in the first quarter of 2020. As at 30 June 2020, the total loan debt to the banks was 85.5 million euros (Note 9).

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

As at 30 June 2020 the Company had issued 10.25 million euros convertible bonds and 28.5 million euros secured, callable, fixed rate bonds with redemption date in February 2024 (Note 9).

Shares and shareholders

As at 30 June 2020 Pro Kapital had issued 56 687 954 shares in total with the nominal value 0.20 euros. The registered share capital of the Company was 11 337 590.80 euros.

As at 30 June 2020 there were 336 shareholders registered in the shareholders register. Many of the registered shareholders are nominee companies, which represent multiple non-resident investors.

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

Shareholders	Number of shares	Participation in %
Raiffeisen Bank International AG	29 410 274	51.88%
Clearstream Banking Luxembourg S.A. Clients	11 494 982	20.28%
Nordea Bank AB (Publ)/ Non-treaty Clients	4 787 996	8.45%
Svalbork Invest OÜ	3 633 387	6.41%

The largest shareholders of AS Pro Kapital Grupp are Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as of 30 June 2020 Ernesto Preatoni and his affiliates control 42.83% of shares of AS Pro Kapital Grupp. The following shares are considered as being controlled by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 3 633 387 shares representing 6.41% of the total shares of the Company.
- 17 138 439 shares representing 30.23% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 3 510 985 shares representing 6.19% of the total shares of the Company held through a nominee account opened by Nordea Bank.

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

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

Earnings per share during the six months of 2020 were -0.13 euros (2019 6M: 0.00 euros).

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



Source: nasdaqbaltic.com

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

0.87 euros per share on 30 June 2020. During the period 583 thousand of the Company's shares were traded with their turnover amounting to 575 thousand euros.

Since 13 March 2014 the Company's shares are available for trading on Frankfurt's stock exchange trading platform Quotation Board. During the period of 1 January – 30 June 2020 the shares were traded at the price range of 0.65-1.35 euros, with the closing price 0.88 euros per share on 30 June 2020. During the period 300 thousand of the Company's shares were traded with the total turnover of 312 thousand euros.

Legal overview and developments

The Company has set the policy to disclose the information about pending court litigation disputes which might have material financial effect on the Company and its share price. The Company will disclose all disputes which might have financial effect of at least 100 000 euros at once or during the period of one financial year.

As at 30 June 2020, AS Pro Kapital Eesti had two interlinked administrative court cases in progress. In the first court case, the company is requesting nullification of a decision of the Land Board whereby a cadastral unit located at Kalasadama 3, Tallinn, with 100% purpose of land under water bodies was not registered. On 27 March 2020 the Tallinn District Court decided in favour of AS Pro Kapital Eesti and ruled that the Land Board should make a new decision or, then, should invalidate its original 30 April 1999 decision from the privatisation era. On 27 April 2020 the Land Board appealed the District Court's decision to the Supreme Court, which has not started proceedings as at the date of publishing this report. The second court case is a claim of compensation against the state in relation to the same cadastral unit – court proceedings have been halted until a final court decision takes effect in the first court case. In case the Supreme Court takes the matter for review and decides in favour of the Land Board or if the Land Board should render its original decision from privatisation time invalid, then AS Pro Kapital Eesti will have unjustly paid land tax from this cadastral portion of land and the company shall have a right to claim that the state compensate 192 336 euros of land tax paid in excess during 2004-2018 and to claim that the state compensates 733 450 euros of the purchase price paid by the company for that portion of land, the claim for compensation amounting to 925 788 euros in total.

People

As at 30 June 2020 the Company employed 88 people compared to 86 people on 30 June 2019. 38 of them were engaged in hotel and property maintenance services (38 on 30 June 2019). The number of employees does not include council members.

