



Company presentation – AS Pro Kapital Grupp

Pareto Securities' Nordic Corporate Bond Conference 21 March 2019

Today's presenters

CEO Paolo Michelozzi and CFO Angelika Annus



Paolo Michelozzi - CEO

- With Pro Kapital since 1994, CEO since 2001
- General Certificate of Education (building surveyor), Collegio Arcivescovile, Saranno, Italy
- Extensive experience of more than 30 years in different real estate development projects in Italy and other European countries
- Chairman of the Management Board



Angelika Annus - CFO

- First hired by Pro Kapital in 1998, CFO since 2014
- BBA, International Business Administration, Estonian Business School
- Over 20 years of experience from different accounting and business administration responsibilities

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Pro Kapital in brief

Real estate development and property management in prime locations in all Baltic capital cities

The leading Baltic real estate development and property management company, mainly active in the Baltic capital cities

The T1 Mall of Tallinn (completed in November 2018), is Pro Kapital's largest asset with a leasable area of ~55,000m² and 200+ tenants

100% equity financed land bank in prime locations with development projects sufficient for operations over the next 5-10 years

Focus on modern large-scale commercial and residential property development

The well-established Pro Kapital brand built over the company's 25-year history enables reputable tenants and a high utilization rate

Over 250,000 square meters completed, managed and sold in ca 20 projects since 1994

Healthy and consistent profit generation over time, with historic overall IRR ranging from 18-21%

Geographic footprint and share of book value

- Company headquarter **73%**
- T1 Mall (55% of book value)
- Three projects to be developed
- Nine completed projects

- Office established in 1997 **14%**
- Three projects to be developed
- Seven completed projects

- Office established in 1998 **11%**
- One project to be developed
- Two completed projects

- Pro Kapital owns the Parkhotel Kurhaus in Germany outside of Frankfurt **3%**
- The hotel will be managed until an attractive exit opportunity arises



Key figures

Revenues in 2018	EUR 28m
Employees (31.12.2018)	89 (49 in development)
Gross area above ground to be developed	>300,000m ²
Book value of properties (31.12.2018)	EUR 234m
Approx. annual recurring revenue from operational properties	EUR 12m
Market Cap ([14.03.2019])	EUR [85]m

Note: (1) Based on Colliers valuation report in December 2018, not including German hotel property

Business segments

Residential properties are usually sold, commercial held for cash flow or sold

Commercial



Commercial

- Development and management of large-scale commercial properties, including office buildings and shopping centers
- Aim to own and operate large-scale commercial properties to provide steady cash flow
- Operations handled in-house, whereas construction is outsourced on turn-key contracts

Typical project

Size retail (GLA): >50,000m²

Size office (GLA): ~10,000m²

IRR: ~20%

Debt funding: 70% of construction cost, LTV ~50%

Typical contract structure

Suppliers: Turn-key construction contracts, monthly payment in arrears for completed and accepted work verified by 3rd party supervisor

Tenants: Agreement length at least five years in shopping centers, standard rental guarantee of three months rent

Residential



Residential

- Development of large-scale modern residential areas
- Pro Kapital ensures flexible contracts that allow for both accelerated or decelerated development periods
- In-house sales, marketing and technical in all Baltic states
- All apartments are to be sold (and not leased)

Typical project

Size (NSA): NSA 20,000-60,000m² (in stages)

Development margin: ~25-50%¹

Debt funding: 70% of construction cost, LTV ~50%

Typical contract structure

Suppliers: Turn-key construction contracts, monthly payment in arrears for completed and accepted work verified by 3rd party supervisor

