AS Pro Kapital Grupp

CONSOLIDATED ANNUAL REPORT 2023

PROKAPITAL

Beginning of the financial year	1 January 2023
End of the financial year	31 December 2023
Company name	AS Pro Kapital Grupp
Registration number	10278802
Form of Entity	Joint-Stock Company
Address	Sõjakooli 11 11316 Tallinn, Estonia
Phone	+372 614 4920
E-mail	prokapital@prokapital.ee
Website	www.prokapital.com
Fields of business activity	Activities of holding companies Purchase and sales of real estate Rent and operation of real estate Management of real estate Hotel operations
Auditor	Ernst & Young Baltic AS

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About AS Pro Kapital Grupp

AS Pro Kapital Grupp (hereafter also the Group) is one of the oldest real estate development companies in the Baltic States, which has simultaneously under development or projecting 8 long-term and large-scale projects in the best locations in Tallinn, Riga and Vilnius.

As we develop large residential and commercial districts, we have a significant impact on the formation of the image of a city, development and welfare of local communities and surrounding environment. Strategically sustainable and forward-looking style of management puts quality and responsibility into the focus of our business activities. That is the reason why we are closely related to all the developments from start to finish – this is the only way how we can create extraordinary living environments where people feel comfortable.

AS Pro Kapital Grupp is a Public Limited Company with its domicile and principal place of business located at Sõjakooli 11, 10316 Tallinn, Republic of Estonia. AS Pro Kapital Grupp has retained its name since its establishment. The Group's main operations, primarily conducted in the Republic of Estonia, include activities such as purchase and sales of real estate, rent and operation of real estate, management of real estate and hotel operations. Despite holding less than 50% ownership in AS Pro Kapital Grupp, Preatoni Group, a French entity, is considered the ultimate parent for Pro Kapital Grupp.

On 23 November 2012 AS Pro Kapital Grupp shares started trading on the secondary list of Tallinn's stock exchange and since 19 November 2018 the shares of the Group are traded in the main list of Nasdaq Tallinn.

Development projects

Project name	Type	Location	Ownership	Classification
Ülemiste 5	Commercial	Tallinn	100%	Investment property
Kristiine City*	Residential	Tallinn	100%	Inventories, investment property
Kalaranna District	Residential	Tallinn	100%	Inventories
City Oasis Quarter	Residential	Riga	100%	Investment property
Kliversala District*	Residential	Riga	100%	Inventories, investment property
Brivibas Business Quarter	Commercial	Riga	100%	Investment property (for sale)
Šaltinių Namai	Residential	Vilnius	100%	Inventories
Naugarduko	Residential	Vilnius	100%	Inventories

**Due to large scale of the projects, part of the property is waiting for start of development and therefore is classified as investment property (Notes 9 and 12).*

Ülemiste 5 in Tallinn

Ülemiste 5 will be developed for commercial use with gross area of ca 18,5 thousand square meters. Located right next to Rail Baltica Ülemiste Terminal, this development project will play a significant role in establishing the new public transportation centre of Tallinn.

Kristiine City in Tallinn

Kristiine City is one of the largest residential areas in the Baltic countries, located in the Kristiine borough, a residential area close to the City Centre of Tallinn. The unique project plans exquisitely integrated historical red brick buildings with the modern architecture that will arise over the hill, at the very heart of the new quarter. Kristiine City development will bring lively and elegant atmosphere to the historical barrack area. The residential area is developed mainly to offer green living environment to families and people who prefer living near the very centre of the city.

Kindrali Houses in Kristiine City

Located among the private houses and apple orchards of Kristiine district, the modern Kindrali Houses project has a warm and cozy heart. Kindrali Houses form a part of the Kristiine City district which is undergoing rapid development near the city centre and offering versatile opportunities for residents of all ages. The focus is on comfort, safety and living in harmony with environment. Contemporary and Nordic appearance of the buildings is complemented by carefully selected high-quality materials and details in interior design. There are both spacious five-room flats as well as ground floor studio apartments with separate entrances. Four-legged friends of the residents can enjoy a special washing room in the houses. All three buildings have been completed to date. All apartments are sold with an exception of the one kept as a show room for the next stage Uus-Kindrali. In December 2023, we began signing reservation agreements for the next stage, where the construction started in March 2024.

Kalaranna in Tallinn

Kalaranna District is a unique sea-side residential district on the border of Tallinn's city center and old town. Kalaranna District, located at Kalaranna 8, will have twelve 4-5 storey buildings on nearly six hectares. The area is being developed in two stages. An integral part of the residential quarter is well-thought-out landscape architecture and a beach promenade that largely preserves the existing natural environment.

During the first phase of construction, eight buildings have been completed with 239 apartments, commercial premises and an underground car park. The area includes the Kalaranna Park with versatile leisure opportunities and a Square connecting the buildings. To date all buildings of the first stage are completed and handed over to customers.
The construction of the final stage, consisting of 4 buildings and 146 apartments, began in 2023. By the end of the fourth quarter, presale agreements had been finalized for a total of 52 out of the 146 apartment units, corresponding to 35.6% of the total inventory.

Kliversala in Riga

The district of Klīversala is located in the most picturesque and beautiful part of the centre of Riga. A land plot of almost five hectares in total is located on the peninsula on the Daugava River and Agenskalna bay, facing the towers of Old Riga and the Riga Castle. The property will be developed as an integral residential quarter.

The River Breeze Residence and the neighboring territory are a significant part of the long-term development strategy of the city of Riga, which will be carried out through the period until 2030. Mainly, because the River Breeze Residence is located within the UNESCO heritage protection area and it is thereby considered as a highly valuable territory.

Completion of River Breeze Residence represents the start of Kliversala Quarter development. The building permit for the following phase of the area- Blue Marine- has been received and we are currently evaluating the start of the construction.

Brivibas Business Quarter in Riga

Commercial property development for modern office complex is located on the site of a former factory. The building permit has been issued.
The Group has taken the decision to sell this property as it is not in line with our core development direction, i.e. building residential properties. We started the marketing activities in 2023 and the goal is to close the sale within 2024.

City Oasis Quarter in Riga

City Oasis Quarter lies in Tallinas street 5/7 and is a unique residential area in the center of Riga, where new buildings, modern loft-style apartment buildings and also restored historical buildings can be found to create an extraordinary atmosphere in the area. The development foresees business premises on the first floors of the buildings. The building permit has been issued and we will start with construction when market conditions will be favorable.

Šaltinių Namai in Vilnius

Šaltinių Namai is a prestigious living area, surrounded by the nature in the most tranquil part of the Old Town, located within the UNESCO protection area. Šaltinių Namai is inspired by the baroque spirit of Vilnius Old Town and the tradition of Italian architecture in Lithuania. Homebuyers can choose from thoroughly planned apartments with exceptional views to spacious town houses.

As an integral part of the landscape, this unique area has the first Italian courtyard garden in the city, designed by the Italian concept architect Gianmarco Cavagnino. In 2019 we completed five houses of the Šaltinių Namai Attico project and have started the final construction phase with city villas and commercial building in September 2023.

Naugarduko in Vilnius

The promising property in the centre of Vilnius will complement our portfolio of high-class residential buildings with impressive panoramas of the old town of Vilnius from the hill of Naugarduko street. After reconstruction the building will blend in with the Šaltinių Namai Attico quarter located nearby. The location with cultural attractions, educational and entertainment possibilities within a walking distance, makes the location particularly attractive both for homebuyers and businesses.

Parkhotel Kurhaus

In addition to the development activities in the Baltic States, we own and operate a hotel in a small German resort town Bad Kreuznach, close to Frankfurt.