Risks

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

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

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

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

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

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

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

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

Consolidated financial statements

Consolidated interim statement of financial position

in thousands of euros	Notes	30.06.2020	30.06.2019	31.12.2019
ASSETS				
Current assets				
Cash and cash equivalents		7 061	4 102	10 616
Current receivables		1 077	2 856	1 475
Inventories	5	45 381	57 935	41 031
Total current assets		53 519	64 893	53 122
Non-current assets				
Non-current receivables	6	3 716	3 199	2 297
Property, plant and equipment	7	7 047	7 186	7 146
Right-of-use assets	7	438	597	519
Investment property	8	147 762	172 757	147 365
Intangible assets		354	340	372
Total non-current assets		159 317	184 079	157 699
TOTAL ASSETS	3	212 836	248 972	210 821
LIABILITIES AND EQUITY				
Current liabilities				
Current debt	9	83 162	39 788	111 759
Customer advances		6 059	4 932	3 974
Current payables		15 430	6 975	8 741
Tax liabilities		167	298	1 155
Short-term provisions		325	1 101	267
Total current liabilities		105 143	53 094	125 896
Non-current liabilities				
Long-term debt	9	41 179	92 360	10 871
Other non-current payables		1 416	1 118	1 013
Deferred income tax liabilities		1 289	1 827	1 348
Long-term provisions		146	111	127
Total non-current liabilities		44 030	95 416	13 359
TOTAL LIABILITIES	3	149 173	148 510	139 255
Equity attributable to owners of the Company				
Share capital in nominal value		11 338	11 338	11 338
Share premium		5 661	5 661	5 661
Statutory reserve		1 216	1 134	1 134
Revaluation reserve		3 262	3 262	3 262
Retained earnings		49 661	76 663	76 725
Profit / Loss for the period		-7 554	-129	-26 981
Total equity attributable to owners of the Company		63 584	97 929	71 139
Non-controlling interest	4	79	2 533	427
TOTAL EQUITY		63 663	100 462	71 566
TOTAL LIABILITIES AND EQUITY		212 836	248 972	210 821

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

Consolidated interim statements of comprehensive income

in thousands of euros	Notes	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
CONTINUING OPERATIONS						
Operating income						
Revenue	3, 10	9 053	22 512	3 180	12 140	55 276
Cost of goods sold	11	-5 562	-14 333	-1 826	-8 103	-39 467
Gross profit	12	3 491	8 179	1 354	4 037	15 809
Marketing expenses		-287	-294	-126	-152	-728
Administrative expenses	13	-2 950	-2 775	-1 388	-1 422	-6 013
Other income	14	70	50	67	23	95
Other expenses	14	-74	-39	-3	-9	-24 341
Operating profit/ loss		250	5 121	-96	2 477	-15 178
Financial income	15	2	2	1	1	4
Financial expense	15	-8 076	-5 572	-3 832	-2 815	-14 019
Profit / loss before income tax		-7 824	-449	-3 927	-337	-29 193
Income tax		-79	173	-10	174	21
Profit / loss for the period		-7 903	-276	-3 937	-163	-29 172
Attributable to:						
Equity holders of the parent		-7 554	-129	-3 768	-86	-26 981
Non-controlling interest	4	-349	-147	-169	-77	-2 191
Total comprehensive income / loss for the year		-7 903	-276	-3 937	-163	-29 172
Attributable to:						
Equity holders of the parent		-7 554	-129	-3 768	-86	-26 981
Non-controlling interest		-349	-147	-169	-77	-2 191
Earnings per share for the period (EUR)	16	-0.13	0.00	-0.07	0.00	-0.48

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

Consolidated interim statements of cash flows

in thousands of euros	Note	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Cash flows from operating activities						
Profit/loss for the period		-7 903	-276	-3 937	-163	-29 172
Adjustments for:						
Depreciation, amortisation of non-current assets		208	194	104	100	399
Gain from disposal of property, plant, equipment		0	0	0	0	-3
Gain from disposal of investment property		0	0	0	0	6
Change in fair value of property, plant, equipment		0	0	0	0	-15
Change in fair value of investment property		0	0	0	0	24 236
Finance income and costs	15	8 074	5 570	3 831	2 814	14 016
Changes in deferred tax assets and liabilities		-59	-177	-32	-177	-656
Other non-monetary changes (net amounts)		1	50	1	20	419
Changes in working capital:						
Trade receivables and prepayments		-980	-959	-570	-2 531	-630
Inventories		-4 350	1 411	-5 053	1 993	18 276
Liabilities and prepayments		2 348	-5 368	1 012	-1 223	-6 412
Provisions		19	24	10	14	-51
Net cash used/ generated in operating activities		-2 642	469	-4 634	847	20 413
Cash flows from investing activities						
Payments for property, plant and equipment	7	-12	-166	-3	-135	-226
Payments for intangible assets		-2	-25	0	-24	-74
Payments for investment property	8	-397	-4 637	-95	-1 104	-6 019
Proceeds from disposal of investment property		0	0	0	0	2 170
Interests received	15	2	2	0	1	4
Net cash used in investing activities		-409	-4 826	-98	-1 262	-4 145
Cash flows from financing activities						
Net proceeds from secured bonds		28 500	0	0	0	0
Redemption of non-convertible bonds		-28 000	-300	0	-300	-500
Proceeds from borrowings		2 857	13 388	2 757	5 818	16 461
Repayment of borrowings		-656	-7 576	-8	-3 733	-21 551
Repayment of lease liabilities		-84	-85	-36	-49	-192
Interests paid		-3 121	-2 008	-379	-1 384	-6 910
Deposited amount related to loan obligations	6	0	-2 000	0	-2 000	0
Net cash used/ generated by financing activities		-504	1 419	2 334	-1 648	-12 692
Net change in cash and cash equivalents		-3 555	-2 938	-2 398	-2 063	3 576
Cash and cash equivalents at the beginning		10 616	7 040	9 459	6 165	7 040
Cash and cash equivalents at the end of the period		7 061	4 102	7 061	4 102	10 616

