

Company AS Pro Kapital Grupp
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Attachments:

- PKG_Q2_2023_ENG.pdf (<http://oam.fi.ee/en/download?id=7644>)
- PKG_Q2_2023_EST.pdf (<http://oam.fi.ee/en/download?id=7645>)

Currency

Title Pro Kapital Council approved Consolidated Interim Report for II Quarter and 6 Months of 2023

MANAGEMENT REPORT

CEO summary

Q2 2023 marks as a continuation of the newly started developments of AS Pro Kapital Grupp.

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/retainage works, underground monolithic concrete works and some smaller jobs the consequence of which has resulted in considerable cost savings. During Q2 we completed the underground excavation and retainage wall works and embarked on underground concrete works which will last into Q4 this year. Kalaranna 1st stage construction is formally finished, all units delivered to clients and the main activity there is property management by our Pro Halduse OÜ and the management of warranty works, if any. As of the end of Q2 we are totalling 39 total sales executed (35 apartments and 4 commercial units). In Kristiine City we are continuing the design and building permit process for Tondi Street 53 aka "Dunte" project. It is worthy to mention that we were able to acquire substantial concessions from the State Landmark Preservation Committee in that we are allowed to enlarge the ground floor windows on the back side of the façade into floor to ceiling openings, allowing us to design much



more suitable residential units with much more insulation and direct openings to small private terraces. We are also closely monitoring the market activity in order to be ready to start with Uus-Kindrali project which already has a building permit and is shovel-ready. We have well above 500 inquiries waiting for a signal to start.

In Riga we continue the sales of our luxury product River Breeze Residence which has been awarded the Baltics Prestige Award for its outstanding architecture. During Q2, 2023 we signed 2 additional sales on top of the 4 sales in Q1. Overall, we see an upwards trend in the real estate segment in Riga as it pertains to our project. We hold a building permit for City Oasis residential quarter, a project consisting of ca 330 apartments and 32 500 sqm GBA located in Tallinas iela- a tranquil and green living environment in the city centre. We will be ready to proceed with construction activities as soon as the market situation becomes fit for such an ambitious and vast project. Out of the three capitals (Tallinn, Riga, Vilnius), Riga seems to have the most challenges in terms of overall market conditions. However, our long-term outlook for the Latvian real estate sector remains bullish.

In 2019 we completed five buildings in Shaltini? Namai Attico project in Vilnius with 115 apartments. Today we have only 2 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. We have signed an agreement with a company providing construction project management services that is currently in the stage of preparation works to start the construction. The goal is to start the site mobilisation in Q3. Despite the geopolitical situation, Vilnius market is still quite active in the high-end segment and we look forward to the next stage of our high-end development. The Company has also expanded its land portfolio in Vilnius, purchasing a school building in Naugarduko street for the price of 6.25 million euros. The school will be converted into a high-end residential property, consisting of circa 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. As things stand today, it is our plan to start with the presales at the end of this year as well as receiving the building permit at the beginning of 2024.

Hotel operations

After two difficult years, which clearly affected the global sector of tourism because of the pandemic, there seems to be a strong demand in the hotel industry. In Bad Kreuznach we have reached a substantial operational break even, despite the fact, that a large portion of the rooms were not available to the public due to ongoing renovations. A few years ago, we renovated half of the rooms and part of the common areas. The renovations of the remaining rooms were completed by the end of Q1 2023, and all the room count (116 units) is now available for sale. We are seeing an increase in Average Daily Rate already and also positive trends in outperforming against the budgeted proforma. As of Q2 we see that every month the actual performance is exceeding the budget and the



trend is continuously upwards. In July, the hotel received a 4-star rating which hopefully allows us to boost the performance even further.

The Baltic real estate sector showed great resilience throughout the pandemic period as well as during the turbulent geopolitical period we live in, and we are confident that we will manage to develop our pipeline of projects in line with the market's expectations, thus continuing to provide a stream of high-quality properties to the local population. We are aware of the challenging historical times we live in; we will need to be fast to adapt to an ever-changing and fast paced world (especially in regards of the construction works and the related challenges to the supply chain and cost of materials), but we still have a very positive outlook on the Baltic region and thus far the market has been supporting our sentiment. The economic outlook for the Baltic region is generally positive. The Baltic countries of Estonia, Latvia, and Lithuania have experienced steady economic growth in recent years, driven by a combination of factors such as increasing foreign investment, a growing service sector, and export-oriented manufacturing. The region has also benefited from its proximity to Northern Europe and its membership in the European Union, which has helped to boost trade and investment. Although showing a dip in sales activity due to high inflationary environment and increased lending rates, the end of Q2 is actually showing signs of stabilisation. Statistics indicate that the salary increase is slowly catching up with inflation rates, thus further allowing the market to bounce back. All the positive indicators above will not disappear despite the challenges that are posed to the real estate sector by the global macroeconomic outlook and the geopolitical turmoil caused by the war in Ukraine. Overall, the future of real estate is exiting and dynamic and we are constantly looking for innovative ways to stay ahead of the curve and meet the evolving needs of our customers. With a stance that embraces change and a vision that transcends boundaries, we march ahead, fully cognizant of the evolving global landscape and poised to seize every opportunity.