Our vision and mission

Vision

Pro Kapital develops timelessly distinctive buildings with an impeccable quality that anticipate people's needs and expectations.

Mission

We believe the real value of real estate lies in the experiences and well-being it brings to people.
We build better living environments where people feel good.

Our values

QUALITY

Savvy customers expect the highest quality from developments in the best locations and that is exactly what we aim to offer.
Every aspect of our developments is well thought through down to the smallest detail.

CUSTOMER RELATIONSHIP

Quality of the product and service is of the utmost importance to us when building a relationship with our customers.
We do our very best so that the customers could be certain of what they are investing into.

CHOICE

We develop for the people. People have needs, expectations, hopes and dreams. The environment where people live and spend their time should be filled with joy, excitement and satisfaction. We aspire to make people feel good and do our best so that they can live their lives to the fullest.

COHERENCE

With growing urbanisation, people expect coherence and comfort. People's time, needs and expectations are at the very centre of our developments. That is why we consider it important to create opportunities for interpersonal communication, well-being and connections to services that look further well-functioning infrastructure.

Results for 2023

Key financials

Consolidated statement of profit or loss and other comprehensive income

in thousands of euros	2023	2022
Revenue	23 021	65 654
Gross profit	7 028	16 965
EBITDA[1]	3 391	18 063
Operating result	2 963	17 657
EBT[1]	-898	13 449
Profit/ loss after tax	-900	13 452
Gross profit margin[1]	30.5%	25.8%
EBITDA margin[1]	14.7%	27.5%
Operating margin[1]	12.9%	26.9%
EBT margin[1]	-3.9%	20.5%
Net margin[1]	-3.9%	20.5%
Earnings per share (EPS)[1]	-0.02	0.24
Share closing price (Nasdaq Tallinn)	1.10	0.61
P/E ratio[1]	-68.97	2.57

The total revenue of the Group for 2023 was 23.0 million euros, which decreased by 42.7 million euros (65%) in 2023 comparing to previous period (2022: 65.7 million euros). The real estate sales revenues are recorded at the point of time when legal title is transferred to the buyer. Therefore, the revenues from sales of real estate depend on the construction cycle and the completion of the residential developments. In 2023 the real estate revenue decreased compared to previous year, because the majority of apartments in Kindrali Houses and Kalaranna Kvartal in Tallinn were sold and handed over in 2022, with the remaining units being sold in 2023. While we have started the construction of Kalaranna last stage, the construction and delivery of units to clients won't happen until the end of 2024, when the revenues shall be recorded. As a result of the beforementioned, the gross profit of the Group in 2023 has decreased by 10.0 million euros.

The operating result of the Group reached 3.0 million euros, which is 14.7 million euros less than in 2022.

[1] The formulas of Alternative Performance Measures are on page 12

Consolidated statement of financial position

in thousands of euros	31.12.2023	31.12.2022
Total Assets	107 237	101 256
Current Assets	54 307	45 832
Non-Current Assets	50 595	55 424
Total Liabilities	52 814	45 933
Current Liabilities	38 881	6 574
Non-Current Liabilities	13 933	39 359
Equity	54 423	55 323

Increase of current assets and total liabilities are influenced by start of construction works in Kalaranna District.

Consolidated statement of cash flows

in thousands of euros	2023	2022
Cash flows from operating activities	9 087	17 971
Cash flows from investing activities	-2 964	-455
Cash flows from financing activities	353	-16 553
Net change in cash and cash equivalents	**6 476**	**963**

In 2023, the Group generated net cash in amount of 6.5 million euros (2022: 963 thousand euros). Cash flow generated from operating activities was 9.1 million euros (2022: 18.0 million euros). Cash flow used for investing activities was 3.0 million euros (2022: 455 thousand euros). Financing activities generated cash in the amount of 353 thousand euros (2022: used 16.6 million euros). Loans were raised in amount of 4,0 million euros, repaid in amount of 63 thousand euros and 3.4 million euros interest payments were made during the period.

Financial Ratios

	31.12.2023	31.12.2022
Equity ratio[1]	50.8%	54.6%
Debt to equity ratio[1]	77.9%	69.9%
Net debt to capital[1]	31.8%	33.7%
Debt to EBITDA ratio [1]	12.5	2.1
Current Ratio[1]	1.4	7.0
Return on assets[1]	-0.9%	12.4%
Return on equity[1]	-1.6%	27.4%

[1] The formulas of Alternative Performance Measures are on page 12

Alternative Performance Measures

Indicator	Formula	Definition
EBITDA	Operating profit + Depreciation and amortization	Earnings Before Interest, Tax, Depreciation and Amortization
EBT	Operating profit + Finance income – Finance Cost	Earnings Before Tax
Gross profit margin	Gross profit/revenue *100	Profitability ratio presenting Gross Profit as a percentage of revenue
EBITDA margin	EBITDA/revenue*100	Profitability ratio presenting EBITDA as a percentage of revenue
Operating margin	Operating profit/revenue*100	Indicator for Efficiency to generate profit through its core operations
EBT margin	EBT/revenue*100	Ratio of Earnings Before Tax to sales revenue
Net margin	Net profit/revenue*100	Indicator measures how much net profit is generated as a percentage of revenue
Earnings per share (EPS)	Net profit/average number of shares (Note 27)	Figure describing net profit per outstanding share
P/E ratio	Share Closing Price/EPS	Indicator for valuing a company
Equity ratio	Equity/total assets*100100	Leverage ratio, which shows the proportion of the total assets financed by equity
Debt to equity ratio	Interest bearing liabilities/Equity*100	Indicator to compare company's liabilities to equity
Net debt to capital	(Interest bearing liabilities-cash and cash equivalents)/ (interest bearing liabilities-cash and cash equivalents +equity)*100	Measurement of financial leverage
Debt to EBITDA ratio	Interest bearing liabilities/EBITDA	Ratio measuring the income generated and available to pay down debt before interest and taxes
Current Ratio	Current assets/Current liabilities	Liquidity ratio measuring ability to cover current financial obligations
Return on assets (ROA)	Net profit/average total assets*100	Indicates how profitable the company is to its total assets
Return on equity (ROE)	Net profit attributable to the owners/average equity*100	Indicates how profitable the company is to its total equity

Interest bearing liabilities equal to loan and bond balance total (Note 17, Note 18)

Chairman's summary

Real Estate Development

In 2023, the decision taken earlier in the year on starting the construction and sales of Kalaranna 8, Tallinn 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 which, upon completion, brings the total count of the buildings to 12. 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 signed contracts for the excavation/retainage works, underground monolithic concrete works, and some smaller tasks, resulting in significant cost savings.

Within Kristiine City, we are actively advancing the design and permit procedures for the "Dunte" project located at Tondi Street 53. It is noteworthy that we have secured significant concessions from the State Landmark Preservation Committee. This includes the permission to expand the ground floor windows on the rear side of the facade into floor-to-ceiling openings. This adjustment enables us to craft more spacious residential units, to offer improved sunlight exposure and direct access to small private terraces.

In December 2023, still in Kristiine City, we started to sign reservation agreements for our new project Uus-Kindrali, where construction started in March 2024.
The initial feedback from prospect buyers has been positive, with 31 reservations out of 91 total units. The reservations have been converted into notarized pre-sale agreements starting from January 2024.

In Riga, our sales of the esteemed River Breeze Residence, recipient of the Baltics Prestige Award for its exceptional architecture, persist. 2023 has been the best year in terms of sales of inventory in River Breeze, and we expect the project to be sold out by end of 2024. Overall, we are witnessing an upward trajectory in the real estate segment in Riga, specifically in connection with our project.