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

Consolidated interim statements of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Attributable to equity owners of the parent	Non-controlling interests	Total equity
1 January 2018	11 338	5 661	1 082	3 256	59 950	81 287	1 395	82 682
Changes in revaluation reserve	0	0	0	6	-6	0	0	0
Comprehensive profit for the period	0	0	0	0	16 827	16 827	1 229	18 056
31 December 2018	11 338	5 661	1 082	3 262	76 771	98 114	2 624	100 738
Changes in revaluation reserve	0	0	52	0	-52	0	0	0
Changes in non-controlling interests	0	0	0	0	-56	-56	56	0
Comprehensive loss for the period	0	0	0	0	-129	-129	-147	-276
30 June 2019	11 338	5 661	1 134	3 262	76 534	97 929	2 533	100 462
Changes in non-controlling interests	0	0	0	0	62	62	-62	0
Comprehensive loss for the period	0	0	0	0	-26 852	-26 852	-2044	-28 896
31 December 2019	11 338	5 661	1 134	3 262	49 744	71 139	427	71 566
Allocation of funds to statutory reserve	0	0	82	0	-82	0	0	0
Comprehensive loss for the period	0	0	0	0	-7 554	-7 554	-349	-7 903
30 June 2020	11 338	5 661	1 216	3 262	42 107	63 584	79	63 663

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

Notes to consolidated interim financial statements

Note 1. General information

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

Shareholder	Country of incorporation	Ownership 30.06.2020	Ownership 30.06.2019	Ownership 31.12.2019
Raiffeisen Bank International AG	Austria	51.88%	48.52%	48.68%
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	20.28%	19.50%	20.80%
Nordea Bank AB (Publ)/ Non-treaty Clients	Finland	8.45%	0.00%	0.00%
Svalbork Invest OÜ	Estonia	6.41%	7.15%	6.41%
Nordea Bank Finland Plc Clients	Finland	0.00%	11.66%	11.13%

For the purpose of comparable financial figures of these interim financial statements as at 30 June 2020, AS Pro Kapital Grupp is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany Holding OÜ) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting and to forward information to the investors.

For the comparable period of six months of 2019, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Parent Company and its subsidiaries.

Note 2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 „Interim Financial Reporting” as adopted by the European Union. The consolidated interim financial statements do not include all of the information required by complete set of financial statements and should be read in conjunction with annual consolidated financial statements of the Company as at and for the year ended 31 December 2019.

The accounting policies applied by the Company in these consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2019.

Note 3. Segment reporting

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2020 6M							
Revenue	0	3 982	982	3 352	746	-9	9 053
<i>incl. sale of real estate</i>	0	489	931	3 224	0		4 643
<i>incl. rental income</i>	0	3 454	39	14	0		3 507
<i>incl. hotel operations</i>	0	0	0	0	746	-5	741
<i>incl. maintenance services</i>	0	31	0	107	0		138
<i>incl. other revenue</i>	0	8	12	7	0	-4	23
Other operating income and expenses (net)	0	2	0	0	-6		-4
Segment operating profit/loss	-1 010	601	97	916	-359	5	250
Financial income and expense (net)	-3 146	-4 606	-230	-15	-70	-7	-8 074
Profit/Loss before income tax	-4 156	-4 005	-133	901	-429	-2	-7 824
Income tax	0	0	0	-76	-3		-79
Non-controlling interest	0	-349	0	0	0		-349
Net profit/loss for the financial year attributable to equity holders of the parent	-4 156	-3 656	-133	825	-432	-2	-7 554
30.06.2020							
Assets	56 136	245 535	29 389	13 551	6 853	-138 628	212 836
Liabilities	123 410	105 243	20 514	2 754	4 333	-107 081	149 173
Acquisition of non-current assets	0	6	0	1	7		14
Reclassification	0	0	-5	0	0		-5
Depreciation and amortisation	-3	-52	-26	-14	-113		-208
2019 6M							
Revenue	0	10 957	3 952	5 733	2 124	-254	22 512
<i>incl. sale of real estate</i>	0	5 970	3 903	5 609	0		15 482
<i>incl. rental income</i>	0	4 937	35	35	0		5 007
<i>incl. hotel operations</i>	0	0	0	0	2 124	-251	1 873
<i>incl. maintenance services</i>	0	22	0	72	0		94
<i>incl. other revenue</i>	0	28	14	17	0	-3	56
Other operating income and expenses (net)	-1	7	13	-2	-6		11
Segment operating profit/loss	-1 001	3 686	1 336	1 112	-17	5	5 121
Financial income and expense (net)	-2 469	-2 673	-241	-109	-69	-9	-5 570
Profit/Loss before income tax	-3 470	1 013	1 095	1 003	-86	-4	-449
Income tax	0	0	0	174	-1		173
Non-controlling interest	0	-147	0	0	0		-147
Net profit/loss for the financial year attributable to equity holders of the parent	-3 470	1 160	1 095	1 177	-87	-4	-129
30.06.2019							
Assets	59 353	263 401	31 159	27 703	6 914	-139 558	248 972
Liabilities	119 545	93 308	20 912	18 740	4 020	-108 015	148 510
Acquisition of non-current assets	1	79	2	2	107		191
Depreciation and amortisation	-3	-35	-27	-16	-113		-194