Customers: 10-20% down payment, remaining at completion

Profit recognition: At sale

Recent history and financial development

Founded in 1994, Pro Kapital has a long and successful history

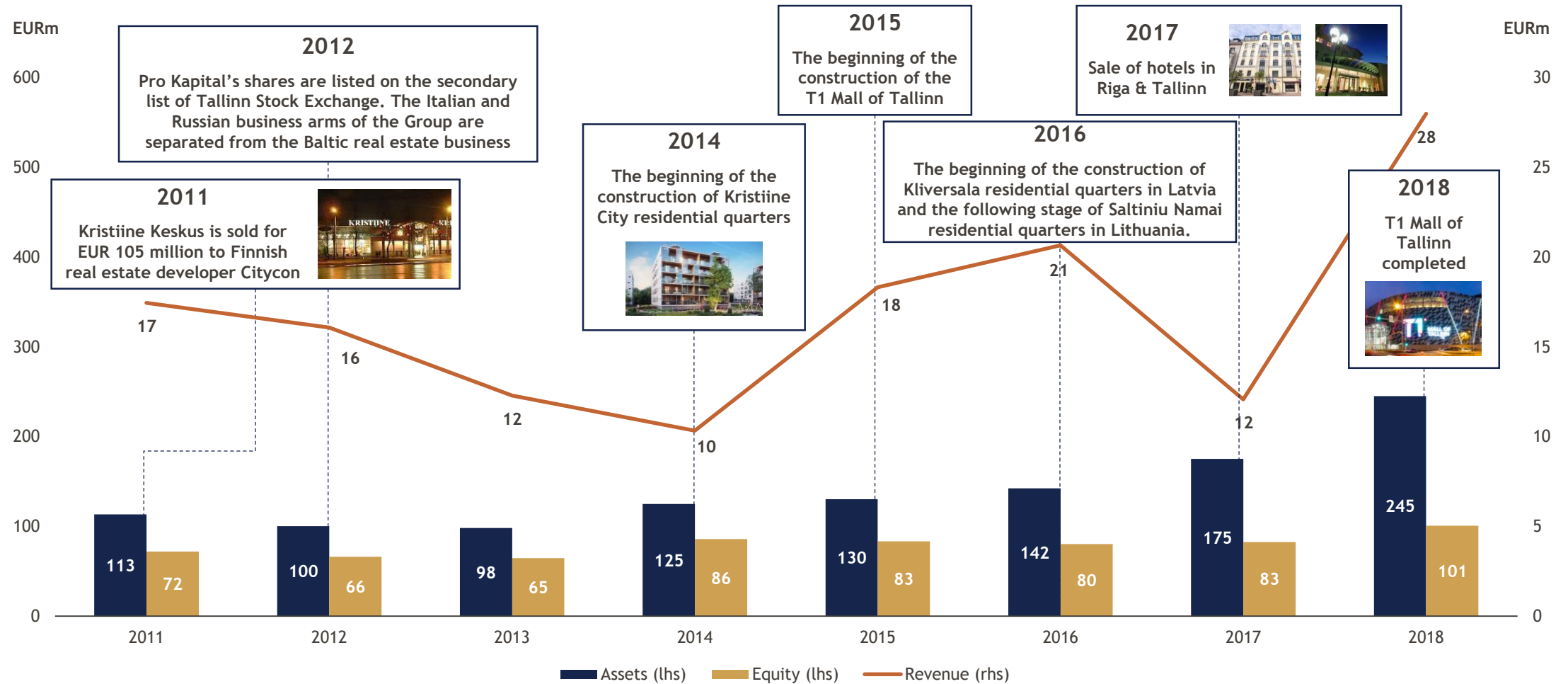


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Overview of current portfolio

Book value of EUR 234 million out of which ~58% are cash flow producing

Book value of property and project assets amount to EUR 234 million out of which 58% are cash flow generating

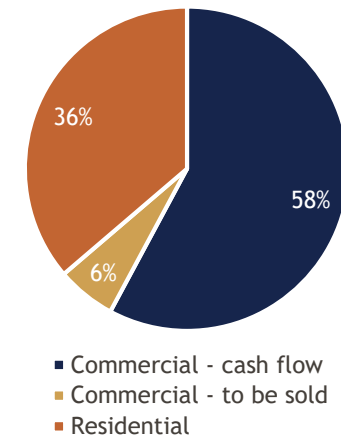
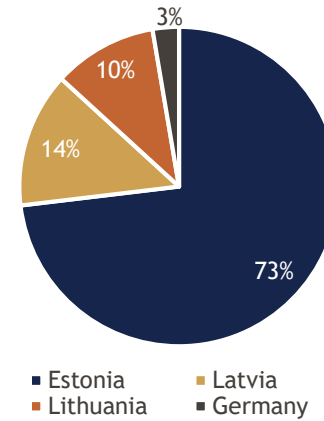
Larger projects currently under development and completion has and will continue to increase sales figures over the years to come

Recently completed T1 Mall has a stabilized NOI of EUR 9.5-10m and book value of EUR 129m

Pro Kapital's attractive project pipeline consist of over 300,000m² of gross area above ground to be developed in the Baltic capitals



Portfolio book value by country and operations



91% of commercial properties are cash flow generating, corresponding to 58% of the total assets

Country	Quantity of objects	Quantity of properties (in the cadastral registers)	Book value (EURm)
Estonia	4	401	171.2
Latvia	3	56	32.1
Lithuania	1	81	24.7
Germany	1	1	6.2
Total	10	539	234.1
Country	Commercial (share of total)	Residential (share of total)	Book value (EURm)
Estonia	82%	18%	171.2
Latvia	8%	92%	32.1
Lithuania	0%	100%	24.7
Germany	100%	0%	6.2
Total	64%	36%	234.1

T1 Mall of Tallinn

First new-generation shopping and entertainment center in Estonia

The T1 Mall of Tallinn is the first new generation commercial and entertainment center in Estonia, opened in November 2018

Prime location on Peterburi tee 2, where public transport, highways and air transport meets, and over 1,300 parking lots

Designed by Italian architect Antonio Lavieri and built by AS Merko Ehitus Eesti

Restaurant and dining cluster of in total 32 units and 5,500m² using the collective brand Taste of Tallinn

45 meter tall observation wheel on the roof, with top viewpoint 120 meters above ground level (operational in April 2019)

55,000	200+	4
m ² leasable area	stores, restaurants and leisure operators	Floors



Tenants	Category	Leasable area	% of total
Super Skypark	Entertainment	6,993	12.7%
Selver	Hypermarket	5,526	10.1%
Debenhams	Fashion	3,396	6.2%
Cinamon	Cinema	3,002	5.5%
Total, top 4		18,917	34.4%
Other (fashion, daily-goods, entertainment and restaurants)		36,056	65.6%
Total		54,973	100%

