

Company AS Pro Kapital Grupp
Type Company Release
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Attachments:

- ProKapital-10003386191-en.pdf (<http://oam.fi.ee/en/download?id=4572>)
- ProKapital-10003386193-et.pdf (<http://oam.fi.ee/en/download?id=4573>)

Currency

Title Consolidated interim report for I quarter and 3 months of 2020 (unaudited)

MANAGEMENT REPORT

Chairman's summary

The first quarter of 2020 has been a very busy period 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.

During the reporting period have 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. Pro Kapital intends to apply for the listing of the new bonds within 12 months from the issue date.

Our real estate developments have been carried on as per our plans. In February we signed a renovation and construction contract 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 continuing and going well so that we are looking forward to completion of the buildings in 2021. We do not foresee any delays in the completion timing and external financing has been secured for both developments.

Currently, we have no ongoing constructions in Riga. We continue sales of luxury apartments in River Breeze Residence and 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.

In Vilnius, more than 70% of the five houses of Shaltiniu Namai Attico project



which were completed last year have been sold already and customers have remained active even in the current economic conditions.

Due to the restrictions in Germany, PK Parkhotel Kurhaus in Bad Kreuznach has been closed since the end of March and we estimate to reopen in the middle of June.

There has been a significant influence of the Emergency State (declared in all countries of our operations) on retail business and consequently on our 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, 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 and AS Tallinna Moekombinaat has to submit a reorganisation plan on implementation of reorganisation measures, including impact of reorganisation to the creditors, to the Court by 2 June 2020. The creditors need to vote to accept the plan and the final decision on approval of the plan will be taken by the Court. 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.

We have started the year 2020 with expected results in revenues and gross profit. The sales revenues for the first quarter of 2020 were 5.9 million euros, which is a decrease of 43% compared to the 10.4 million euros during the same period last year. The result of 2019 was influenced by completion of a new building in Kristina Houses project. 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 operating profit for the first quarter of 2020 was 0.3 million euros comparing to 2.6 million euros during the same period in 2019. The net result was influenced by 2.6 million euros interest expenses related to T1 project. Consequently, the net result of the first quarter in 2020 was 3 966 thousand euros loss compared to 113 thousand euros loss during the same period in 2019.

In 2020 we do not foresee any completion of real estate projects and we concentrate on development of ongoing projects, make preparations to start new projects and contribute to re-establishing normal activities in rental and hotel operations.

Paolo Michelozzi
CEO



Key financials

The total revenue of the Company in the first quarter of 2020 was 5.9 million euros, which is a decrease of 43% compared to the reference period (2019 3M: 10.4 million euros). 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 quarter in 2019 due to completion of an apartment building in Kristina Houses. In 2020, the Company continues with sales of completed developments - River Breeze Residence in Riga and Shaltini? Namai Attico development in Vilnius.

The gross profit in the first quarter of 2020 decreased by 48% amounting to 2.1 million euros compared to 4.1 million euros during the same period in 2019.

The operating result in the first quarter of 2020 was 0.3 million euros profit comparing to 2.6 million euros profit during the same period in 2019. The decrease in operating result is influenced by the decrease in the total revenues and a slight increase in operating expenses.

The net result in the first quarter of 2020 was 4.0 million euros loss. In the comparable period the net result was 0.1 million euros loss. The net result of the reporting period was influenced by high interest expenses in AS Tallinna Moekombinaat.

Cash generated from operating activities during the reporting period was 2.0 million euros comparing to 0.4 million euros of cash used in operating activities in the first quarter of 2019.

Net assets per share on 31 March 2020 totalled to 1.19 euros compared to 1.78 euros on 31 March 2019.

Key performance indicators

	2020 3M	2019 3M	2019 12M
Revenue, th EUR	5 873	10 372	55 276
Gross profit, th EUR	2 137	4 142	15 809
Gross profit, %	36%	40%	29%
Operating result, th EUR	346	2 644	-15 193
Operating result, %	6%	25%	-27%
Net result, th EUR	-3 966	-113	-29 121
Net result, %	-68%	-1%	-53%
Earnings per share, EUR	-0.07	0.00	-0.48



	31.03.2020	31.03.2019	31.12.2019
Total Assets, th EUR	209 622	247 386	210 805
Total Liabilities, th EUR	142 022	146 761	139 187
Total Equity, th EUR	67 600	100 625	71 566
Debt / Equity *	2.10	1.46	1.94
Return on Assets, % **	-1.7%	-0.1%	-12.8%
Return on Equity, % ***	-4.7%	-0.1%	-34.4%
Net asset value per share, EUR ****	1.19	1.78	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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated interim statement of financial position

in thousands of euros	31.03.2020	31.03.2019	31.12.2019
ASSETS			
Current assets			
Cash and cash equivalents	9 459	6 166	10 616
Current receivables	1 281	845	1 475
Inventories	40 329	59 962	41 031
Total current assets	51 069	66 973	53 122
Non-current assets			
Non-current receivables	2 942	677	2 297
Property, plant and equipment	7 100	7 108	7 146