in thousands of euros	Parent	Estonia	Latvia	Lithuania	Germany	Internal transactions elimination	Total
2019 12M							
Revenue	760	28 911	4 739	17 688	4 451	-1 273	55 276
<i>incl. sale of real estate</i>	0	19 367	4 640	17 412	0		41 419
<i>incl. rental income</i>	0	9 467	71	49	0		9 587
<i>incl. hotel operations</i>	0	0	0	0	4 451	-507	3 944
<i>incl. maintenance services</i>	0	48	0	172	0		220
<i>incl. other revenue</i>	760	29	28	55	0	-766	106
Other operating income and expenses (net)	-3	-23 537	-696	-26	16		-24 246
Segment operating profit/loss	-1 354	-16 660	381	2336	110	9	-15 178
Financial income and expense (net)	-5 042	-8 123	-495	-200	-140	-16	-14 015
Profit/Loss before income tax	-6 396	-24 782	-114	2136	-30	-7	-29 193
Income tax	0	0	-30	50	1		21
Non-controlling interest	0	-2 191	0	0	0		-2 191
Net profit/loss for the financial year attributable to equity holders of the parent	-6 396	-22 591	-144	2 186	-29	-7	-26 981
31.12.2019							
Assets	31 976	138 250	19 623	14 844	6 128		210 821
Liabilities	39 127	93 812	2 819	2 189	1 308		139 255
Acquisition of non-current assets	1	133	2	2	162		300
Disposal of non-current assets	0	-14	0	-1	0		-15
Depreciation and amortisation	-5	-78	-54	-32	-230		-399

Note 4. Changes in minority shareholding

AS Tallinna Moekombinaat

Minority (%) as at 31 December 2018	6.65%
Minority (%) as at 30 June 2019	6.65%
Minority (%) as at 31 December 2019	6.65%
Minority (%) as at 30 June 2020	6.65%

in thousands of euros

Non-controlling interest as at 31 December 2018	2 624
Loss for the reporting period	-147
Changes in statutory reserve in non-controlling interests	56
Non-controlling interest as at 30 June 2019	2 533
Loss for the reporting period	-2 044
Changes in statutory reserve in non-controlling interests	-62
Non-controlling interest as at 31 December 2019	427
Loss for the reporting period	-349
Non-controlling interest as at 30 June 2020	79

Note 5. Inventories

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Property held for resale	15 098	28 039	17 782
<i>incl. Kristina Houses, Tallinn</i>	68	297	459
<i>incl. River Breeze, Riga</i>	9 382	10 362	9 890
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	5 540	17 115	7 209
<i>incl. other properties</i>	108	265	224
Works in progress	30 133	29 804	23 091
<i>incl. Kristiine City, Tallinn</i>	1 209	7 753	722
<i>incl. Kalaranna Quarter, Tallinn</i>	22 953	16 099	16 399
<i>incl. Šaltinių Namai (Attico), Vilnius</i>	5 971	5 952	5 970
Goods bought for resale	149	52	119
Prepayments for inventories	1	40	39
Total	45 381	57 935	41 031

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

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

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

Note 6. Non-current receivables

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Deposited cash on the bank account	0	2 000	0
Accrued income (rental income)	3 688	1 161	2 265
Finance leases	28	32	30
Other non-current receivables	0	6	2
Total	3 716	3 199	2 297

Accrued income has increased by 1.4 million euros in the first half year of 2020 due to the recognition of estimation of rental income in T1 Mall of Tallinn according to IFRS 15.