CINAMON Debenhams terranova



T1 Mall of Tallinn

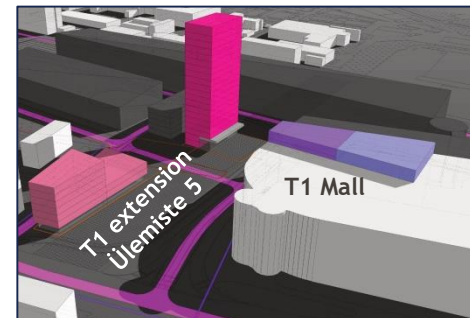
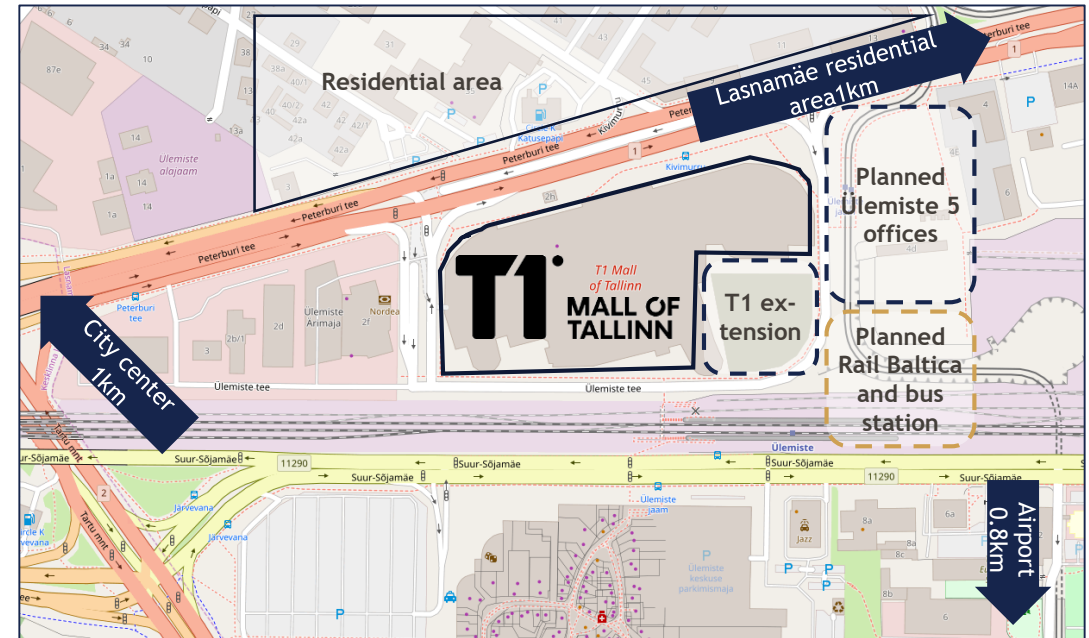
Ideally located, reachable from everywhere and in the most populous district of Tallinn

Location

- Ideally located on the border between Lasnamäe and the city center
- Close to major intersection that is high in passenger traffic
- In close vicinity of the most populous residential district in Tallinn with ca 120,000 inhabitants
- Reachable from the city center by tram and by foot from Tallinn International Airport
- Planned combined Rail Baltica and bus station will make the T1 mall easily reachable from all of Estonia and the Baltics, potentially even from Finland

Ülemiste 5 extension

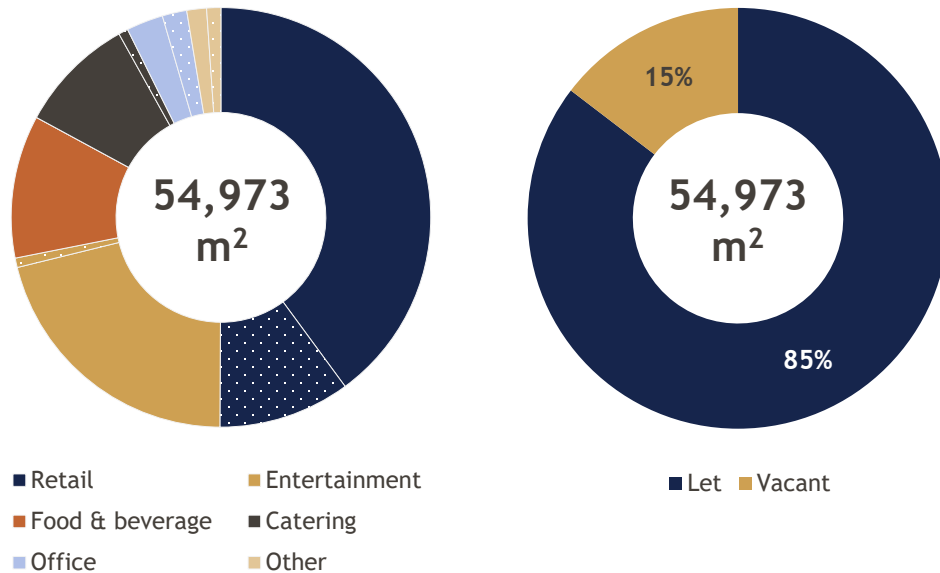
- Adjacent land plot to be partly developed as an extension of the T1 Mall with an additional net leasable area of 7,000 m²
- Construction expected to commence in 2020 with completion in 2021
- Total development cost expected to be approximately EUR 12 million
- A new zoning plan with regards to the connection with Rail Baltica terminal is currently being established
- Zoning plan to be coordinated and implemented in close co-operation with the City of Tallinn, and will include office space of +10,000 m² lettable area



T1 Mall of Tallinn

Only 4.5% of the current annual income is related to leases that will expire prior to 2023

