

Company AS Pro Kapital Grupp
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Attachments:

- PKG_Q3_2022_ENG draft FINAL1.pdf (<http://oam.fi.ee/en/download?id=6912>)
- PKG_Q3_2022_EST draft_FINAL.pdf (<http://oam.fi.ee/en/download?id=6913>)

Currency

Title Pro Kapital Council approved Consolidated Interim Report for III Quarter and 9 Months of 2022

MANAGEMENT REPORT

CEO summary

The third quarter of 2022 continued the trend we have seen in Q2, with a strong demand for real estate assets in the Baltic countries (particularly Estonia and Lithuania).

The market still seems resilient, despite the negative sentiment caused by raising interest rates and an overall bearish outlook of the global economy.

Local and international investors still seem to have a strong interest in the Baltic area, especially in the premium properties segment.

After a few months where it seemed impossible to fix a price with construction companies, due to the volatility in the market of construction materials and supplies, there seem to be an increasing will from the local contractors to get back to work, even at the cost of partially absorbing the development risks, and the fluctuations in the cost of materials.

Real estate development

In Tallinn, we have continued construction of Kindrali Houses and Kalaranna projects.

In Q3 of 2022 we finalised handing over all of the apartments in Kalaranna project, where completion of eight buildings with the total of 240 apartments is now achieved.

This first phase of the Kalaranna project has been a major success, and we are



currently working alongside some local construction companies, who are studying the tender package. Our intention is to start the mobilisation of the site for the next phase of Kalaranna (four building for a total of 146 apartments) somewhere between Q1 and Q2 2023.

In Kindrali Houses, we have started the process of notarising deals in the first two buildings (black and white building), which have now reached completion. The third building (red building) is expected to be completed by the end of 2022. All in all, these three buildings comprise 195 residential and 1 commercial units, all of which are sold.

In Riga we are selling our ready luxury product River Breeze Residence and started the tendering process for the further development of Kliversala Residential Quarter - Blue Marine. We have received several offers from construction companies and are in the process of identifying the best option. The tendering process has taken longer since the company has decided to look into various value engineering options to mitigate the risk of increasing construction costs.

In Vilnius, we only have 4 unsold apartments in our Shaltiniu Namai Attico project (including one which serves as a showroom). The real estate market has had a great run in 2021 and we saw a great deal of interest for our luxury properties, achieving some of the highest prices per square meter in all the local market. The construction tendering for the following phase of city villas and a commercial building is now at its final stage as we are expecting to enter into an agreement with the winning bidder within November-December this year and start the construction works within the 1st quarter of 2023.

Hotel operations

We are in the process of renovation of the second half of the rooms (first half has been renovated 5 years ago), which will be completed by the end of the year. The works will also have the added benefit of converting an unused area into 7 standard rooms and creation of a luxurious suite with private sauna and terrace, which will greatly improve the overall prestige of the hotel.

Since the ongoing works, the hotel's available inventory has been only at 50% for a good part of 2022. Despite this, in the first 9 months it has reached a substantial operative break-even, thanks to a) the MICE (Meetings, Incentives, Conferences and Exhibitions) coming back after a long pause due to the pandemic, and b) an increase in the Average Daily Rate (ADR) which is currently at 89.12 euro (September data), a substantial increase when compared to the 81.07 euro rate of September 2021.

In conclusion, we are confident in our abilities to navigate these turbulent times, thanks to our experience and to the resilience of the Baltic markets. We maintain our position to expand our current inventory, by making intelligent bets on what we feel like the market may absorb, thus creating long-term value for our shareholders and for the communities that we aim to develop in a



sustainable, comfortable and aesthetically pleasing way.

Edoardo Preatoni
CEO

Key financials

The total revenue of the Company in nine months of 2022 was 61.6 million euros, having increased more than three times compared to the reference period (2021 9M: 19.4 million euros). The total revenue of the third quarter was 30.4 million euros compared to 12.1 million euros in 2021.

The gross profit for nine months of 2022 has increased three times amounting to 16.2 million euros compared to 5.3 million euros in 2021. The gross profit in the third quarter reached 6.8 million euros (2021 Q3: 3.4 million euros).

The operating result in nine months of 2022 has decreased to 12 million euros profit comparing to 31.2 million euros profit during the same period in 2021. The operating result of the third quarter was 5.6 million euros comparing to 2.8 million euros in 2021. Higher profit in 2021 was affected by one-time sales of investment property and related revenue and by the results of derecognition of AS Tallinna Moekombinaat after loss of control over the subsidiary on 2 June 2021.

The net result for the nine months of 2022 was 8.7 million euros profit, comparing to 22.5 million euros (continuing operations 26.5 million euros) profit in the reference period. The net profit of the third quarter was 4.5 million euros comparing to 1.1 million euros generated in 2021.