We hold a building permit for City Oasis residential quarter, a project consisting of 330 apartments with total area of 32 500 square meters, located in Tallinas street– a tranquil and green living environment in the Riga city center. We will be ready to proceed with construction activities as soon as the market situation becomes fit for such an ambitious and vast project.

In 2019 we completed five buildings in Šaltinių Namai Attico project in Vilnius with 115 apartments. Today we have only 3 apartments unsold, out of which one is a model unit. In September 2023 we also started the construction of the final stage of Šaltinių Namai Attico with city villas (43 units) and a commercial building.

Despite the geopolitical situation, Vilnius market is active in the high-end segment, and we look forward to the next stage of our luxury development.

The Group 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 located on hill and opening to spectacular Vilnius old town views, 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.

We are in the process of obtaining the building permit, and conditionally to this event we plan on starting the renovation works that will transform the building to a high-end residential project by the end of 2025.

Hotel operations

Following two challenging years that significantly impacted the global tourism sector due to the pandemic, there is now a notable resurgence in demand within the hotel industry.

In 2023, the hotel achieved excellent results, considering that some rooms were not available due to renovation work. A few years ago, we renovated half of the rooms and some common areas. The renovation of the remaining hotel rooms was completed at the beginning of 2023, and now all 116 rooms are open for booking. The average room rate has also increased, and since the third quarter, we have seen a consistent upward trend, with each month's actual performance surpassing the 2023 budget.

Other matters

On 20 September 2023 we have extended the terms of 9.7 million euros of unsecured bonds issue, with an original maturity date of 31 October 2024. The terms have been revised and, in order to motivate the bondholders on the extension, the interest rate has been increased to 9% from the previous agreed rate of 8%. The extension applies to 85% of the principal amount, whereas the remaining 15% will be paid back at the original maturity date of 31 October 2024. The extension is structured for 2 years with the possibility of prolonging it for an extra 2 years should the Company deem it necessary to do so.

As of the date of publishing this report, the Company has extended the terms of conditions of the 28.5 million euro secured bond issue. The Company has made a partial repayment of 8.6 million Euros before the maturity and has extended the balance of the issue of 19.9 million euros until 20 February 2028. The new interest rate for the bonds is 11% p.a. and the Company has the right to make partial or full repayment of the issue at any time without penalty.

At the end of 2023 OÜ PKE Treasury, previously OÜ Ilmarise Kvartal established for real estate development (Ilmarise Kvartal development project in Põhja-Tallinn), was restructured due to the completion and delivery of the aforementioned project. Through the restructuring, it was renamed from OÜ Ilmarise Kvartal to OÜ PKE Treasury.

The aim and purpose for such conversion was arising out of the need of AS Pro Kapital Grupp to manage its cash flows more efficiently within the Estonian group. As the core business of the Group is real estate development, it is imperative to accurately manage the equity investments into various projects across the group and PKE Treasury is specifically tasked with monitoring the development schedules of each project and to arrange for and provide sufficient funds needed by each project. PKE Treasury is also tasked with any other activity pertaining to funding the group's development projects, such as interest computations, accounting and reporting if and when required. Since February 2024, PKE Treasury holds an office on lease within PKG headquarters and employs a Treasury Manager responsible for the abovementioned tasks.

Conclusion

Estonia, Latvia, and Lithuania have experienced sustained economic growth, driven by factors such as increased foreign investment, the expansion of the service sector, and a focus on export-oriented manufacturing. The proximity to Northern Europe and EU membership continues to enhance trade and investment opportunities. While Q3 witnessed a slowdown in sales activity attributed to rising inflation and increased lending rates, the close of the fourth quarter reveals encouraging signs of stabilization.

Acknowledging the challenges posed by the ever-changing global landscape, we are committed to a proactive and adaptive approach. Our confidence in advancing our project portfolio aligns with the region's positive economic indicators. Despite the ongoing supply chain challenges, material costs, and construction-related uncertainties, we remain resilient in our pursuit of meeting market expectations and delivering high-quality properties for the local community.

The Baltic region's economic fundamentals and the gradual alignment of salary increments with inflation rates contribute to a sense of market recovery. As we navigate the dynamic real estate sector, we continue to explore innovative strategies to anticipate future needs. Our commitment to staying ahead of the curve reflects our confidence in the region's potential and our readiness to capitalize on opportunities as they arise in this evolving global panorama.

Edoardo Preatoni
CEO
AS Pro Kapital Grupp
10 April 2024

Management report

Management

Our operations are characterized by a long-term view and reliability which is primarily supported by a transparent management approach and the ability to understand the impact of activities in various aspects and manage it in a structured way. Honest, ethical and transparent management means that in our activities we comply with the laws and regulations in force in all operating markets, as a listed company also the requirements of Nasdaq Tallinn and Nasdaq Stockholm and the guidelines of Corporate Governance Recommendations (CGR).

Our management and operations are independent and are not involved in any political organizations. The companies and the key personnel of the Group have not supported the activities of any political organizations in 2023 nor earlier.

Our team is relevantly small therefore our operations are highly visible, both internally and externally. That is why we also emphasize the responsibility involved in the governance and we do not tolerate any abuse thereof. We work with several developments at a time in all the capital cities of the Baltic States and a number of people from different departments are involved in each project. The choice of constructors, suppliers and subcontractors is made in cooperation within the team and taking into account the best long-term practices, long-term experience, whereas the ability of any third parties to ensure a quality service, the reputation and practices thereof is given equal attention. In our opinion, such organization of work excludes any conflicts of interest in practice. The Management Board is the connecting link between the offices in different states, various entities and the Supervisory Board. We are also working in the direction which allows us to ensure comprehensive internal communications across the entire Group.

In addition to the communication with the investor community, we are consciously and systematically developing Group communication and marketing which would raise the awareness of different stakeholders. The most important for us is the two-way communication with both: the employees as well as any external stakeholders, be it our customers, subcontractors or partners. We believe that a continuous dialogue allows us to do our work in the best way and shape the living environments which would exceed the people's expectations as to their quality, timeless design and well-considered solutions.

Our impact and responsibility

Due to our strategy to develop large integrated areas, our business activity is not just about development – we create new living environments and thereby have a significant impact on people’s quality of life, social development and economic environment. This impact is not only versatile but also long-term, therefore we recognize this as a responsibility and are extremely serious about it. Therefore, we take different aspects of the impact into consideration in our operations and we do more than is expected of us or required by regulations.

We design unique quarters and living environments together with infrastructure and public spaces in the areas which were historically industrial areas or which were unused. The environments created in premium locations in all the three capital cities of the Baltic States are attractive both for our customers as well as the surrounding areas as we increase the value of the entire area with our development activities. This allows us to stay ahead of the market trends and shape them in a positive manner.

We have analyzed the expectations and vision of our stakeholders and experts as regards our broader role and responsibilities in the society. We interviewed our customers, subcontractors, partners, representatives of local communities and local governments, financiers, regulators, construction and sustainability experts and discussed these issues with them. We got the confirmation that we are expected to provide responsible real estate development and customer communication, be honest and open in our daily work and ensure a pleasant working environment. Substantial and diverse feedback is a very important input to construe and constructively analyze our role in the society in order to plan and focus our operations in more conscious manner. We spotlighted these topics for us inside the Group and would like to be more specific in the management of our social responsibility – to continue to develop important aspects, set specific targets and performance indicators which would demonstrate and confirm development besides describing the principles.

The following list gives a TOP 5 priority list of focus areas of interest groups and our own employees showing highly prioritized matters among others.