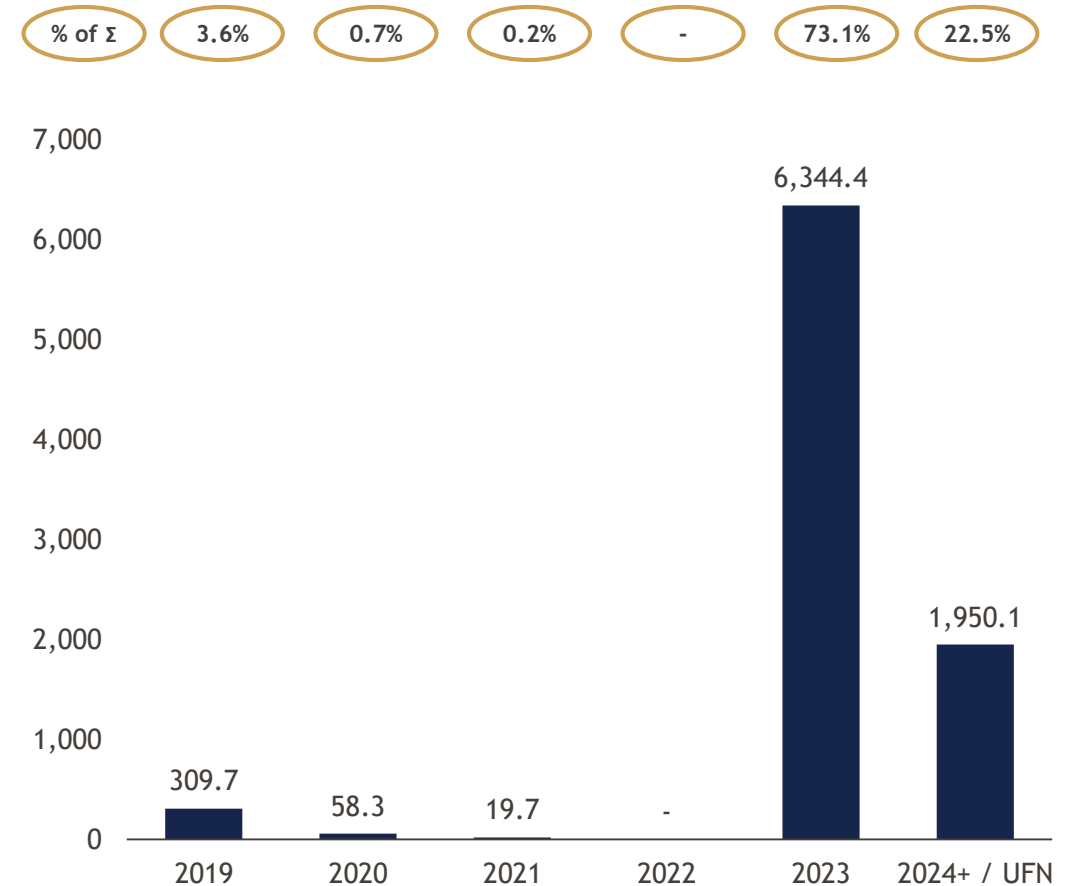
Leasable area and vacant premises (31.12.2018)



Dotted areas represent vacant premises

- Occupancy rate expected to increase significantly during 2019
- A vast majority of the existing leases (as of 31.12.2018) expire in November 2023 (ca 73% of the current annual income and 51% of leasable area)
- Lease contracts include first and second year discounts for 2019 and 2020
- Leases are index adjusted annually excluding discounted years

Total annual income of signed lease agreements (12/18) by lease expiry



Other operational and completed properties

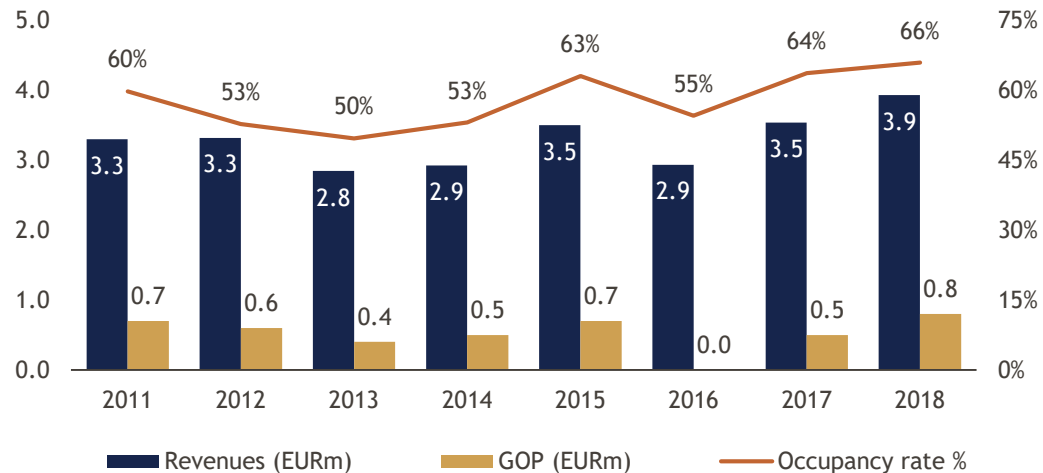
Additional revenues provided by other operational properties and completed properties to be sold

PK Parkhotel Kurhaus (Bad Kreuznach, DE)

- Gracious hotel built in 1913 situated in the SPA-Garden of Bad Kreuznach, just outside of Frankfurt
- The hotel offers 120 elegant rooms including 6 suites with a garden view
- Acquired by Pro Kapital in 2006

• *Hotels represent a non-core business function and thus the PK Parkhotel Kurhaus will be managed until it can be sold at an attractive opportunity*

Historic revenues and occupancy rates, PK Parkhotel Kurhaus



Completed properties to be sold (as of 28.2.2019)

The River Breeze Residence, Riga

- High-end apartment building offering 48 apartments, including two level townhouses on the ground floor, completed in 2018



Saltiniu Namai, Vilnius

- Prestigious residential quarter surrounded by the nature in a peaceful part of the Old Town with three completed stages in 2009, 2015 and 2016, totaling 16 buildings, with 237 sellable units



Kristina houses in Kristiine City, Tallinn

- Includes a total of 10 building with 309 sellable units. Kristiine City is one of the largest residential areas in the Baltics, located close to city center. 7 houses with 217 apartments of the development have been completed during 2015-03/2019



Property	Pre-sold/Sold	Remaining	Expected revenue EURm	Remaining debt EURm
River Breeze	4%/19%	77%	23.5	
Saltiniu Namai	94.5%	4.5%	3.7	
Kristina houses	11%/83%	6%	5.5	
Total			32.7	9.0

