

Company AS Pro Kapital Grupp
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Attachments:

- ProKapital-10001459911-en.pdf (<http://oam.fi.ee/en/download?id=3659>)
- ProKapital-10001459913-et.pdf (<http://oam.fi.ee/en/download?id=3660>)

Currency

Title Consolidated Interim Report for IV Quarter and 12 Months of 2018 (Unaudited)

MANAGEMENT REPORT

Chairman's summary

The year 2018 has been significant for Pro Kapital, with respect to reaching important milestones in the operations which in turn is demonstrated by financial performance of the Company. We have shown stable growth through our business and continue to focus on improving our results.

Pro Kapital aims to strengthen its position as one of the largest and strongest real-estate companies in the Baltics, with more than ever emphasis on all aspects of the business. I'm especially glad to highlight that in the fourth quarter of 2018, Pro Kapital opened a one of a kind shopping and entertainment centre T1 Mall of Tallinn, right at the heart of the future transportation centre of Tallinn. This new landmark will continue to grow and is expected to welcome a unique ferris wheel to be installed on the roof of the mall in early spring of 2019.

As of 19 November 2018, the Company's shares are traded on the Nasdaq Tallinn Stock Exchange Main List. We are more than ever dedicated in building new communities and aspire sharing our story with investors as equally as with the public.

Building new communities

Our business is not merely about building houses but establishing entire communities and improving the living environment. The Company has nearly 25 years of experience identifying upcoming opportunities and thereby add new value to the areas of development. One of the most significant ongoing developments in Tallinn, the Kristiine City area, allows to expect increase in real-estate price



in the entire surrounding area. We develop in multiple phases and have completed six of ten Kristina Houses, in one of the ongoing phases of the whole area. We have sold 155 new homes in five apartment buildings and completed the sixth building in December 2018 with 8 flats yet to be sold. Development of the following four Kristina Houses is currently ongoing. With active presale being carried out simultaneously to construction works, altogether 43 apartments have been presold.

Pro Kapital is in progress with projecting works for a prestigious Kalaranna residential and commercial area, right at the border of Tallinn's old town. Kalaranna's unique location just by the bay of Tallinn is making it as one of the most exclusive development projects in town. As a result of increasing interest towards the project, we have started with initial reservations in July 2018. Although we have not yet started the construction nor advertising, we have, to date, made 76 reservations to residential premises in Kalaranna.

In Riga, we are building Kliversala residential area which is a true sight to see in the city centre. The new living area is located right on the bank of the Daugava river on the shore of Agenskalna bay. We finished the construction works of the prestigious River Breeze Residence in spring 2018. We are currently proceeding with the sales of remaining 37 luxury apartments in the residence. Following the completion and ongoing sale of River Breeze Residence, we're proceeding with the following phase of Kliversala, but also other development projects. Tallinn's residential quarter is a modern combination of new and restored historical buildings, for which the projecting works are ongoing. Another new area development Zvaigznes Quarter, for which the projecting is ongoing at this point in time, represents a commercial property for an office complex and be built on the site of a former factory.

In Vilnius, Pro Kapital is developing a Shaltini? Namai area, bordering with and offering a stunning view from the top-hill to the historic old town. The first phase of the development is completed and almost sold out. In 2017 the construction works for the second stage of residential buildings, Shaltini? Namai Attico, started and 77 preliminary agreements have been already signed. Four buildings of Shaltini? Namai Attico development are expected to be completed in the middle of 2019. The Company is looking into obtaining new attractive developments in the region, to start new projects after the completion of Shaltini? Namai.

Continuous improvement in the financial results

The completion of multiple development phases, that have proven to attract the market's interest, is clearly demonstrated by good financial results for the reporting period. At the end of 2018, the Company recorded net revenue of 28 million euros, an increase of 99% as compared to 14.1 million euros during the same period in 2017. Revenues have increased in real estate segment due to completion of 4 apartment buildings in Tallinn and 1 in Riga as the revenues are recorded at the moment notary deed of sale is concluded. The net profit was 18 million euros, which was 18.5 million euros improvement comparing to 0.5 million



euros loss during the same period in 2017. The net result was significantly influenced by increased value of investment property due to completion and opening of T1 Mall of Tallinn.

We are continuously focused on improving the efficiency. The Company is exploring opportunities to reduce financial costs by refinancing current debt instruments. We foresee stable growth in revenues and operating results during the upcoming periods.

As at the end of 2018, the Company's overall loans from financial institutions were 83.3 million euros. The loans from the minority shareholders were 0.3 million euros. The Company had 10.2 million euros worth convertible bonds debt and 28.5 million euros worth non-convertible bonds debt.

