

Company AS Pro Kapital Grupp
Type Company Release
Category Half-yearly financial report
Disclosure time 13 Aug 2021 20:30:00 +0300

Attachments:

- PKG 2021 Q2 ENG.pdf (<http://oam.fi.ee/en/download?id=5696>)
- PKG 2021 Q2 EST.pdf (<http://oam.fi.ee/en/download?id=5697>)

Currency

Title Pro Kapital Council approved Consolidated Interim Report for II Quarter and 6 Months of 2021

MANAGEMENT REPORT

CEO summary

2021 has been a dynamic working period. We have continued with our ongoing developments, where we see remarkable results, but also had to face a setback as the decision of the Supreme Court terminated reorganisation proceedings of our subsidiary AS Tallinna Moekombinaat which led to the permanent insolvency and loss of control of the subsidiary.

Real estate development

We have continued construction of Kindrali Houses and Kalaranna projects and preparing project documentation for the following development phases in Tallinn. In March we completed Ratsuri Houses in Kristiine City where we had booked or presold all 39 apartments already prior to the completion. All apartments were sold and handed over within March and April. Soon we start handing over apartments in two first buildings of Kalaranna project, where completion of eight buildings with the total of 240 apartments will be achieved step by step in four phases. Today we have reservations or presales concluded for 88% of premises. This spring we concluded an agreement for sales of all business premises of Kalaranna project for 16.16 million euros (with VAT) including the option to sell also premises of the last phase, which we are preparing to launch in the near future. This year we started with construction of the new project Kindrali Houses in Kristiine City, where two building complexes with 129 apartments will be raised by next summer. In this project we had booked or presold more than half of the apartments before signing the construction agreement. Based on strong demand of our product we initiated also construction of the third building in this project with additional 66 apartments, which will be completed in the first quarter of 2023. Today over 82% of the apartments have



been booked or presold in Kindrali.

In Riga we are selling our luxury product River Breeze Residence and prepare for the further development of Kliversala Residential Quarter. We have received a building permit for City Oasis residential quarter with 326 apartments - a tranquil and green living environment in the city centre. We are ready to proceed with construction activities as soon as the market situation becomes more favourable. Unfortunately, the Latvian real-estate market has not been as active as its neighbouring countries Estonia and Lithuania. However, we are observing some changes and recovery of the market.

In 2019 we completed five buildings in Shaltini? Namai Attico project in Vilnius with 115 apartments. Today we have only 5 apartments unsold. We are preparing for the following phase with city villas and commercial building and plan to start the construction this year.

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. In 2021 we have already completed Ratsuri Houses project with 39 apartments and now we start handing over exclusive homes in prime location of Kalaranna project.

T1 Mall of Tallinn

On 3 April 2020 Harju County Court initiated reorganization proceedings of the operator of T1 Mall of Tallinn - AS Tallinna Moekombinaat (TMK). Reorganization proceedings were terminated a year later by the decision of 26 April 2021 of the Supreme Court not to take TMK's appeal into proceedings. Without the reorganisation proceedings AS Tallinna Moekombinaat is not capable to fulfil its obligations and has become permanently insolvent. On 2 June 2021 Harju County Court declared bankruptcy of AS Tallinna Moekombinaat and the Company lost control over subsidiary. AS Pro Kapital Eesti had written off an investment into subsidiary in amount of 13.4 million euros due to negative equity of TMK and as a result of adjusting event also receivables in the total amount of 26 million euros as at 31 December 2020 in its standalone reports. When bankruptcy was declared and the Company lost control over subsidiary, the subsidiary was derecognised in consolidated financial statements and write-off took effect in the second quarter. Although write-off influenced consolidated results negatively, discontinuing consolidation had positive effect to the Group financial results due to derecognition of negative equity of the subsidiary (Note 15).

Hotel operations

Last year had a significant impact on PK Parkhotel Kurhaus in Bad Kreuznach, Germany. Due to the COVID-19 restrictions, the hotel was closed from March until the end of June and due to new restrictions hotel is not operating since



November 2020. The impact of COVID-19 has been 0.6 million euros in less hotel revenues in the first six months of 2021 comparing to last year. However, due to governmental support, the net result was better by 208 thousand euros. We reopened the hotel in the middle of June.

In the following months we continue construction works of ongoing development projects and plan to start with the following phases. In spite of losing T1 Mall of Tallinn, our real estate development is doing well, the Company is a going concern and we have an optimistic view for the future.