Project Pipeline

Kristiine City Residential Building Complex

- One of the largest residential developments in the Baltics located in the historical Kristiine district near the city center of Tallinn
- Gross building area is 139,000 m² of which sellable area is ca 74,500 m² and rentable 24,000 m²
- Anticipated deadline 2027



Kalaranna Residential Complex

- The best seaside location on the border of Tallinn old town
- Gross building area is 42,500 m² of which sellable area is 23,000 m² and rentable area is 9,500 m²
- Anticipated deadline 2025

Project Pipeline

Kliversala Residential Complex

- A sight to see in Riga city center - on the bank of the Daugava river on the shore of Agenskalna bay
- Gross building area under development is 61,000 m² of which sellable area is ca 43,000 m²

River Breeze Residence

- 48 apartments with terraces and a view of the river



Lithuania



Saltiniu Namai Residential Building Complex

- A unique location in Vilnius old town, a very quiet and safe district
- The first phase of the project has been finished and is almost sold out, 3-5 story residential buildings are under construction at the moment
- Gross building area under development is 18,500 m² of which sellable area is ca 14,000 m²
- 8000 m² is under construction
- Anticipated deadline 2022

Project Pipeline

Tallinas Quarter

- The project foresees a series of apartments and buildings with commercial premises on the first floor. The building complex will consist of new buildings and restored historical buildings that will create a unique atmosphere in the area
- Gross building area under development is 31,000 m² of which sellable area is ca 21,000 m²
- Anticipated deadline 2022



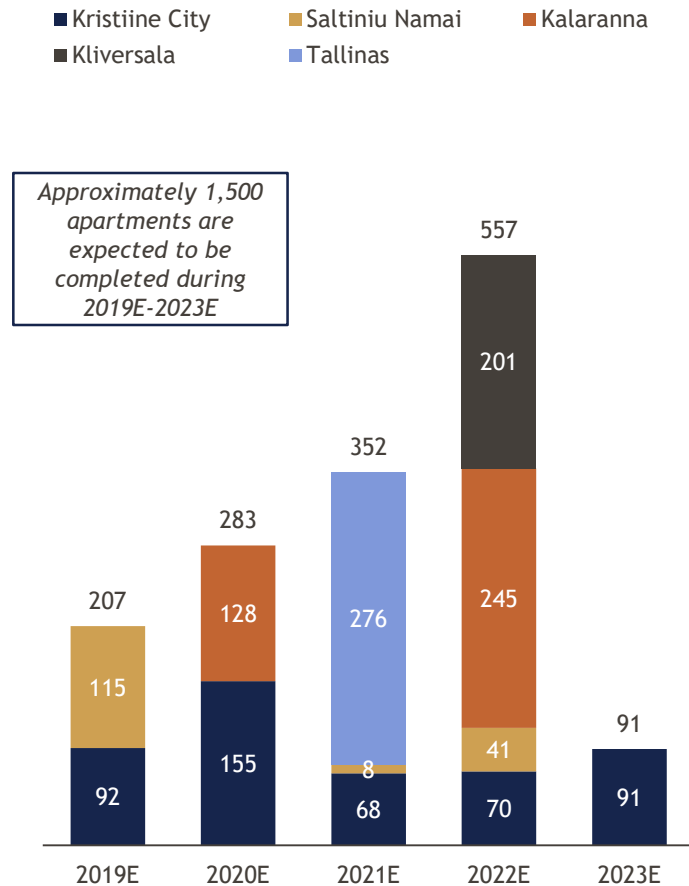
Zvaigznes Quarter

- Commercial property development for modern office complex will be built on the site of a former factory
- The area is located at one of the main transport arteries heading through the city
- Gross building area under development is 29,000 m² of which rentable area is ca 18,000 m²
- Anticipated deadline 2022

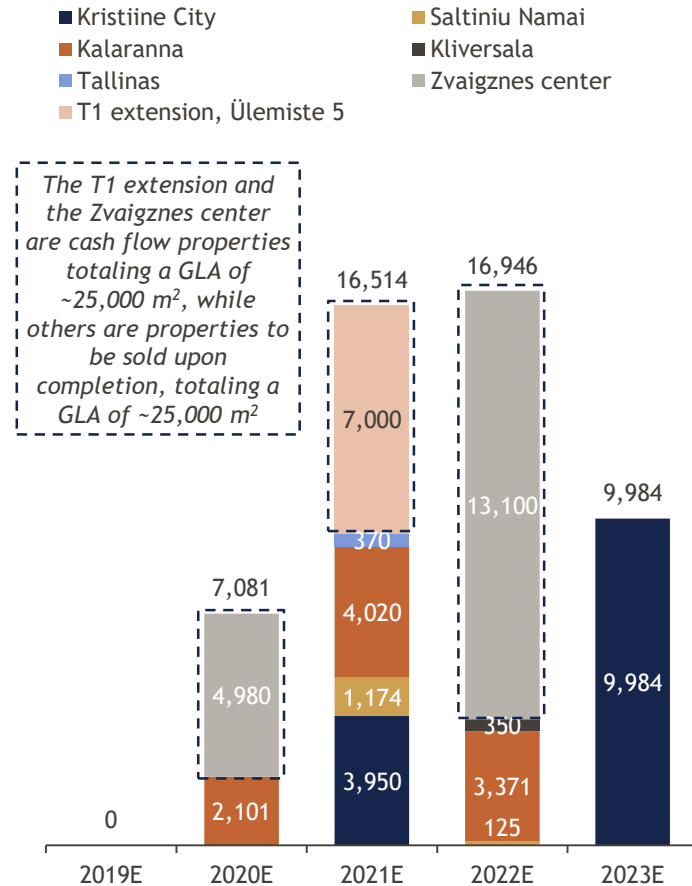
Expected completion of properties

Cash flows consist of completed and sold properties and rents from operational properties