As at 31 December 2018, there were 89 employees working in the Company, 40 of them were employed by the hotel and property maintenance business.

Paolo Michelozzi
CEO

Key financials

The total revenue of the Company in 2018 was 28.0 million euros, which is an increase of 99% compared to 12.1 million euros from continuing operations and 14.1 million euros including discontinued operations during the same period in 2017. The total revenue of the fourth quarter of 2018 was 6.9 million euros compared to 4.3 million euros during the same period of 2017. 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 of the Company depend on the completion of the residential developments. The improvement of the results of 2018 was influenced by the completion of the 4(th), 5(th) and 6(th) apartment buildings in the Kristina Houses development in Tallinn, renovation works of Marsi 6 in Tallinn and River Breeze Residence in Riga, as presales realized in notarised sales transactions.

The gross profit of 2018 was 9.6 million euros, which is an increase of 78% compared to 4.6 million euros for continuing operations and 5.4 million euros including discontinued operations during the same period in 2017. The gross profit of the fourth quarter of 2018 was 2.7 million euros compared to 2.1 million euros during the same period in 2017.

The operating result of 2018 increased by 19.1 million euros, totalling to the operating profit of 21.5 million euros compared to profit of 1.8 million euros for continuing operations and profit of 2.4 million euros including discontinued operations during 12 months of 2017. The operating profit of the fourth quarter in 2018 was 16.7 million euros comparing to 1.2 million euros profit during the same period in 2017. Operating result includes profit from revaluation of investment properties. Total impact from revaluation in 2018 is 18.0 million euros (Note 7).

The net result of 2018 increased by 18.5 million euros, totalling to positive result of 18.0 million euros compared to the loss of 1.0 million euros for continuing operations and loss of 0.5 million euros including discontinued



operations during 12 months of 2017. The net profit of the fourth quarter in 2018 was 15.8 million euros compared to 0.9 million euros profit during the same period in 2017.

Cash used in operating activities was -1.0 million euros in 2018 compared to -5.3 million euros during 2017. In the fourth quarter of 2018 cash used in operating activities was -4.5 million euros comparing to -2.2 million euros during same period in 2017.

Net assets per share on 31 December 2018 totalled to 1.80 euros compared to 1.46 euros on 31 December 2017.

Continuing operations					Continuing and discontinued operations	
in thousands of euros	2018 12M	2017 12M adjusted	2018 Q4	2017 Q4	2018 12M	2017 12M adjusted
Revenue	27 991	12 077	6 948	4 281	27 991	14 098
Gross profit	9 576	4 561	2 684	2 056	9 576	5 380
Gross profit, %	34%	38%	39%	48%	34%	38%
Operating result	21 467	1 797	16 688	1 155	21 467	2 385
Operating result, %	77%	15%	240%	27%	77%	17%
Net result	18 040	-953	15 761	922	18 040	-518
Net result, %	64%	-8%	227%	22%	64%	-4%
Earnings per share, EUR	0,30	-0,02	0,26	0,02	0,30	-0,01

2017 12M adjusted - comparative information from the annual audited report 2017.

in thousands of euros	31.12.2018	31.12.2017
Total Assets, th EUR	245 105	175 158
Total Liabilities, th EUR	144 383	92 476



Total Equity, th EUR	100 722	82 682
Debt / Equity *	1,43	1,12
Return on Assets, % **	8,6%	-0,3%
Return on Equity, % ***	19,7%	-0,6%
Net asset value per share, EUR ****	1,78	1,46

*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	31.12.2018	31.12.2017

ASSETS		
Current assets		
Cash and cash equivalents	7 040	10 317
Current receivables	2 937	4 888
Inventories	59 331	38 024
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Total current assets	69 308	53 229
Non-current assets		
Non-current receivables	216	37
Property, plant and equipment	7 128	7 435
Investment property	168 129	114 140
Intangible assets	324	317
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Total non-current assets	175 797	121 929



TOTAL ASSETS	245 105	175 158
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	10 328	6 738
Customer advances	5 716	7 224
Current payables	11 939	10 091
Tax liabilities	357	132
Short-term provisions	852	170
Total current liabilities	29 192	24 355
Non-current liabilities		
Long-term debt	112 009	62 527
Other non-current payables	1 039	3 437
Deferred income tax liabilities	2 004	2 058
Long-term provisions	139	99
Total non-current liabilities	115 191	68 121
TOTAL LIABILITIES	144 383	92 476
Equity attributable to owners of the Company		
Share capital in nominal value	11 338	11 338
Share premium	5 661	5 661
Statutory reserve	1 082	1 082
Revaluation reserve	3 262	3 256
Retained earnings	59 944	60 369