1. Quality, safe and healthy buildings
2. Fair and ethical management
3. Fair marketing and communication
4. Healthy, safe and proper workplace
5. Customer relationship and experience

We bear significant responsibility for implementation of major projects both in construction operation as well as the ideology from which we proceed. An integral part of this responsibility involves courage to make forward-looking decisions based on global trends, ability to find a balance between the high expectations and the opportunities, and ability to be involved in the development in each aspect thereof, thereby ensuring first-class quality. We are aware of the impact of our operation on these areas that we develop. We take the local customs, architecture and aesthetics into consideration in each project. Designing of integral infrastructure is equally important, taking into account the natural environment and even the trend towards ever greener and healthier lifestyle.

We meet several of the above requirements already today but we see an opportunity to achieve much more in environmental aspects, for example. Today we implement environmentally friendly and resource-efficient solutions in a reasonable manner and in fair proportions to the expectations and needs of the market. Undoubtedly, changes in the consumer behaviour, the increasing energy efficiency expectations and the rapidly changing environment create preconditions for arranging our future activities somewhat differently than today.

We have not included our German hotel into the analysis described above, as hotel operations is not our core business. In spite of that, the principles of social corporate responsibility are implemented also in Germany.

Responsible real estate development

Through years, we've proven to remain ahead of the market trends and focus on long-term value we create for wider communities. Responsible real estate development means that our work has an impact on people's expectations of the environment in which they live, work and spend their time. Our intention is that positive effect is provided and stays long-lasting.

Simultaneous development of several major projects is unique at this market. We believe that our work creates long-time value and also demonstrates our strong position in the Baltic States. We develop large integrated residential quarters, thereby increasing the value of entire areas through well thought out infrastructure and landscape supporting the sense of community of people and their expectations to the quality of life.

We believe that real estate property is much more than just a physical space. Being residential or commercial real property, it should create emotions. Home is probably one of the most important investments in one's life. Home is the environment which creates a sense of warmth and security.

All commercial and residential real estate buildings completed in recent years or managed by us have convenient access by public transport (at least a distance of 500m) and there are parking spaces for bicycles near each building. All of the completed apartment buildings can be accessed by people with disabilities.

It is clear that the construction activities have an impact on the daily lives of neighborhood residents. If possible, we plan the sequence of the development phases of residential real estate in such a way that the construction activities would not disturb the residents of existing buildings. We also expect our partners and subcontractors to comply with all the property maintenance rules and practices in order to minimize the disturbing of the neighbors.

We did not receive any substantiated complaints about any disturbing factors from the neighborhood residents in 2023 in connection with the constructions works or operation of the buildings.

Quality

Our vision is to develop timelessly unique buildings of impeccable construction quality which antedate the expectations, needs and desires of people. This vision reflects our long-term experience and proactive business strategy. We believe that quality is the core of creating long-term values throughout our business. In particular quality is our responsibility to the clients for whom a real estate investment is an important step and decision influencing them for years. Quality begins with understanding the market needs and the ability to move ahead of the trends and anticipate these needs. The quality is reflected in the details starting from the fact that we know our customers and their actual user experience both in the living quarters as well as in the neighborhood. This means well-weighed space planning and services, intelligently solved communication and ventilation systems, smart and practical landscape architecture and infrastructure which in turn fits into the timeless and high-quality design and interior decoration.

Our developments are born in collaboration with architects of repute in order to associate unique exterior and interior of the buildings with practicality through their experience and vision. We also appreciate the ability of experienced and reputable architectural firms to manage the design work until the issue of the building permit within a reasonable time period. We actively cooperate with architects during the design work stage and analyze in detail the best alternative uses of each square meter.

We are very demanding in our selection of the builder in order to ensure high construction quality. We only invite reliable and ethical companies to participate in tender and besides the price, the final choice will be based on the prior experience and ability to flawlessly carry out technically complex projects.

In addition to strong partners, we also ensure our high construction quality by use of carefully selected building and interior decoration materials. The materials have to be durable, timeless and aesthetic, both inside and outside the buildings.

We analyze and wisely prepare the plans for electricity, lighting, heating and ventilation solutions and other automated technological systems which comply with actual utilization needs and ensure efficiency. By proper maintenance, we ensure a longer service life of the buildings, which we manage ourselves.

Quality means to sense the needs of the market, intelligent design work, knowledgeable construction work in compliance with requirements and even management of the buildings in a manner which allows to offer comprehensive and positive customer experience. A well-considered, wisely planned and carefully conducted development process ensures durability of our buildings over time and reduces the need for repairs and necessity to spend additional resources. Thus, the long-term service life and timeless appearance of the buildings is our biggest contribution to environmental protection.

Preservation of environment

People are more and more aware of preservation of environment and their expectations on sustainable solutions increase together with this. Both, private and business customers tend to appreciate natural materials and energy efficiency more and more. People want their living and operating environment to be green, intelligently planned allowing movement and active lifestyle. Our operations upon meeting the environmental requirements comply with the regulations but environmentally friendly solutions are not yet at the core of the activities. There is a number of reasons for that and the most important one is a price and quality ratio of home or commercial spaces to be met. Our operations are focused on customers and their needs and expectations therefore we actively try to find the best and environmentally friendly solutions in a balanced way. However, it is very important for us to know the expectations of stakeholders with regard to environmentally conscious choices as the capability to appropriately address the environmental issues may significantly contribute to our competitiveness in the near future.

The principle on which our work is based is to avoid damage to the nature or excessive burdening thereof. We comply with all statutory environmental requirements both during the design and construction work as well as during subsequent operations. We refrain from damaging the soil, wildlife and biodiversity and we avoid excessive air pollution. We avoid any unjustified use of hazardous materials and we do not use any prohibited materials. We always try to find reasonable opportunities for efficient use of energy, water and other resources during the construction works and when operating completed buildings. This also means that we consider and test renewable energy solutions. An important part of our activities also includes waste treatment for which we always create proper facilities. We ensure that completed buildings comply with the environmental standards and do not endanger the surrounding environment.

In 2023, no environmental pollution or damage to protected nature occurred in connection with the buildings constructed or commercial real estate operated by us.

Safety and health

The charm of the property does not lie only in the property itself but in urban space that is created for people. Thus, the core value of our operations is well-being of people. Just as we want people to feel good in their homes and commercial premises built by us, we also want that both, our customers as well as our employees, would get home healthy every night and that our developments would be safe for them. For this purpose, we comply with the statutory requirements and we believe that this is sufficient to ensure safety in our buildings. We do not compromise over the construction quality. Thus, the durability and fire safety of the structures is elementary for us.

Similar to the previous years, no accidents were reported to us in 2023 (due to our fault), in the apartment buildings operated or completed by us.

Both residential as well as commercial buildings are properly equipped for emergencies. We ensure timely maintenance of the technical systems in the buildings managed by us, repair of alarm systems, and we do our utmost to hedge any other elementary risks (such as slipperiness, darkness, icicles).

During the period of construction works, construction companies ensure safety at the site. We cooperate with respectable and known contractors and the general order at construction sites is good. It is important for us that people visiting the site during the period of the construction works are aware of the safety requirements and comply with these requirements.

No major accidents have taken place at our construction sites in 2023.

In addition to safety, healthy environment is also very important. The factors which have an impact on how people feel themselves in our buildings include the suitable temperature, ventilated air, spaciousness, balanced lighting in combination of daylight and artificial light, avoidance of hazardous materials and noise level in public areas. In apartment houses green living environment, which gives an opportunity for movement and sports activities close to home, is important for us.