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

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

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Acquisition value of property, plant and equipment	10 384	10 320	10 372
Accumulated depreciation	-3 337	-3 134	-3 226
Residual value of property, plant and equipment	7 047	7 186	7 146

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Acquisition value of right-of-use assets	669	674	674
Accumulated depreciation	-231	-77	-155
Residual value of right-of-use assets	438	597	519

On 1 January 2019 the Company recognised initial balances of leases in total amount of 674 thousand euros as right-of-use assets using modified retrospective approach as per implementation of IFRS 16 “Leases” requirements.

in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	Total	Right-of-use assets
Acquisition value 31.12.2018	8 956	918	280	0	10 154	0
Initial application of IFRS 16 (Note 2)	0	0	0	0	0	674
Adjusted acquisition value 01.01.2019	8 956	918	280	0	10 154	674
Additions:						
Acquired	0	22	59	85	166	0
Acquisition value 30.06.2019	8 956	940	339	85	10 320	674
Additions:						
Acquired	121	19	5	0	145	0
Reclassification	0	0	0	-85	-85	0
Disposals:						
Written off	0	0	-8	0	-8	0
Acquisition value 31.12.2019	9 077	959	336	0	10 372	674
Additions:						
Acquired	0	3	5	4	12	0
Reclassification	0	0	0	0	0	-5

Acquisition value 30.06.2020	9 077	962	341	4	10 384	669
in thousands of euros	Land and buildings	Machinery and equipment	Other tangible assets	Prepay-ments	Total	Right-of-use assets
Accumulated depreciation 31.12.2018	1 982	864	180	0	3 026	0
Additions:						
Depreciation charge for the period	74	11	23	0	108	77
Accumulated depreciation 30.06.2019	2 056	875	203	0	3 134	77
Additions:						
Depreciation charge for the period	74	11	23	0	108	77
Changes in fair value	-15	0	0	0	-15	0
Disposals and write offs:						
Written off	0	0	-7	0	-7	0
Accumulated depreciation 31.12.2019	2 115	889	222	0	3 226	155
Additions:						
Depreciation charge for the period	76	10	25	0	111	76
Accumulated depreciation 30.06.2020	2 191	899	247	0	3 337	231

Note 8. Investment property

in thousands of euros	Property held for increase in value	Property held for operating lease	Total
Balance at 31.12.2018	38 945	129 200	168 145
Additions:			
Investments	660	3 952	4 612
Balance at 30.06.2019	39 605	133 152	172 757
Additions:			
Investments	613	794	1 407
Changes in fair value:			
Loss from change in fair value	-1 190	-23 046	-24 236
Reclassified into inventories	-396	0	-396
Disposals:			
Sold	-2 167	0	-2 167
Balance at 31.12.2019	36 465	110 900	147 365
Additions:			
Investments	388	9	397
Balance at 30.06.2020	36 853	110 909	147 762

The fair value of the Company's investment properties has been derived on the basis of valuations carried out by Colliers International, an independent valuator, at the end of 2019. The valuations were performed by reference to recent market information. Mainly discounted cash flow method was used due to low number of comparable market transactions. Although the lease market has significantly changed since the last

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

Note 9. Current and non-current debt

Current debt

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Bank loans and overdrafts	77 085	7 436	77 726
Convertible bonds	5 909	4 077	5 875
Non-convertible bonds	0	28 115	27 967
Lease liabilities	168	160	191
Total	83 162	39 788	111 759

Non-current debt

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Bank loans and overdrafts	8 428	85 255	5 687
Convertible bonds	4 255	6 063	4 250
Non-convertible bonds	27 512	0	0
Payables to non-controlling interest	630	492	510
Lease liabilities	354	550	424
Total	41 179	92 360	10 871

Creditors

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Luminor Bank AS (EE)	402	431	416
AS LHV Pank (EE)	7 963	11 119	5 300
AS Swedbank (LV)	1 698	2 851	2 339
Coop Pank AS (EE)	94	0	0
AS DNB Bankas (LT)	0	4 555	0
Lintgen Adjacent Investments (Agent) incl long-term interests	75 356	73 734	75 356
Colosseum Finance OÜ including long-term interests	101	0	0
Fiducaria Emiliana S.r.l including long-term interests	341	318	330
Anndare Limited including long-term interests	188	174	181
Convertible bonds, various investors (discounted value)	10 164	10 140	10 125
Non-convertible bonds, various investors	0	300	100
Secured bonds, various investors (discounted value)	27 512	27 815	27 867
Lease agreements (related to right-of-use assets)	522	710	615
Swedbank AS (EE), credit cards	0	1	1
Total	124 341	132 148	122 630

All agreements and liabilities are fixed in euros. The total interest and other financial cost (Note 15) for the reporting period was 8.1 million euros (2019 6M: 5.6 million euros).