Expected completion of apartments



Expected completion of commercial GLA (m²)



Profit recognition

- Pro Kapital recognizes profits when the project is completed and divested
- Average project typically entail a 20-40% project margin, translating the ca 70% LTC to a ~50% LTV (estimated at completion)
- In order to reduce risk, projects are split into phases, enabling steadier cash flows each year
 - E.g. in Kristiine City (left graph) additional units will be completed during 2019-2023
 - Additional commercial areas are expected to be completed in 2021 and 2023

Pre-sales

Commercial

- Commercial projects are initially funded with equity (ca 30% of cost)
- Additional 70% of projected cost is funded by debt once tenants for at least 50% of the leasable area are secured

Residential

- Construction starts when 20-30% of the apartments have been pre-sold
- In total approximately 70-80% of the apartments are usually sold prior to construction completion

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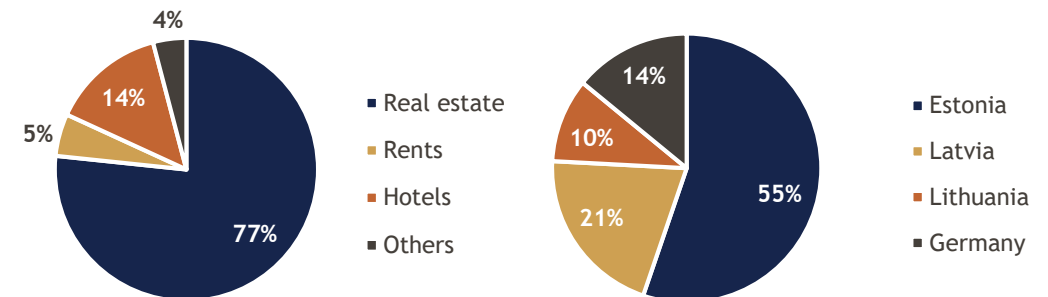
Income statement

Historical financials 2016 – 2018

Income statement (EURk)	2016	2017 ²	2018 ¹
Revenue	20,652	12,077	27,991
Cost of goods sold	-14,598	-7,516	-18,415
Gross profit	6,054	4,561	9,576
<i>Gross margin</i>	29.3%	37.8%	34.2%
Marketing expenses	-518	-822	-1,336
Administrative expenses	-5,396	-5,256	-5,427
Other income	254	4,114	18,823
Other expenses	-703	-800	-169
Operating profit/ loss	-309	1,797	21,467
Financial income	13	6	4
Financial expense	-3,512	-3,352	-3,473
Profit/ loss before income tax	-3,808	-1,549	17,998
Income tax	-217	596	42
Profit/ loss from continuing operations	-4,025	-953	18,040
Profit/ loss from discontinued operations	0	435	0
Profit/ loss for the period	-4,025	-518	18,040

Recurring revenues (EURk)	2016	2017 ²	2018 ¹
Real estate	12,902	6,621	21,458
Rents	170	175	1,453
Hotels	5,943	3,533	3,935
Others	1,637	1,748	1,145
Total	20,652	12,077	27,991

Recurring revenue split 2018

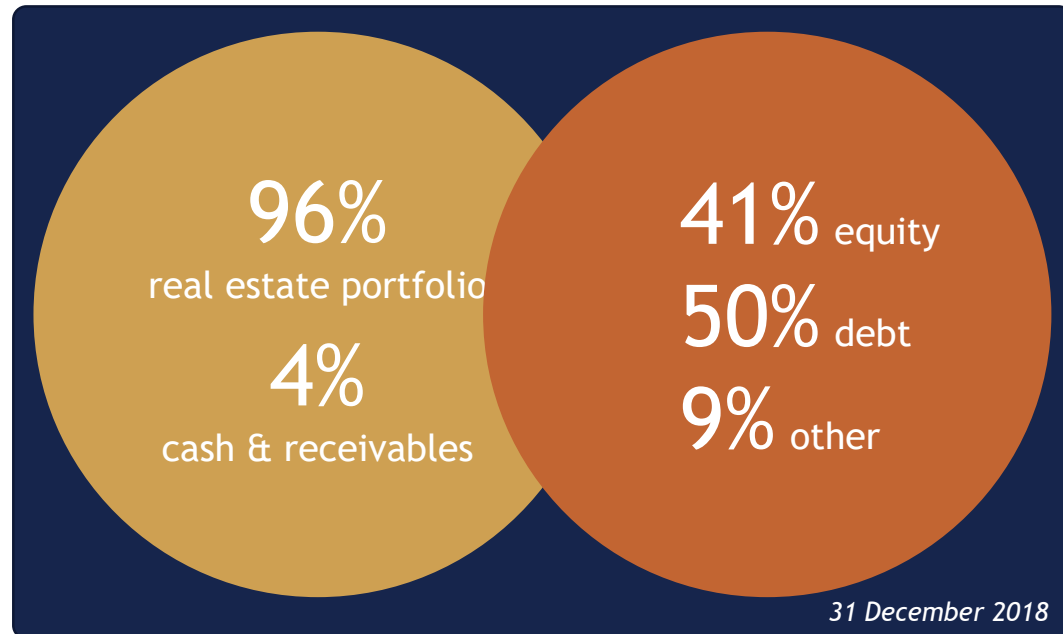


- Real estate revenues consist of the sale of completed apartments
- The total revenue from continuing operations increased by 99% from 2017 to 2018. The improvement was influenced by the completion of the 4th, 5th, and 6th apartment buildings in the Kristina Houses development in Tallinn, renovation works of Marsi 6 in Tallinn and River Breeze Residence in Riga
- The operating profit also improved, largely impacted by the revaluation of investment properties (EUR 18m)
- Hotel revenues decreased after the exit from PK Ilmarine Hotel and PK Riga Hotel in June and August 2017, while rent revenues increased as the T1 Shopping Center was opened in November 2018
- Real estate revenues consist of sales of completed apartments