Team

AS Pro Kapital Grupp is a company with almost 30 years of experience, thus we are one of the oldest professional real estate development companies in the Baltic States. A big part of our team has been with the Group for almost half of its lifetime or even more. We believe that this demonstrates our ability to keep our team by offering them an environment which is in constant development, encouraging and supportive. We believe that every company has the face of its people and people shape it, therefore we highly appreciate our people.

At the end of 2023, the entire Group had 85 employees comparing to 75 at the end of 2022, among them 48 employees were involved in hotel and maintenance business (39 in 2022). 40 employees worked in the Baltic States (22 in Estonia, 9 in Latvia and 9 in Lithuania). 30% of people engaged in the principal activity of the Group i.e. in the real estate development, in the offices of the Baltic States are male and 70% are female; 3 of the managers of the Group and the Baltic companies are male and 1 is female. In Baltics our employee turnover was 0%, which is less than previous year (13.7%).

Ten keywords characterize us as an employer:
Trust and independence. We appreciate and value freedom to decide, initiative, ability and we do not over-emphasize excessive hierarchy in management.
Humane management. Every employee is valuable for the Group and their well-being is important. Rested people who are enthusiastic and whose lives are balanced are people who work well. Therefore, we try to be flexible and fair in our work.
Development opportunities. Our team is small but as our business is in constant change and evolvement, which allows us to offer our employees learning and development opportunities. We highly appreciate people who have worked for a long time in our team. We listen to them and we fully support them.
Creative work. Our job is exciting and evolving. We work with projects which are all very special. A number of them are unique in the whole Baltic region, thereby we are providing development and self-fulfillment opportunities which is almost impossible to find in other companies of this market. This brings challenges, change, excitement and ambition into our work.
Devotion to goal. We have a common goal, common interests towards which we are moving and working while supporting each other. Real results are created jointly and we contribute to the creation of the value through the development and design of new environments.
Friendly colleagues. The team and each person in it are important for us. In search of a new employee, we look more for a person who fits into the team, not only a professionally competent specialist. We find that the synergy between people adds value both to employees' well-being and their work results.
Equal opportunities. In recruitment process we do treat all candidates equally for all open positions, our choices are based on considering candidate's character, skills, experience and recommendations, not their gender, nationality, race or religion. The same applies for positions which we fill internally.

We value good health. We strictly follow any safety requirements and we believe it is very important to preserve health of our people. In Estonia, when people fall ill, they can stay at home for up one week to get well without losing their pay for this time. In Latvia, we have enabled voluntary health insurance for all our employees. We consistently assess occupational safety risks and our employees undergo regular health checks.
Modern working environment. We consider it essential to feel good in work environment. Our modern and comfortable premises in Tallinn and Vilnius are located close to our development projects and easily accessible by public transport or car. Thus, we are almost in the midst of things and this allows us to constantly keep an eye on the activities and communicate with our customers. In Riga, we moved in 2018 to a newly renovated office in the centre of Riga.
Stable employer. We are an international publicly listed company which operates in several markets – a capable, stable and open real estate developer with transparent management. Many employees have been members of the Pro Kapital team for over 15 years.

In 2023 (the same in 2022):

- *We had no work accidents with our employees;*
- *Our employees were absent from work due to medical reasons only 1.6% of the days with an average of less than two days per year;*
- *Over 16% of our employees participated in professional training courses or seminars with an average of 8 hours per employee;*
- *We did not receive any official complaints about discrimination or unfair treatment.*

We believe it is important to preserve our humane and direct organizational culture and to avoid unnecessary bureaucracy and formalism. However, we perceive that we are growing and changing, therefore we see the need to introduce a common approach to certain issues at the Group level.

Customer experience

Buying a home is usually one of the most important and significant transactions for people. Therefore, we bear even higher responsibility to all our customers. We are closely connected to all our developments from beginning to end because this is the only way we can ensure the quality. This gives us an opportunity to be in a constant dialogue with our customers, understand their needs and expectations. We have proven ourselves as a reliable long-term partner to our buyers and our customers can be confident what they invest in.

Undoubtedly, buying a home is an emotional deed and the way how quality is brought to people plays a major role here. Transparency and clarity must go hand in hand with a convincing and aesthetically appealing visual language – people must be able to understand what they invest in. Therefore, marketing communication has big and effective role to play in our work, every detail and the overall picture of the product specifications and visual elements must address a specific target group. Our promises correspond to reality, our plans and views are true and we are open in our communication which allows people to get acquainted both with the interior decoration materials as well as with the plans.

We believe that the quality label of our development activities is formed during the first contact with the customer. Like any other relationship, it grows and develops over time and that is why we do not use an aggressive style of selling or pressurize people to decide. We value each individual and we comply with the privacy requirements by means of collecting and retaining contact details in a proper manner. When we cooperate with real estate agents, we require that they also adhere to the same principles.

In 2023, we did not violate any requirements or principles relating to marketing ethics, consumer protection, customer privacy or data leakage.

A strong customer relationship is an integral part of our business. Each customer contact, regardless of the project, shapes our reputation and credibility and will also accompany us in the future. Customer experience and assessments of the quality of our work and service turn them into our main and maybe even the most important marketers. Pro Kapital has grown into a strong and valued brand, which is confirmed by the fact that in general we sell a significant number of apartments in a variety of projects already before the beginning of the construction works or even before the beginning of the marketing activities. A number of people who have earlier bought their homes from us purchase apartments even in our subsequent development projects.

Most of the apartments in Kalaranna District and Kindrali Houses were reserved prior to start of construction.

A binding principle for us is to be there for our customers even after the sales transaction. Our goal is to be in a constant dialogue with our customers which on one hand helps us to shape the living environment where people feel good, but to also solve any potential problems quickly and constructively. Therefore, we manage most of our apartment houses ourselves after they are completed. When finding maintenance partners for a house, we defend the interests of owners and help the apartment associations to make the choice. We believe that this way we help them to settle down in a smoother and more pleasant manner. Being close to users, we can identify any issues which need adjustments or changing in our future projects. Thereby we constantly improve our development sites and we ourselves grow together with them.

Our uniqueness also includes the real estate agents involved in our team. We believe that this allows us to offer better quality customer service as namely the administrative departments are the connection link in the customer relations between the builder and our development team, both upon transfer of the apartments as well as during the warranty period of two years, until the builder solves any warranty issues.

We believe that people do not buy just an apartment but make an investment in the living environment. That is why we are committed to our work as if we did it for ourselves and for our families. We analyze and consider carefully even the smallest details, we take into consideration different needs, habits and expectations in a manner which allows us to create a smart, well-considered, homely and considerate living environment. It is really important for us that people are happy in their new homes. This distinguishes us clearly and supports our growth and movement as a creator of trends towards high-quality and responsible real estate development.

Contribution to society

The biggest and the most positive contribution of AS Pro Kapital Grupp to society is the development of living environments and commercial districts based on an integrated and long-term strategy. Therefore, our business does not consist only of development – we create new districts and have a positive impact on the living environment of people. We support and participate in activities and projects which involve local community, promote youth education, improve awareness and support culture where we can add value.

Risk management

As part of the business of a responsible company is to identify and minimize any related risks.

Market risk

Focusing on the long duration of our business model allows us to mitigate potential market fluctuations. Based on our long-term strategy, we acquire a real estate property when the market is in recession, and we develop and sell it at the height of the market. This gives us an opportunity to take advantage of market opportunities and to hedge and manage the market risks.