Paolo Michelozzi

CEO

Key financials

The total revenue of the Company in the first six month of 2021 was 9 million euros, which is a slight decrease of 11 thousand euros compared to the reference period (2021 6M: 9.1 million euros). The total revenue of the second quarter was 2.5 million euros, a decrease of 22% compared to 3.2 million euros during the same period in 2020. 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 have been influenced by completion of Ratsuri Houses project, where all apartments were sold and handed over to new owners. In 2021, the Company has continued with sales of completed developments - River Breeze Residence in Riga and Shaltini? Namai Attico development in Vilnius and presales of ongoing development projects: first phases of Kalaranna District and Kindrali Houses in Tallinn.

The gross profit in the first six month of 2021 decreased by 24% amounting to 2.7 million euros compared to 3.5 million euros during the same period in 2020. In the second quarter the gross profit figures were 0.7 million euros and 1.4 million euros respectively.

The operating result in the first six month of 2021 was 0.9 million euros profit comparing to 0.3 million euros profit during the same period in 2020. The operating result of the second quarter was 1.0 million euros loss comparing to 94 thousand euros loss in 2020.

The net result in the first six month of 2021 was 21.3 million euros profit and in the second quarter 23.5 million euros profit. In the comparable period the net results were 7.9 million euros loss and 3.9 million euros loss respectively. The net result of the reporting period was influenced by loss of control and derecognition of the subsidiary AS Tallinna Moekombinaat.

Cash used in operating activities during the first six month was -3.9 million euros comparing to -2.6 million euros during the same period in 2020. In the second quarter of 2021 cash used in operating activities was -5.2 million euros and -4.6 million euros generated during the same period in 2020.



Net assets per share on 30 June 2021 totalled to 0.61 euros compared to 1.12 euros on 30 June 2020.

Key performance indicators (including discontinued operations)

	2021 6M	2020 6M	2021 Q2	2020 Q2	2020 12M
Revenue, th EUR	9 042	9 053	2 479	3 180	19 234
Gross profit, th EUR	2 661	3 491	687	1 354	6 775
Gross profit, %	29%	39%	28%	43%	35%
Operating result, th EUR	877	250	-1 020	-96	-43 108
Operating result, %	10%	3%	-41%	-3%	-224%
Net result, th EUR	21 342	-7 903	23 454	-3 935	-59 456
Net result, %	236%	-87%	946%	-124%	-309%
Earnings per share, EUR	0.38	-0.13	0.42	-0.07	-0.98

	30.06.2021	30.06.2020	31.12.2020
Total Assets, th EUR	125 105	210 575	179 048
Total Liabilities, th EUR	90 677	149 173	169 477
Total Equity, th EUR	34 428	61 402	9 571
Debt / Equity *	4.00	2.17	14.15
Return on Assets, % **	14%	-4%	-30.7%
Return on Equity, % ***	97%	-12%	-141.2%
Net asset value per share, EUR ****	0.61	1.11	0.23

*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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated interim statement of financial position

in thousands of euros	30.06.2021	30.06.2020 Restated	31.12.2020

ASSETS			
Current assets			
Cash and cash equivalents	13 842	7 061	9 393
Current receivables	967	1 077	1 797
Inventories	67 967	45 381	58 352
Total current assets	82 776	53 519	69 542

Non-current assets			
Non-current receivables	23	3 716	3 517
Property, plant and equipment	6 648	7 047	6 745
Right-of-use assets	266	438	357
Investment property	35 038	145 501	98 512
Intangible assets	354	354	375
Total non-current assets	42 329	157 056	109 506
TOTAL ASSETS	125 105	210 575	179 048
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	1 262	83 162	107 581
Customer advances	13 070	6 059	7 866
Current payables	4 882	15 430	22 211
Tax liabilities	111	167	458



Short-term provisions	475	325	459
Total current liabilities	19 800	105 143	138 575
Non-current liabilities			
Long-term debt	67 085	41 179	27 255
Other non-current payables	2 577	1 416	2 295
Deferred income tax liabilities	1 133	1 289	1 170
Long-term provisions	82	146	182
Total non-current liabilities	70 877	44 030	30 902
TOTAL LIABILITIES	90 677	149 173	169 477
Equity attributable to owners of the Company			
Share capital in nominal value	11 338	11 338	11 338
Share premium	5 661	5 661	5 661
Statutory reserve	1 134	1 216	1 134
Revaluation reserve	2 984	3 262	2 984
Retained earnings	-8 031	47 564	47 647
Profit/ Loss for the period	21 342	-7 554	-55 678
Total equity attributable to owners of the Company	34 428	61 487	13 086
Non-controlling interest	0	-85	-3 515
TOTAL EQUITY	34 428	61 402	9 571
TOTAL LIABILITIES AND EQUITY	125 105	210 575	179 048

* See Note 2 for details regarding restatement.