Edoardo Preatoni
CEO

Key financials

The total revenue of the Company in first six months of 2023 was 16.1 million euros compared to 31.2 million euros in the reference period. The total revenue of the second quarter was 2.7 million euros compared to 23.3 million euros in 2022. 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 of the reference period have been influenced by handing over completed apartments in Kalaranna District in Tallinn.

The gross profit for first half year of 2023 has decreased by 52% amounting to 4.5 million euros compared to 9.4 million euros in 2022. The gross profit in the second quarter was 790 thousand euros compared to 6.8 million euros in comparative period.



The operating result in six months of 2023 was 1.5 million euros profit comparing to 6.4 million euros profit during the same period in 2022. The operating result for second quarter was 658 thousand euros loss compared to 5.4 million euros profit in the second quarter of 2022.

The net result for the six months of 2023 was 292 thousand euros loss, comparing to 4.1 million euros profit in the reference period. The net result of the second quarter was 1.6 million euros loss compared to 4.4 million euros profit in 2022.

Cash generated in operating activities during first six months of 2023 was 9.5 million euros comparing to 11.2 million euros during the same period in 2022. In the second quarter the cash used was 850 thousand euros compared to 14.4 million euros generated in 2022.

Net assets per share on 30 June 2023 totalled to 0.97 euro compared to 0.83 euros on 30 June 2022.

Key performance indicators

	2023 6M	2022 6M	2023 Q2	2022 Q2	2022 12M
Revenue, th EUR	16 112	31 194	2 697	23 278	65 654
Gross profit, th EUR	4 456	9 362	790	6 804	16 965
Gross profit, %	28%	30%	29%	29%	26%
Operating result, th EUR	1 501	6 413	-658	5 424	17 657
Operating result, %	9%	21%	-24%	23%	27%
Net result, th EUR	-292	4 106	-1 595	4 357	13 452
Net result, %	-2%	13%	-59%	19%	20%
Earnings per share, EUR	-0.01	0.07	-0.03	0.08	0.24

	30.06.2023	30.06.2022	31.12.2022
Total Assets, th EUR	101 166	116 701	101 256
Total Liabilities, th EUR	46 135	69 752	45 933
Total Equity, th EUR	55 031	46 949	55 323



Debt / Equity *	0.84	1.49	0.83
Return on Assets, % **	-0.3%	2.8%	12.4%
Return on Equity, % ***	-0.6%	14.5%	27.4%
Net asset value per share, EUR ****	0.97	0.83	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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated interim statement of financial position

in thousands of euros	30.06.2023	30.06.2022	31.12.2022

ASSETS			
Current assets			
Cash and cash equivalents	17 474	15 208	10 589
Current receivables	2 882	611	955
Prepaid expenses	0	488	64
Inventories	26 598	49 621	34 224
Total current assets	46 954	65 928	45 832
Non-current assets			
Non-current receivables	13	1 519	2 016
Property, plant and equipment	7 749	7 491	7 294
Right-of-use assets	233	198	195
Investment property	45 851	41 214	45 575
Goodwill	262	262	262



Intangible assets	104	89	82
Total non-current assets	54 212	50 773	55 424
TOTAL ASSETS	101 166	116 701	101 256
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	28 493	10 596	173
Customer advances	2 322	11 330	1 659
Current payables	3 909	7 924	4 626
Tax liabilities	118	110	111
Short-term provisions	20	585	5
Total current liabilities	34 862	30 545	6 574
Non-current liabilities			
Long-term debt	10 064	38 028	38 184
Other non-current payables	0	9	0
Deferred income tax liabilities	1 134	1 136	1 130
Long-term provisions	75	34	45
Total non-current liabilities	11 273	39 207	39 359
TOTAL LIABILITIES	46 135	69 752	45 933
Equity attributable to owners of the Company			
Share capital in nominal value	11 338	11 338	11 338
Share premium	5 661	5 661	5 661
Statutory reserve	1 134	1 134	1 134
Revaluation reserve	2 012	2 984	2 012
Retained earnings	34 886	25 832	35 178



Consolidated interim statements of comprehensive income

2023 6M 2022 6M 2023 Q2 2022 Q2 2022 12M

Operating income

Cost of goods sold	-11 656	-21 832	-1 907	-16 474	-48 689
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Gross profit	4 456	9 362	790	6 804	16 965
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Marketing expenses	-299	-237	-166	-123	-498
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Administrative expenses	-2 656	-2 658	-1 282	-1 209	-4 946
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Other income	0	8	0	8	6 278
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Other expenses	0	-62	0	-56	-142
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Operating profit/ loss	1 501	6 413	-658	5 424	17 657
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Financial income	88	2	68	0	3
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Financial expense	-1 876	-2 304	-1 002	-1 078	-4 211
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Profit / loss before income tax	-287	4 111	-1 592	4 346	13 449
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Income tax	-5	-5	-3	11	3
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Net profit / loss for the period	-292	4 106	-1 595	4 357	13 452
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Other comprehensive income,
net of income tax

Net change in asset revaluation reserve	0	0	0	0	-972
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Total comprehensive income	-292	4 106	-1 595	4 357	12 480
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Earnings per share for the period EUR	-0.01	0.07	-0.03	0.08	0.24
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The full report can be found in the file attached.

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