Liquidity risk

We manage the liquidity risk on ongoing basis, taking into account the working capital developments and the needs. We monitor cash balances on weekly basis, also model short-term and long-term cash flows to spot any potential problems and to find timely solutions. Careful cash planning, monitoring of cash flows of our development projects and flexibility in everyday money matters effectively contribute to management of the liquidity risk.

Funding risk

The funding risk may extend the development process of the projects of the Group and slow down the realization of the real estate portfolio. The risk is managed by flexible ensuring of sustainable funding by means of overdrafts, loans, bonds and other debt instruments as well as expansion of the investor base and raising of additional capital in case of need.

Property risk

Property risks are covered by insurance contracts.

Safety and security risks

As we develop buildings where people live, work and which they visit on a daily basis, we must ensure their safety and security. This means strict control and compliance with these principles throughout our activities. Both in our residential as well as commercial real estate projects we comply with all the design, construction work and safety requirements, we cooperate with only competent and reliable construction companies and their subcontractors, and we use high quality building materials and construction techniques. We equip the buildings managed by us with the required safety equipment and ensure adopting of security measures in case of any emergencies, we carry our regular risk analyses and training exercises. As building managers, we monitor that the risks arising from the general order of the real property and the surroundings thereof would not endanger people.

Community risks

In general, construction works have a temporary disturbing impact on the people living and working nearby. We will make every effort to minimize any inconveniences and we expect our partners to do the same. In case of any problems, we are open to communication in order to prevent aggravation of disagreements and we aim to promptly find solutions that are suitable for all parties. We understand that involvement of the public and local community is becoming an important part of any development activities. This is evidenced by the ever-growing social interest in the suitability of major infrastructure and industrial investments in the communities and the natural environment.

Environmental risks

Our activities do not involve any high-impact risks that could occur unexpectedly. We manage the most important risks to wildlife, soil and the surrounding environment by the selection of locations, proper design and construction work and by making previous analyses. A large proportion of our real estate developments is located in areas which are not yet used, often in industrial areas where the environmental damage arising from previous use of the area may be a problem. In this case we eliminate the pollution or other environmental damage, if necessary.

Our choice of partners is inter alia based on that the partner would be able to ensure proper compliance with the requirements and aspects related to the environment. Our activities involve significant energy consumption and waste generation, so we comply with all the energy efficiency and waste management requirements related to the buildings as well as other significant environmental impacts. In the light of increasingly stringent environmental regulations and growing market expectations, we have to be able not only to respond to them but also find ways to do more than is expected and required.

We consider climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Even though we believe our business model will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks do not currently have a significant impact on measurement, we are closely monitoring relevant changes and developments, such as new climate-related legislation. To be aligned with requirements set out in the Corporate Sustainability Reporting Directive (CSRD), we plan to start the process of mapping and setting up detailed ESG governance principles of the group already within 2024, although the obligation to report is not applicable to the Company before year end of 2025. By agreeing upon the principles and standards in all operation areas of the group, the Company will be able to identify alternative performance measures (APMs) and start measuring and setting targets for upcoming periods.

We foresee the highest impact from climate-related risks when measuring fair value of investment properties. We believe that currently we are not exposed to these risks. However, our customers becoming more conscious, might have higher expectations related to increasing requirements on energy efficiency of buildings due to climate-related legislation and regulations.

Employee-related risks

The jobs of our employees are not related to any important risk factors as most of the time is spent in the offices. At the same time, it is extremely important that our subcontractors would ensure the use of proper work techniques during the construction works of our developments and safety of people in the construction area. Therefore, these expectations are taken into consideration already in the selection of construction companies and in our mutual agreements. We cooperate with competent and reliable building companies that properly follow the safety rules. When our employees and representatives of other partners visit the constructions sites, we ensure that they follow the safety rules.

We estimate that labor shortage is not a direct risk for the Group as we are quite a small team which stays relatively stable in time. Recruitment of new employees is based on the need.

However, we are very much aware of the significantly changed work habits and heightened expectations of the working life. Employers of different areas of activity also contribute to the well-being and satisfaction of their employees and this creates a growing need even for us to keep pace with these changes. Therefore, we need to pay more attention in the future to the overall strengthening of the reputation and image of AS Pro Kapital Grupp which would contribute to a strong employer brand. A good employer brand allows to also attract the attention of talented employees in the future. Like many other companies which have operated for a long time and whose key personnel has been with the Group for more than 10 years, we need to see to that people feel good in our team. We must pay particular attention to our long-term employees whose quitting of their jobs could have an unexpected impact on the competence and continuity of the entire Group.

In the turbulence of recent years, we have had to adapt to a rapidly changing environment. Although we have been indirectly affected by the shortage of materials and the increase in prices that have hit the construction market, we have so far managed those risks with fixed prices and flexibility in the schedule. The following years will be characterized by a new approach to construction contracts in development activities. The purchasing power of home buyers has shrunk due to rapid inflation and rising loan interest rates. Therefore, we start with the development of those projects in which we find that the risks for the company are lower. The banks are still willing to cooperate and there have been no significant changes to the conditions. However, we have to take into account the rising interest cost.

Financial risks related to the group are described in more details in the Note 29 of financial statements.

Strategy and objectives for 2024

Our most important goal is to focus on developing high-quality properties and continuing the long history of Pro Kapital of providing people with excellent spaces for living, working, and leisure.

We develop new residential and commercial areas in the best locations in Tallinn, Riga and Vilnius. We take the long-term perspective into consideration and intentionally remain ahead of the market trends. In this regard, we feel like the focus on sustainability that recently caught the attention of the markets was long-due, and we intend to be frontrunners in the exciting prospect of developing communities with a strong focus on the health and well-being of the people who live in it, as well as the urban environment itself. In addition to the development of our already existing sizeable real estate portfolio, we constantly also assess our opportunities to extend and strengthen it.

Our long-term experience as one of the oldest professional real estate development companies in the region supports our conservative borrowing principles and we are going to continue this in the future, too. We ensure optimal financing solutions for the development of our new projects, combining loans from financial institutions, extension of the investor base or by attracting private capital.

In Kalaranna Kvartal, we plan to complete the construction of the last phase of the first two buildings by the end of 2024 and the works of the last two buildings by the first quarter of 2025. We also plan to start the first deliveries to buyers by the end of 2024. At Kristiine City, we started converting the reservation agreements for the Uus-Kindrali project into notarized contracts in January 2024, and construction works began in March 2024.

During these turbulent times, it is certainly important to focus on monitoring the budget and schedule. Great focus is also on sales. Today, the relatively high inflationary environment and high Euribor rates directly affect our buyers. Therefore, much greater attention needs to be given to sales and marketing efforts.

In Vilnius we started the final stage of Saltiniu Namai Attico project, where the construction works are planned to be completed by the end of 2025. In the second quarter of 2024, the aim is to conclude discussions regarding the terms of the construction loan agreement and to sign the contract. With the Naugarduko project, we are in the process of obtaining a construction permit, and we plan to commence renovation works in the autumn of 2024. Marketing and sales activities are scheduled to begin in May-June.

Following two challenging years that significantly impacted the global tourism sector due to the pandemic, there is now a notable resurgence in demand within the hotel industry. In the first quarter of 2023, the last renovation works at the PK Parkhotel Kurhaus were completed, and during the reporting year, excellent results were already achieved due to increased occupancy and higher average prices.
For 2024, even higher goals have been set, focusing on MICE (Meetings, Incentives, Conferences, and Exhibitions) and increasing sales activities towards corporate clients.

Segments

The Group's operations are spread across four geographical segments: Estonia, Latvia, Lithuania and Germany.