Right-of-use assets	480	635	519
Investment property	147 667	171 672	147 365
Intangible assets	364	321	372
Total non-current assets	158 553	180 413	157 699
TOTAL ASSETS	209 622	247 386	210 821

LIABILITIES AND EQUITY

Current liabilities

Current debt	83 153	14 540	111 759
Customer advances	5 935	5 510	3 974
Current payables	10 837	8 188	8 741
Tax liabilities	849	395	1 155
Short-term provisions	329	903	267
Total current liabilities	101 103	29 536	125 896

Non-current liabilities

Long-term debt	38 398	113 937	10 871
Other non-current payables	1 064	1 140	1 013
Deferred income tax liabilities	1 320	2 004	1 348
Long-term provisions	137	144	127
Total non-current liabilities	40 919	117 225	13 359
TOTAL LIABILITIES	142 022	146 761	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	1 134	1 082	1 134
Revaluation reserve	3 262	3 262	3 262
Retained earnings	49 744	76 771	76 725
Profit/ Loss for the period	-3 788	-43	-26 981
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Total equity attributable to owners of the Company	67 351	98 071	71 139
Non-controlling interest	249	2 554	427
TOTAL EQUITY	67 600	100 625	71 566

TOTAL LIABILITIES AND EQUITY	209 622	247 386	210 821
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Consolidated interim statements of profit and loss and other comprehensive income

in thousands of euros	2020 3M	2019 3M	2019 12M
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CONTINUING OPERATIONS			
Operating income			
Revenue	5 873	10 372	55 276
Cost of goods sold	-3 736	-6 230	-39 467
Gross profit	2 137	4 142	15 809
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Marketing expenses	-161	-142	-728
Administrative expenses	-1 562	-1 353	-6 013
Other income	3	27	95
Other expenses	-71	-30	-24 341
Operating profit/ loss	346	2 644	-15 178



Financial income	1	1	4
Financial expense	-4 244	-2 757	-14 019
Loss before income tax	-3 897	-112	-29 193
Income tax	-69	-1	21
Loss for the period	-3 966	-113	-29 172

Attributable to:

Equity holders of the parent	-3 788	-43	-26 981
Non-controlling interest	-178	-70	-2 191

Total comprehensive loss for the year	-3 966	-113	-29 172
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Attributable to:

Equity holders of the parent	-3 788	-43	-26 981
Non-controlling interest	-178	-70	-2 191

Earnings per share for the period (EUR)	-0.07	0.00	-0.48
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Consolidated interim statements of cash flows

in thousands of euros

Cash flows from operating activities

Profit/loss for the period	-3 966	-113	-29 172
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Adjustments for:

Depreciation, amortisation of non-current assets	105	94	399
Gain from disposal of investment property	0	0	-3
Loss from write-off of PPE and intangible assets	0	0	6
Change in fair value of property, plant, equipment	0	0	-15



Change in fair value of investment property	0	0	24 236
Finance income and costs	4 243	2 756	14 016
Changes in deferred tax assets and liabilities	-27	0	-656
Other non-monetary changes (net amounts)	-1	31	419
Changes in working capital:			
Trade receivables and prepayments	-409	1 572	-630
Inventories	703	-582	18 276
Liabilities and prepayments	1 336	-4 145	-6 412
Provisions	10	10	-51
Net cash used/ generated in operating activities	1 994	-377	20 413
Cash flows from investing activities			
Payments for property, plant and equipment	-10	-31	-226
Payments for intangible assets	-2	-1	-74
Payments for investment property	-302	-3 533	-6 019
Proceeds from disposal of investment property	0	0	2 170
Interests received	1	1	4
Net cash used in investing activities	-313	-3 564	-4 145
Cash flows from financing activities			
Proceeds from bonds	28 500	0	0
Redemption of non-convertible bonds	-28 000	0	-500
Proceeds from borrowings	100	7 570	16 461
Repayment of borrowings	-648	-3 843	-21 551



Repayment of lease liabilities	-48	-36	-192
Interests and finance costs paid	-2 742	-624	-6 910
Net cash used/ generated by financing activities	-2 838	3 067	-12 692
Net change in cash and cash equivalents	-1 157	-874	3 576
Cash and cash equivalents at the beginning	10 616	7 040	7 040
Cash and cash equivalents at the end of the period	9 459	6 166	10 616

The full report can be found in the file attached.

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