Cash generated in operating activities during nine months of 2022 was 25.8 million euros comparing to 1.4 million euros during the same period in 2021. In the third quarter cash generated in operating activities was 14.6 million euros comparing to 5.2 million euros in 2021.

Net assets per share on 30 September 2022 totalled to 0.91 euros compared to 0.63 euros on 30 September 2021.

Key performance indicators

	2022 9M	2021 9M	2022 Q3	2021 Q3	2021 12M
Revenue, th EUR	61 628	19 373	30 434	12 066	43 095
Gross profit, th EUR	16 211	5 255	6 849	3 442	10 576
Gross profit, %	26%	27%	23%	29%	25%
Operating result, th EUR	11 990	31 152	5 577	2 836	39 820



Operating result, %	19%	161%	18%	24%	92%
Net result, th EUR	8 651	22 463	4 546	1 123	29 757
Net result, %	14%	116%	15%	9%	69%
Earnings per share, EUR	0.15	0.40	0.08	0.02	0.52

	30.09.2022	30.09.2021	31.12.2021
Total Assets, th EUR	99 731	125 042	116 026
Total Liabilities, th EUR	48 237	89 493	73 183
Total Equity, th EUR	51 494	35 549	42 843
Debt / Equity *	0.94	2.52	1.71
Return on Assets, % **	6.2%	14.8%	23.7%
Return on Equity, % ***	28.3%	99.5%	113.5%
Net asset value per share, EUR ****	0.91	0.63	0.76

*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	30.09.2022	30.09.2021	31.12.2021
ASSETS			
Current assets			
Cash and cash equivalents	11 088	13 283	9 626
Current receivables	1 648	1 458	802



Inventories	35 228	67 811	57 533
Total current assets	47 964	82 552	67 961
Non-current assets			
Non-current receivables	2 017	23	21
Property, plant and equipment	7 901	6 677	6 754
Right-of-use assets	229	233	202
Investment property	41 270	35 202	40 734
Intangible assets	350	354	354
Total non-current assets	51 767	42 490	48 065
TOTAL ASSETS	99 731	125 042	116 026
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	368	530	3 955
Customer advances	2 614	13 516	12 419
Current payables	4 308	5 233	7 297
Tax liabilities	958	656	1 143
Short-term provisions	662	534	713
Total current liabilities	8 910	20 469	25 527
Non-current liabilities			
Long-term debt	38 153	64 708	46 455
Other non-current payables	0	3 139	20
Deferred income tax liabilities	1 138	1 133	1 133
Long-term provisions	36	44	48
Total non-current liabilities	39 327	69 024	47 656



TOTAL LIABILITIES	48 237	89 493	73 183
Equity attributable to owners of the Company			
Share capital in nominal value	11 338	11 338	11 338
Share premium	5 661	5 661	1 748
Statutory reserve	1 134	1 134	0
Revaluation reserve	2 984	2 984	2 984
Retained earnings	21 726	-8 031	0
Profit/ Loss for the period	8 651	22 463	26 773
Total equity attributable to owners of the Company	51 494	35 549	42 843
TOTAL EQUITY	51 494	35 549	42 843
TOTAL LIABILITIES AND EQUITY	99 731	125 042	116 026

Consolidated interim statements of comprehensive income

in thousands of euros	2022 9M	2021 9M	2022 Q3	2021 Q3	2021 12M
CONTINUING OPERATIONS					
Operating income					
Revenue	61 628	19 373	30 434	12 066	43 095
Cost of goods sold	-45 417	-14 118	-23 585	-8 624	-32 519
Gross profit	16 211	5 255	6 849	3 442	10 576
Marketing expenses	-345	-358	-108	-119	-502
Administrative expenses	-3 743	-3 549	-1 085	-1 086	-5 592
Other income	9	29 860	1	605	35 615
Other expenses	-142	-56	-80	-6	-277
Operating profit/ loss	11 190	31 152	5 577	2 836	39 820



Financial income	2	5	1	2	6
Financial expense	-3 336	-4 556	-1 032	-1 722	-5 964
Profit / loss before income tax	8 656	26 601	4 546	1 116	33 862
Income tax	-5	-23	0	6	10
Net profit / loss from continuing operations	8 651	26 578	4 546	1 122	33 872
Profit from discontinued operations	0	-4 115	0	0	-4 115
Net profit / loss for the period	8 651	22 463	4 546	1 122	29 757
Attributable to:					
Equity holders of the parent	8 651	22 463	4 546	1 122	29 757
Total comprehensive income / loss for the year	8 651	22 463	4 546	1 122	29 757
Attributable to:					
Equity holders of the parent	8 651	22 463	4 546	1 122	29 757
Earnings per share (continuing operations) EUR	0.15	0.47	0.08	0.02	0.60
Earnings per share for the period EUR	0.15	0.40	0.08	0.02	0.52

The full report can be found in the file attached.

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