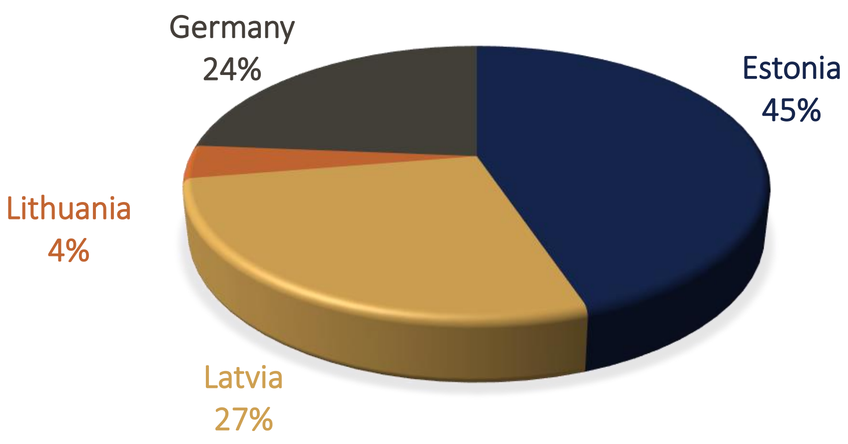
Key financial data of the segments, in thousands of euros

	Revenue			Gross profit			Profit/loss before income tax		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Estonia	10 322	59 819	-83%	2 332	15 706	-85%	-3 092	14 461	-121%
Latvia	6 336	1 867	239%	2 773	726	282%	2 060	-476	533%
Lithuania	911	698	31%	448	312	44%	-500	-257	-95%
Germany	5 452	3 270	67%	1 475	221	567%	634	-279	327%
Total	**23 021**	**65 654**	**-65%**	**7 028**	**16 965**	**-59%**	**-898**	**13 449**	**-107%**

	Gross margin[1]		Net margin[1]	
	2023	2022	2023	2022
Estonia	22.6%	26.3%	-30.0%	24.2%
Latvia	43.8%	38.9%	32.5%	-25.5%
Lithuania	49.2%	44.7%	-54.63%	-36.7%
Germany	27.0%	6.8%	11.5%	-8.5%

Internal transactions are eliminated in key financial data provided above. Estonian segment includes separate financial data of the Company.

2023 revenue by geographical segments, %



[1] The formulas of Alternative Performance Measures are on page 12

The general market situation in Baltic capitals has had an upward trend in 2021-2022 with real estate prices growing, especially rapidly in Estonia. The booming prices in Estonia have now slowed down due the war in Europe and continuing interests increase in financing sector since second half of 2022. By 2023, the prices of real estate have stabilized and decreased mainly in the secondary market. The interest towards residential real estate remains high in spite of the restless situation in the world and the prices for newly constructed premises are not expected to drop mainly due to increase in construction costs and also due to the fact that many developers have paused the construction of new projects. Lithuanian market is also welcoming new projects, but in Latvia the prices have grown in a slower pace and the general environment is not supporting higher end residential premises sales.

Estonia

The Group's operations in Estonia mainly consist of the development and sales of apartments in middle and premium class residential real estate properties and the management of properties in Kalaranna District and Kristiine City in Tondi.

The share of the Estonian segment as a percentage of total revenues of the Group during the reporting period amounted to 45% compared to 91% of the comparable period last year.

Revenue from Estonia

in thousands of euros	2023	2022	Change
Real Estate	10 199	59 676	-83%
Rent	0	1	-100%
Other	123	142	-13%
Total	**10 322**	**59 819**	**-83%**

Sales revenues are recorded upon signing final notarized sales agreement and handing over the premises to the buyers. Therefore, the revenues from sales of real estate depend on the completion of the residential developments. Revenues in real estate segment were higher last year due to due to completion of Kalaranna District and Kindrali Houses in 2022 and most of the units were sold during the same year. During 2023 the total of 68 apartments, 90 parking lots and 82 storage rooms (2022: 243 apartments, 262 parking lots, 20 business premises and 188 storage rooms) were sold. At the end of the reporting period the stock consisting of 1 apartment, 22 storage rooms and 74 parking lots were available for sale in Tallinn.

Other revenues consist mainly of maintenance services provided. Other services revenue decreased by 13% mainly due to the decrease in the clients' base.

Latvia

The Group's operations in Latvia mainly consist of the development and sales of apartments in premium residential real estate properties, development of commercial properties.
The River Breeze Residence with 47 exclusive apartments was completed in Kliversala development in Riga in 2018 and sales were ongoing in 2023. The projecting works of the rest of Kliversala area as well as of the City Oasis Quarter continued.

The share of the Latvian segment as a percentage of total revenues of the Group during the reporting period was 27% compared to 3% in the comparable period last year.

Revenue from Latvia

in thousands of euros	2023	2022	Change
Real Estate	6 099	1 673	265%
Rent	210	177	19%
Other	27	17	59%
Total	**6 336**	**1 867**	**239%**

During 2023 the total of 10 apartments, 19 parking lots and 15 storage rooms (2022: 6 apartments, 7 parking lots and 6 storage rooms) were sold. At the end of the reporting period 7 luxury apartments, several storage rooms and parking lots were available for sale in Latvia.

The Group temporarily rents out some of the premises available for sale. In 2023 rental revenues increased by 19%.

Other revenue makes a minor contribution to overall segment's revenue. The Group provides maintenance services mainly to its tenants and therefor maintenance revenue is correlated to the rental area.

Lithuania

The Group's operations in Lithuania mainly consist of the development and sales of apartments in premium residential real estate properties.

The share of the Lithuanian segment as a percentage of total revenues of the Group during the reporting period amounted to 4% compared to 1% last year.

Revenue from Lithuania

in thousands of euros	2023	2022	Change
Real Estate	424	359	18%
Rent	111	39	185%
Other	376	300	25%
Total	**911**	**698**	**31%**

Real estate sales increased by 18% in 2023 comparing to last year. During the reporting period 1 apartment, 5 storage rooms and 1 parking lot were sold in Lithuania (2022: 1 apartment, 5 storage rooms and 4 parking lots). There were 3 apartments, 1 business premise, several storage rooms and parking lots in stock in Vilnius at the end of the reporting period.

The Group temporarily rents out some of the premises available for sale and development. In 2023 rental revenues increased by 185%.

The Group provides maintenance and other services to its sold and rented out premises. In 2023 the revenue from maintenance activities has increased by 25% as a result of sales of new premises.

Germany

The Group's operations in Germany consist of the development and management of PK Parkhotel Kurhaus located in Bad Kreuznach.

The share of the German segment as a percentage of total revenues of the Group during the reporting period amounted 24% compared to 5% of the comparable period last year.

Revenue from Germany

in thousands of euros	2023	2022	Change
Hotels	5 452	3 270	67%

The occupancy rate of PK Parkhotel Kurhaus hotel has increased by 44% constituting the average of 69% for the year. The higher occupancy rate in 2023 was influenced by competition of renovation works at the hotel, which hindered its operating in full capacity during previous year. However, total revenues increased by 67% due to higher rates. Net result for 2023 was 356 thousand euros profit (2022: 435 thousand euros loss).