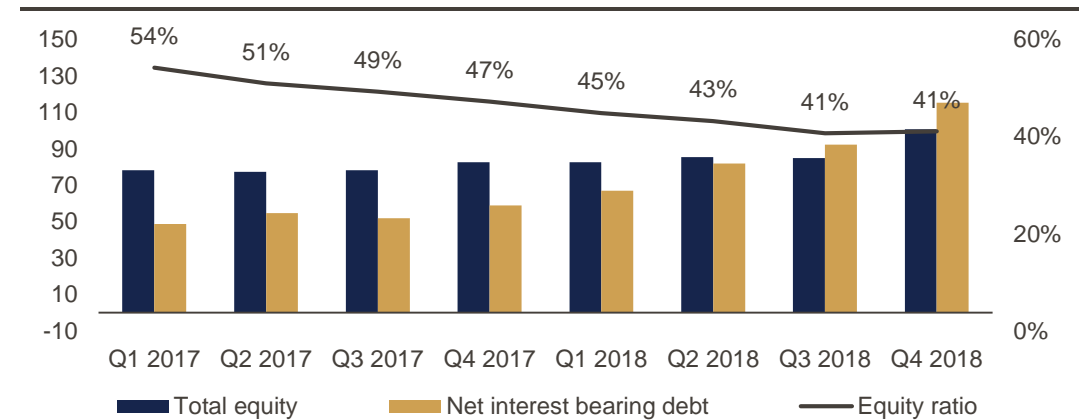
Balance sheet

Historic financials 2016 – 2018 and current overview

Balance sheet (EURk)	2016	2017	2018 ¹
Current assets	24,001	53,229	69,308
Non-current assets	118,313	121,929	175,797
TOTAL ASSETS	142,314	175,158	245,105
Current liabilities	19,541	24,355	29,192
Non-current liabilities	42,569	68,121	115,191
Total liabilities	62,110	92,476	144,383
Total equity	80,204	82,682	100,722
TOTAL EQUITY AND LIABILITIES	142,314	175,158	245,105



Total interest bearing debt, equity and equity ratio (LTM, EURm)

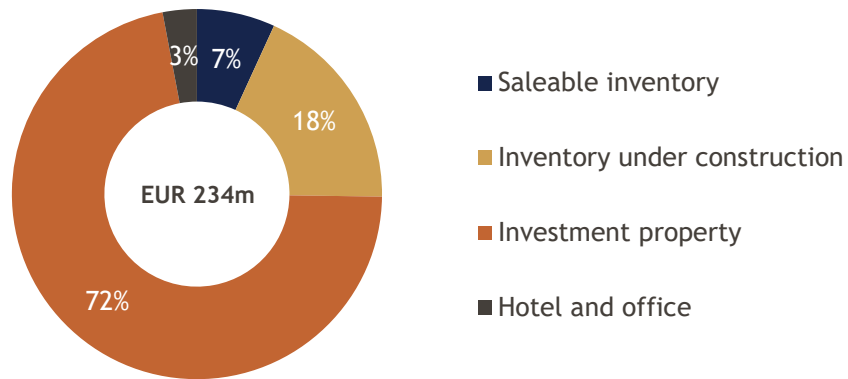


- Asset base mainly consist of real estate assets, including development projects, projects under construction as well as properties under management
- Balance sheet has increased as a larger milestone project has been completed
- T1 Mall of Tallinn has a book value of EUR 129 million (55% of total assets)
- Equity ratio of 41% as of 31 December 2018
- Increase in debt to a large extent related to increase in developed assets and the completion of the T1 Mall of Tallinn

Real estate assets and debt overview

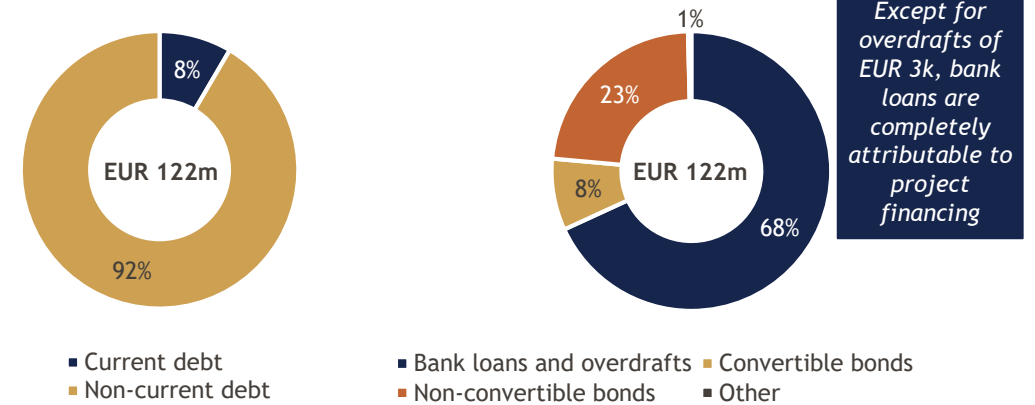
The completion of the T1 Mall has contributed to an increased real estate asset base