Profit/ Loss for the period	16 811	-419
Total equity attributable to owners of the Company	98 098	81 287
Non-controlling interest	2 624	1 395
TOTAL EQUITY	100 722	82 682
 TOTAL LIABILITIES AND EQUITY	 245 105	 175 158

Consolidated interim statements of comprehensive income

in thousands of euros	2018 12M	2017 12M	adjusted 2018 Q4	2017 Q4
CONTINUING OPERATIONS				
Operating income				
Revenue	27 991		12 077	6 948 4 281
Cost of goods sold	-18 415		-7 516	-4 264 -2 210
Gross profit	9 576		4 561	2 684 2 071
Marketing expenses	-1 336		-822	-630 -186
Administrative expenses	-5 427		-5 256	-1 390 -1 478
Other income	18 823		4 114	16 144 748
Other expenses	-169		-800	-120 0
Operating profit	21 467		1 797	16 688 1 155
Financial income	4		6	1 3
Financial expense	-3 473		-3 352	-925 -817
Profit/ loss before income tax	17 998		-1 549	15 764 341
Income tax	42		596	-3 582



Profit/ loss from continuing operations	18 040	-953	15 761	923
Profit from discontinued operations	0	435	0	0
Profit/ loss for the period	18 040	-518	15 761	923
Attributable to:				
Equity holders of the parent	16 811	-419	14 491	955
Non-controlling interest	1 229	-99	1 270	-32
Other comprehensive income, net of income tax				
Income that will not be reclassified subsequently to profit				
Net change in properties revaluation reserve	0	-4	0	3
Total comprehensive income for the year	18 040	-522	15 761	926
Attributable to:				
Equity holders of the parent	16 811	-419	14 491	955
Non-controlling interest	1 229	-99	1 270	-32
Earnings per share from continuing operations (EUR)	0.30	-0.02	0.26	0.02
Earnings per share for the period (EUR)	0.30	-0.01	0.26	0.02



Consolidated interim statements of cash flows

in thousands of euros	2018 12M	2017 12M adjusted	2018 Q4	2017 Q4
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Cash flows from operating activities				
Profit/loss for the period	18 040	-518	15 762	923
Adjustments for:				
Depreciation, amortisation of non-current assets	214	455	56	-20
Gain from disposal of property, plant, equipment	-4	-3 045	0	0
Gain from disposal of investment property	-418	0	0	0
Change in fair value of property, plant, equipment	-13	-26	-13	-26
Change in fair value of investment property	-17 979	-530	-16 069	-530
Loss from disposal of shares of subsidiaries	0	346	0	0
Finance income and costs	3 468	3 460	923	815
Other non-monetary changes (net amounts)	15 345	12 410	-1 428	-683
Changes in working capital:				
Trade receivables and prepayments	1 773	-408	931	-833
Inventories	-21 248	-23 880	-2 611	-4 221
Liabilities and prepayments	-119	6 556	-1 420	2 367
Provisions	-107	-101	-609	23
Net cash used in operating activities	-1 048	-5 281	-4 478	-2 186

Cash flows from investing activities



Payments for property, plant and equipment	-206	-281	-40	-127
Payments for intangible assets	-24	-52	-17	-22
Proceeds from disposal of property, plant, equipment	336	6 651	0	0
Payments for investment property	-47 786	-24 772	-16 702	-7 424
Proceeds from disposal of investment property	1 000	0	1 000	0
Net cash from disposal of shares of subsidiaries	0	6 249	0	0
Interests received	4	6	1	2
Net cash used in by investing activities	-46 676	-12 199	-15 758	-7 571
Cash flows from financing activities				
Proceeds from increase of share capital	0	4 328	0	4 328
Dividend payment	-850	0	0	0
Net changes related to non-controlling interests	0	-480	0	0
Proceeds from bonds	0	1 446	0	0
Redemption of convertible bonds	-649	-773	-6	0
Proceeds from borrowings	56 923	28 260	23 449	8 984
Repayment of borrowings	-7 496	-7 048	-1 987	-909
Interests paid	-3 481	-3 318	-1 259	-1 122
Net cash generated by financing activities	44 447	22 415	20 197	11 281
Net change in cash and cash equivalents	-3 277	4 935	-39	1 524
Cash and cash equivalents at the beginning of the period	10 317	5 382	7 079	8 793



Cash and cash equivalents at the end of the
period

7 040 10 317 7 040 10 317

2017 12M adjusted - comparative information from the annual audited report 2017.

Full report is in the file attached.

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Attachment

* PKG Q4 2018 ENG (<https://ml-eu.globenewswire.com/Resource/Download/85f7d80c-dcec-40aa-b720-8c1499d68999>)