The most significant creditor of the Company has financed AS Tallinna Moekombinaat (TMK) for the construction of T1 Mall of Tallinn. The total amount provided with the facility agreement was 65 million euros to which accumulated interests have been added until interest payment obligation started (September 2019). The lower operating profitability of TMK triggered non-fulfilment of two financial maintenance covenants under the loan facility agreement with the subsidiary's main creditor (DSCR or Debt Service Coverage Ratio and NLR or Net Leverage Ratio – which are ratios to assess the health of the investment in conformity with expected operating results.) However, the operating results of TMK (before non-monetary revaluation effect and the interest costs) have remained positive. TMK is also in payment default under the abovementioned loan facility agreement. While the first regular interest payment under the loan facility agreement was duly made in September 2019, during the negotiations with the lender and initiated reorganisation proceedings TMK has made no further interest or default interest payments. Such non-payment and the above described non-fulfilment of financial covenants entitles the creditor to accelerate its claims under the facility agreement. This is why TMK has recorded the loan balance as a short-term liability. After realising that long negotiations with the lender are leading nowhere and uncertainty related to COVID-19 increased significantly (restrictions were set for the shopping centres), TMK submitted on 31 March 2020 an application to Harju County Court for commencement of reorganisation proceedings with the purpose to overcome temporary liquidity issues, reasonably reorganise liabilities and increase profitability of TMK. On 3 April 2020 Harju County Court initiated reorganisation proceedings. In co-operation with the reorganization advisor TMK has prepared and submitted a realistic and fair reorganization plan to the creditors. Although the most of the creditors voted in favour of the reorganisation plan, it was not enough to accept the plan as the major creditor, the lender, voted against it. TMK applied to the court to accept the plan through the expert procedures. The court has appointed two experts and requested to provide their opinion to the court by 22 July 2020. Opinions of the experts were in general supportive towards the reorganisation plan. As per Tallinn District Court instructions, Harju County Court is requested to make additional analysis about appointment of the experts. Harju County Court should take a decision on that request and also on approval of the reorganisation plan in the nearest future.

Convertible bonds

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

carry interest rate of 7%. Remaining nominal value of the bonds is 10.25 million euros. Remaining balance sheet value is 10.2 million euros - 86 thousand euros of prolongation fees have been discounted from the value of the convertible bonds. On 17 January 2020 the Company prolonged the redemption date of 378 070 PKG2 convertible bonds by 2 years. New redemption date is 20 January 2022.

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

Unsecured non-convertible bonds

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

Secured non-convertible bonds

In February 2020, the Company refinanced the senior secured bonds 2015/2020 (the "Old Bonds") in full by issuing new senior secured, called, fixed rate bonds 2020/2024 (the "New Bonds") in total amount of 28.5 million euros. The New Bonds are similar to the Old Bonds with minor differences. All shares of Pro Kapital subsidiaries with and exception of shares of AS Tallinna Moekombinaat have been pledged. 285 bonds, with the value of 100 000 euros each, carry a fixed rate coupon 8% and mature in February 2024. The Old Bonds were redeemed on 17 March 2020. Remaining balance of the non-convertible bonds is 28.5 million euros on 31 March 2020. The balance sheet value is 27.5 million euros - 1 million euros of refinancing costs are being discounted over the effective period of the New Bonds. According to New Bonds terms and conditions, the Company has to maintain the equity ratio above 30% at all times. For calculation consolidated figures are used excluding AS Tallinna Moekombinaat (TMK). As at the end of the reporting period the calculated equity ratio was 55.0%.

In thousands of euros	PKG consolidated	PKG consolidated without TMK	Difference
Revenue	9 053	5 596	-38%
Gross profit	3 491	1 536	-56%
Net result	-7 903	-3 084	61%
Total Assets	212 836	135 924	-36%
Current Assets	53 519	54 857	3%
Non-Current Assets	159 317	81 067	-49%
Total Liabilities	149 173	61 231	-59%
Current Liabilities	105 143	18 722	-82%
Non-Current Liabilities	44 030	42 509	-3%
Equity	63 663	74 694	17%
Equity ratio	29.9%	55.0%	84%