Consolidated interim statements of profit and loss and other comprehensive income

in thousands of euros

	2021	6M	2020	6M	2021	Q2	2020	Q2	2020	12M
--	------	----	------	----	------	----	------	----	------	-----



CONTINUING OPERATIONS

Operating income					
Revenue	7 307	5 597	1 727	1 727	13 637
Cost of goods sold				-1	
	-5 494	-4 060	-1 505	294	-9 424
Gross profit	1 813	1 537	222	433	4 213
Marketing expenses	-239	-277	-114	-126	-611
Administrative expenses				-1	
	-2 463	-2 118	-1 470	024	-4 372
Other income	1 508	4	176	3	384
Other expenses	-49	-12	-28	-2	2 876
Operating profit/ loss	570	-866	-1 214	-716	2 490
Financial income	53 810	2	53 809	1	4
Financial expense				-1	
	-27 753	-2 817	-26 362	203	-5 419
Profit / loss before income tax	26 627	-3 681	26 234	918	-2 925
Income tax	-28	-79	-11	-10	-354
Net profit / loss from continuing operations	26 599	-3 760	26 223	928	-3 279
Profit from discontinued operations				-2	
	-5 257	-4 143	-2 768	011	-56 177
Net profit / loss for the period	21 342	-7 903	23 455	939	-59 456



Attributable to:

Equity holders of the parent				-3	
	21 627	-7 554	23 577	769	-55 678
Non-controlling interest	-285	-349	-123	-170	-3 778

Other comprehensive income, net of income tax

Items that will not be reclassified subsequently to profit or loss

Net change in properties revaluation reserve	0	0	0	0	-278
--	---	---	---	---	------

Total comprehensive income / loss for the year	21 342	-7 903	23 455	937	-59 734
--	--------	--------	--------	-----	---------

Attributable to:

Equity holders of the parent				-3	
	21 627	-7 554	23 577	769	-55 956
Non-controlling interest	-285	-349	-123	-170	-3 778

Earnings per share (continuing operations) EUR	0.47	-0.07	0.46	-0.03	-0.06
--	------	-------	------	-------	-------

Earnings per share for the period EUR	0.38	-0.13	0.41	-0.07	-0.99
---------------------------------------	------	-------	------	-------	-------

Consolidated interim statements of cash flows

in thousands of euros

Profit/loss for the period

Adjustments for:



Depreciation, amortisation of non-current assets	194	208	94	104	416
Gain from disposal of investment property	-1 092	0	0	0	0
Loss from write-off of plant, property, equipment	0	0	0	0	8
Change in fair value of property, plant, equipment	0	0	0	0	-16
Change in fair value of investment property	0	0	0	0	43 127
Gain from derecognition of subsidiary	-53 808	0	-53 808	0	0
Finance income and costs	33 314	8 074	29 321	3 831	15 994
Changes in deferred tax assets and liabilities	-37	-59	-19	-32	-178
Other non-monetary changes (net amounts)	1 545	1	1 544	1	-3 110
Changes in working capital:					
Trade receivables and prepayments	4 319	-980	4 266	-570	-1 514
Inventories	-9 616	-4 350	-6 487	-5 053	-13 011
Liabilities and prepayments	64	2 348	-3 442	1 012	10 025
Provisions	-100	19	-113	10	59
Net cash used in operating activities	-3 875	-2 642	-5 190	-4 634	-7 656
Cash flows from investing activities					
Payments for property, plant and equipment	-34	-12	-6	-3	-94
Payments for intangible assets	-5	-2	-3	0	-43
Payments for investment property	-246	-397	-36	-95	-844



Proceeds from disposal of investment property	2 000	0	0	0	0
Change in cash from derecognition of subsidiary	-183	0	-183	0	0
Interests received	1	2	0	0	1
Net cash used in investing activities	1 533	-409	-228	-98	-980
Cash flows from financing activities					
Net proceeds from secured bonds	0	28 500	0	0	28 500
Redemption of convertible bonds	-84	0	-15	0	-33
Repurchase of non-convertible bonds	0	-28 000	0	0	-28 000
Proceeds from borrowings	12 411	2 857	6 573	2 757	14 410
Repayment of borrowings	-2 865	-656	-8	-8	-1 376
Repayment of lease liabilities	-87	-84	-41	-36	-135
Interests paid	-2 584	-3 121	-580	-379	-5 953
Net cash used/ generated by financing activities	6 791	-504	5 929	2 334	7 413
Net change in cash and cash equivalents	4 449	-3 555	511	-2 398	-1 223
Cash and cash equivalents at the beginning	9 393	10 616	13 331	9 459	10 616
Cash and cash equivalents at the end of the period	13 842	7 061	13 842	7 061	9 393

The full report can be found in the file attached.

Allan Remmelkoor
Member of the Board
+372 614 4920
prokapital@prokapital.ee