Real estate portfolio balance sheet value as of 31.12.2018

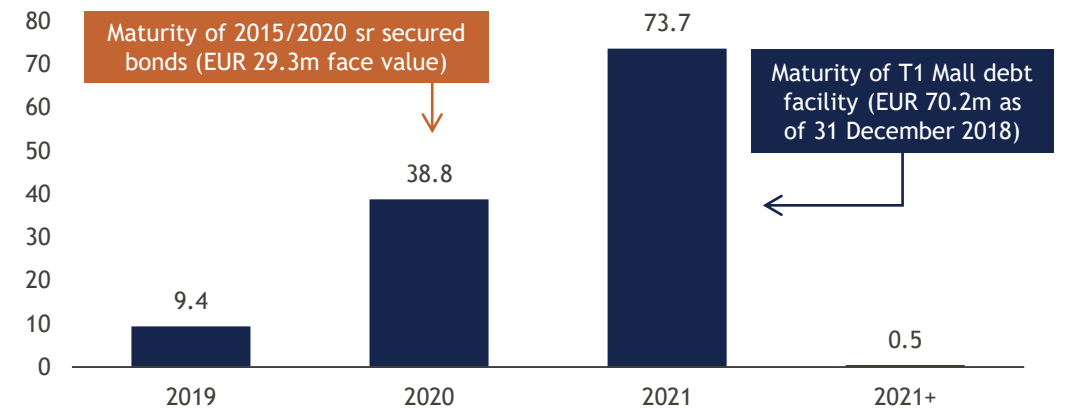


- Saleable inventory refer to completed projects for sale
- Inventory under construction refer to development projects currently under construction
- Investment property refer to: properties awaiting for development and T1 Mall of Tallinn, operational since November 2018
- PK Parkhotel Kurhaus is included under Hotel and office
- More than 2/3 of Pro Kapital's interest-bearing debt is related to project financing, including a EUR 65 million secured loan in the T1 Mall
- Debt maturities mainly isolated to 2015/2020 senior secured bond loan (EUR 29.3 million) and T1 TPG/ Lintgen Adjacent Investments loan, maturing in 2021 (with prepayment option by the end of 2020)

Debt structure overview as of 31.12.2018



Debt maturity structure as of 31.12.2018 (EURm)

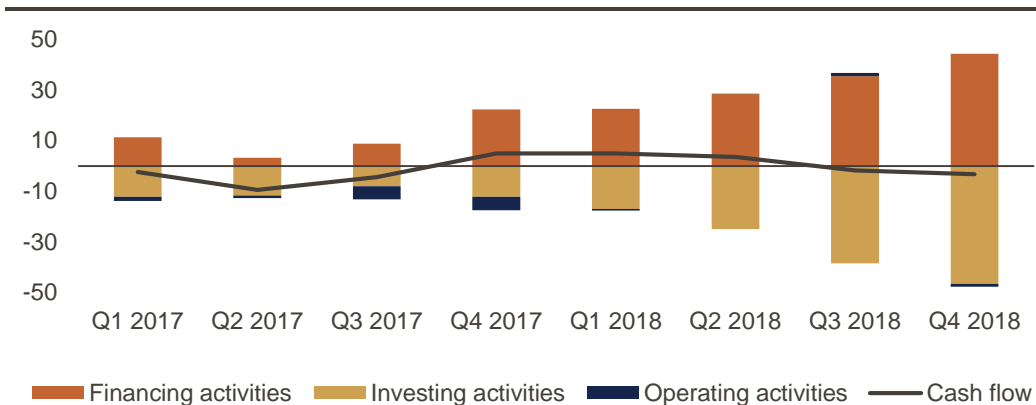


Cash flow

Historical financials 2016 – 2018

Cash flow statement (EURk)	2016	2017	2018 ¹
Cash flows from operating activities			
Profit/ loss for the year	-4,025	-518	18,040
Depreciation and amortisation of non-current assets	695	455	214
Change in fair value of investment property	599	-530	-17,979
Finance income and costs	3,499	3,460	3,468
Other non-monetary changes	328	9,685	14,910
Changes in working capital			
Trade receivables and prepayments	-2,862	-408	1,773
Inventories	-1,707	-23,880	-21,248
Liabilities and prepayments	4,185	6,556	-119
Provisions	-64	-101	-107
Net cash used in/ generated by operating activities	648	-5,281	-1,048
Cash flows from investing activities			
Payments for property, plant and equipment	-1,206	-281	-206
Proceeds from disposal of property, plant and equipment	7	6,651	336
Payments for investment property	-8,552	-24,772	-47,786
Net proceeds from disposal of investment property	0	0	1,000
Other cash flow from investing activities	11	6,203	-20
Net cash used in/ generated by investing activities	-9,740	-12,199	-46,676
Cash flows from financing activities			
Proceeds from increase of share capital	0	4,328	0
Dividend payment	0	0	-850
Proceeds from borrowings	2,961	28,260	56,923
Repayment of borrowings	-3,310	-7,048	-7,496
Interests paid	-3,359	-3,318	-3,481
Other cash flow from financing activities	11,790	193	-649
Net cash used in/ generated by financing activities	8,082	22,415	44,447
Net change in cash and cash equivalents	-1,010	4,935	-3,277

LTM Cash flow (EURm)



- Investments into property during 2018 include mainly construction costs of AS Tallinna Moekombinaat (T1), amounting to approximately EUR 48.6m
- These investments have mainly been financed through loans from Lintgen Adjacent investments, which have been continuously drawn during 2018, amounting to EUR 42.5m in 2018 (EUR 22.5 in 2017)
- During the 2018 Kalaranna and Sammu street properties in Tallinn were reclassified from investment property into inventories in the total amount of EUR 17.7m
- Going forward, and after an initial ramp-up and stabilization phase, Pro Kapital's cash-flow profile will benefit from rental income in the T1 asset

Thank you!

PROKAPITAL