Pledged assets in balance sheet value

in thousands of euros

Beneficiary	Collateral description	30.06.2020	30.06.2019	31.12.2019
Bank accounts				
Nordic Trustee & Agency AB (Sweden)	Nordea Bank AB (Sweden)	320	35	37
Lintgen Adjacent Investments	AS Swedbank	0	2 000	3
Inventory				
Luminor Bank AS*	Sõjakooli 12, 12a, 12b, 12c, Tallinn	N/A	297	N/A
Luminor Bank AS*	Sammu 6, 6a, 6b, Tallinn	N/A	7 523	N/A
LHV Pank AS	Kalaranna 5, 7, 8, 22, Tallinn	22 953	16 099	16 398
AS Swedbanka (Latvia)	Trijadibas St. 5, Riga	23 489	23 860	23 527
AB DNB Bankas (Lithuania)*	Aguonu 8, 10, Vilnius	N/A	14 025	N/A
Coop Pank AS	Marsi 5, Tallinn	764	N/A	N/A
Property, plant and equipment				
Nordea Bank Finland Estonian branch	Sõjakooli 11, Tallinn	730	730	730
Colosseum Finance OÜ	AS Tallinna Moekombinaat fixed assets and trademark	96	N/A	N/A
Investment property				
Lintgen Adjacent Investments	AS Tallinna Moekombinaat	110 910	133 152	110 900

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

		30.06.2020	30.06.2019	31.12.2019
NTA	Pro Kapital Germany Holdings OÜ	11	11	10
NTA	Pro Kapital Germany GmbH	25	25	25
NTA	PK Hotel Management Services GmbH	116	116	116
NTA	Pro Kapital Eesti AS	16 880	16 880	16 880
NTA	OÜ Ilmarise Kvartal	3	3	3
NTA	Pro Halduse OÜ	26	26	26
NTA	AS Tondi Kvartal	160	160	160
NTA	OÜ Marsi Elu	20	20	20
NTA	AS Tallinna Moekombinaat**	N/A	11 795	11 795
NTA	Kalaranna Kvartal OÜ	3	3	3
NTA	Dunte Arendus OÜ	3	3	3
NTA	Pro Kapital Latvia JSC	9 960	9 960	9 960
NTA	Kliversala SIA	14 531	14 531	14 531
NTA	Tallina Nekustamie Īpašumi SIA	7 500	4 700	4 000
NTA	Nekustamo Īpašumu sabiedrība Zvaigznes centrs SIA	4 300	2 500	2 500
NTA	Pro Kapital Vilnius Real estate UAB	1 335	1 335	1 335
NTA	In Vitam UAB	3	3	3
NTA	PK Invest UAB	823	823	823
NTA	Pro Kapital Bonum UAB	800	800	800

*Loans have been repaid

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

Note 10. Revenue

Segment revenue

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Revenue from contracts with customers					
Revenue from sale of real estate	4 643	15 482	1 606	8 584	41 419
Hotel operating revenue	741	1 873	17	1 009	3 944
Revenue from maintenance and other services	161	150	84	78	326
Total revenue from contracts with customers	5 545	17 505	1 707	9 671	45 689
Rental income	3 508	5 007	1 473	2 469	9 587
Total	9 053	22 512	3 180	12 140	55 276

Timing of revenue recognition

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
At a point in time					
Revenue from sale of real estate	4 643	15 482	1 606	8 584	41 419
Hotel operating revenue	741	1 873	17	1 009	3 944
Revenue from other services	24	56	14	30	106
Total revenue recognised at a point in time	5 408	17 411	1 637	9 623	45 469
Over time					
Rental income	3 508	5 007	1 473	2 469	9 587
Revenue from maintenance fees	137	94	70	48	220
Total	9 053	22 512	3 180	12 140	55 276

Revenue from sale of real estate has decreased by 70% as in the comparable period an apartment building in Kristina Houses new buildings in Šaltinių Namai were completed and final sales agreements were signed according to presales. In 2020 sales are continuing in Kliversala in Riga and in Šaltinių Namai in Vilnius. Revenue from hotel operations has decreased by 60% compared to the previous comparable period due to COVID-19 as the hotel was closed from 21 March to 30 June 2020. Rental revenues are also affected by COVID-19, as most shops were closed in the shopping centres since the end of March until 11 May in Estonia. Rental revenue includes provision of future rental revenues as per IFRS 15 rental revenue recording principles.

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

Note 11. Cost of sales

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Cost of real estate sold	3 138	10 351	1 059	6 113	31 857
Cost of providing rental services	1 508	2 484	532	1 249	4 522
Cost of hotel operations	831	1 435	191	702	2 937
Cost of maintenance services	80	51	40	27	136
Cost of other services	5	12	4	11	15
Total	5 562	14 333	1 826	8 103	39 467

Note 12. Gross profit

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Real estate	1 505	5 131	547	2 472	9 562
Rental revenue	2 000	2 523	941	1 220	5 065
Hotel operating	-90	438	-174	306	1 007
Maintenance services	57	43	30	21	84
Other services	19	44	10	18	91
Total	3 491	8 179	1 354	4 037	15 809

Note 13. Administration expenses

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Staff costs	1 354	1 397	654	702	2 869
Land and real estate taxes	171	196	79	108	404
Allowance of doubtful debt and written-off debt	400	0	216	0	649
Depreciation charge	65	67	32	34	137
Other	960	1 116	407	578	1 954
Total	2 950	2 775	1 388	1 422	6 013

Note 14. Other income and expenses

Other income

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Fines collected	41	26	38	19	37
Profit from sale of investment property	0	0	0	0	3
Gain from fair value adjustments of non-current assets	0	0	0	0	15
Other	29	24	29	4	40
Total	70	50	67	23	95

Other expenses

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Fines paid	62	3	1	0	36
Loss from write-off of non-current assets	0	0	0	0	6
Net loss from fair value adjustments - investment property	0	0	0	0	24 236
Other	12	36	2	9	63
Total	74	39	3	9	24 341

Note 15. Finance income and cost

Finance income

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Interest income	2	2	1	1	4
Total	2	2	1	1	4

Finance cost

in thousands of euros	2020 6M	2019 6M	2020 Q2	2019 Q2	2019 12M
Interest expenses	7 636	5 448	3 615	2 772	13 590
Other financial expenses	440	124	217	43	429
Total	8 076	5 572	3 832	2 815	14 019

Note 16. Earnings per share

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

Average number of shares:

For the period	01.01.2020-30.06.2020	(56 687 954x 182/182)	= 56 687 954
For the period	01.01.2019-30.06.2019	(56 687 954x181/181)	= 56 687 954
For the period	01.04.2020-30.06.2020	(56 687 954x 91/91)	= 56 687 954
For the period	01.04.2019-30.06.2019	(56 687 954x 91/91)	= 56 687 954
For the period	01.01.2019-31.12.2019	(56 687 954x365/365)	= 56 687 954

Indicative earnings per share:

For the period	01.01.2020-30.06.2020	-7 555 thousand euros/ 56 687 954 = -0.13 euros
For the period	01.01.2019-30.06.2019	-129 thousand euros/ 56 687 954 = 0.00 euros
For the period	01.04.2020-30.06.2020	-3 768 thousand euros/ 56 687 954 = -0.07 euros
For the period	01.04.2019-30.06.2019	-86 thousand euros/ 56 687 954 = 0.00 euros
For the period	01.01.2019-31.12.2019	-26 981 thousand euros/ 56 687 954 = -0.48 euros

The convertible bonds issued by the Company did not have a dilutive effect on earnings in 2019 and 2020, therefore they have not been included in the calculation of the diluted net profit (loss) per share and diluted net profit (loss) per share equals the net profit (loss) per share indicator.

Note 17. Shareholders meetings

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

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

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

Note 18. Transactions with related parties

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

Transactions with related parties

in thousands of euros	2020 6M	2019 6M	2019 12M
Significant owners and owner related companies			
Revenues	10	178	194
Administrative expenses	0	1	1
Loans received	100	0	0
Interest expenses incurred	1	0	0
Minority shareholders			
Interest expenses incurred	18	18	37
Other shareholders / bondholders			
Interest expenses incurred	358	356	733
Redemption of non- convertible bonds	100	300	500
Interest payments	362	718	755
Members of the Management Board and Council			
Salaries and bonuses paid to management	436	451	988
Administrative expenses	10	11	13

Receivables from related parties

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Short-term receivables			
From significant owners and owner related companies	0	2	0
Total	0	2	0

Payables to related parties

in thousands of euros	30.06.2020	30.06.2019	31.12.2019
Short-term payables			
To other shareholders/ bondholders	0	0	100
Long-term payables			
To significant owner related company	101	0	0
To minority shareholders	529	492	510
To Members of the Management Board and Council	0	3	0
Total	630	495	610

Shareholding in the Company %	30.06.2020	30.06.2019	31.12.2019
Significant owner and owner related companies*	42.83%	41.22%	39.69%
Members of the Board and individuals related them	0.50%	0.50%	0.50%
Members of the Council and individuals related them	0.08%	0.05%	0.05%

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

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

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness of AS Pro Kapital Grupp consolidated interim report for the six months and the second quarter of 2020.

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

Paolo Michelozzi Chairman of the Management Board 29 July 2020

Allan Remmelkoor Member of the Management Board 29 July 2020

Edoardo Preatoni Member of the Management Board 29 July 2020