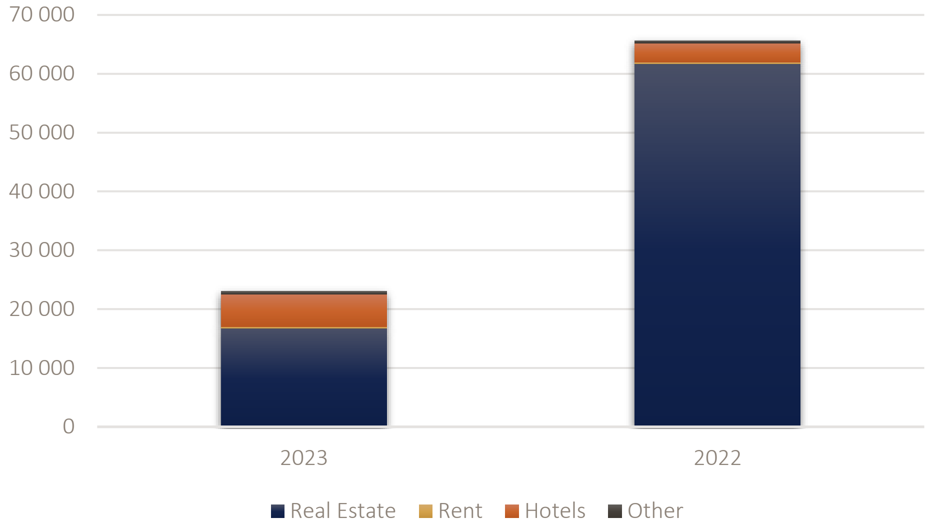
Occupancy rates, %

	2023	2022	Change
PK Parkhotel Kurhaus, Bad Kreuznach	69%	48%	44%

Business lines

In addition to geographical segments, the Group also monitors its operations by business lines.

Revenue by business lines, in thousands of euros



Revenue by business lines

in thousands of euros	2023	2022	Change
Real Estate	16 722	61 708	-73%
Rent	321	217	47%
Hotels	5 452	3 270	67%
Other	526	460	14%
Total	**23 021**	**65 654**	**-65%**

Revenue in real estate business line has decreased due to completed and delivered developments in Kalaranna District and Kindrali Houses in 2022 and also due to the construction cycle no new developments were completed in 2023. Average price per m^2 sold in 2023 was 2 616 euros/m^2 (2022: 2 881 euros/m^2), prices are given without VAT. The average price in our projects in Estonia decreased by 19% and increased in Lithuania and Latvia by 18% and 13% respectively. Lower price in Estonia is related to sales of mid-class premises in 2023 while compared to high-class premises sold in 2022. The total of 5 857 m^2 of residential premises were sold in 2023 (2022: 20 263 m^2) altogether in all three countries.

The Group is focusing on development of existing land plots, which will expand its sellable asset base. In 2024 the Group will be completing the last phase of Kalaranna Kvartal and starting the next phase of Kindrali Houses next to continuing with sales of current stock in Kliversala in Riga and Šaltinių Namai Attico residential complex in Vilnius. Simultaneously preparations to start the following projects are ongoing.

The Group is operating the hotel PK Parkhotel Kurhaus in Bad Kreuznach, in Germany. In 2023 the hotel has achieved an operational break-even point. Due to renovation works the hotel was only partially operating during previous year. The renovation was finalized in the beginning of 2023 and now all rooms are available for bookings.

Maintenance business line is dependent on the rental spaces maintained by the Group. Space under maintenance in 2023 has increased by 7.2% and was 75 044 m^2 as at 31 December 2023 (31 December 2022: 70 022m^2). Gross profit of the business line and overall profitability has remained the same compared to the last year.

Financing sources and policies

Pro Kapital Grupp pursues conservative financing policy. The Group's goal is to use external financing in the way, which allows to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. In general, the Group seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Group's credit standing. The Group's subsidiaries use local bank financing for specific development projects. To manage possible risks, projects are kept in separate subsidiaries and usually no guarantees are provided for liabilities of another group company. Loans for specific projects are predominantly of middle-term duration, maturing within one to three years. Loans' repayment schedule is of mixed nature, consisting mainly of floating payments in dependence on sales volumes and to some extent fixed payments.

During 2023 the Group has repaid 62.5 thousand euros of its loans and has raised 3.9 million euros of loans.
The Group has fixed payment of 62.5 thousand euros of loans to be repaid in 2024. Due to ongoing construction in Kalaranna Kvartal, Saltniu Namai and Uus-Kindrali, the loan will be raised to finance their associated costs. The repayments of the construction loan will start upon the signing of real right contracts with the customers. In Kalaranna Kvartal, we plan to complete the construction of the first two buildings and start signing of real right contracts with the customers by the end of 2024.

As at 31 December 2023 the Group had issued 28.5 million euros of secured bonds with redemption date in February 2024 and 9.7 million euros of unsecured bonds with redemption date in October 2024. The bonds carry an effective annual interest rate of 8%.
In 2023 the Group has obtained approval of extending the maturity of the unsecured bonds until 2026 with the possibility of prolonging for an extra 2 years and after balance sheet date also for secured bonds until 2028. At the same time, the terms and conditions of the bonds were amended (Note 18).

Shares and shareholders

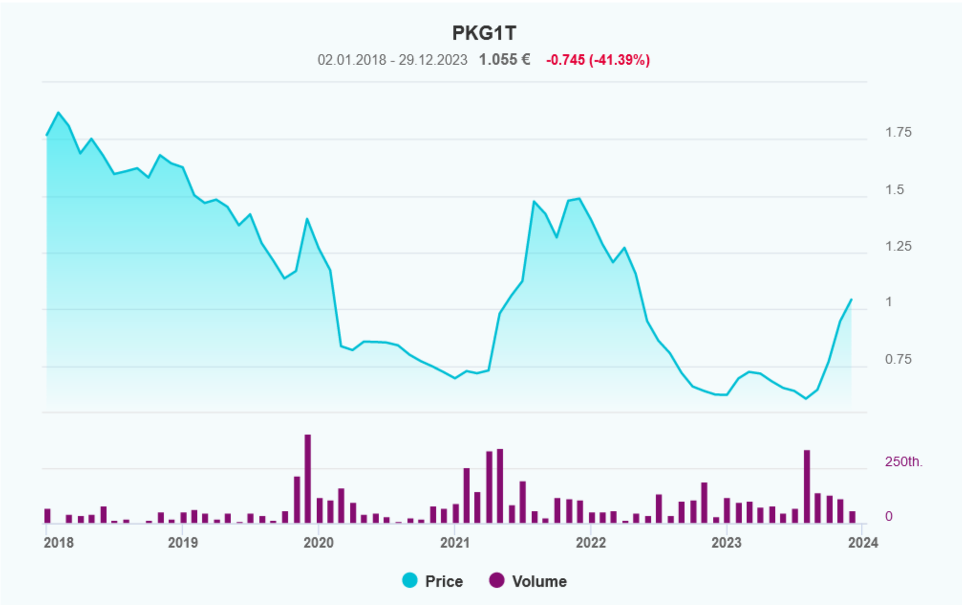
As at 31 December 2023 AS Pro Kapital Grupp had 56 687 954 shares with the nominal value 0.20 euros. The registered share capital of the Company is 11 337 590.80 euros.

Composition of share capital

	31.12.2023	31.12.2022
Number of shares (pcs)	56 687 954	56 687 954
Nominal value (euros)	0.20	0.20
Share capital (euros)	11 337 590.80	11 337 590.80

On 23 November 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange with an ISIN EE3100006040. On 19 November 2018 Company's shares were listed on the Main List of Tallinn's stock exchange. During the period 1 January – 31 December 2023 the shares were trading at the price range 0.60 – 1.12 euros, with the closing price of 1.10 euros per share on 31 December 2023. During the year 2023 1.4 million of the Company's shares were traded with their turnover amounting to 1 million euros.

Trading price range and trading amounts of Pro Kapital Grupp shares, 1 January 2018- 31 December 2023, NASDAQ Baltic Main List*

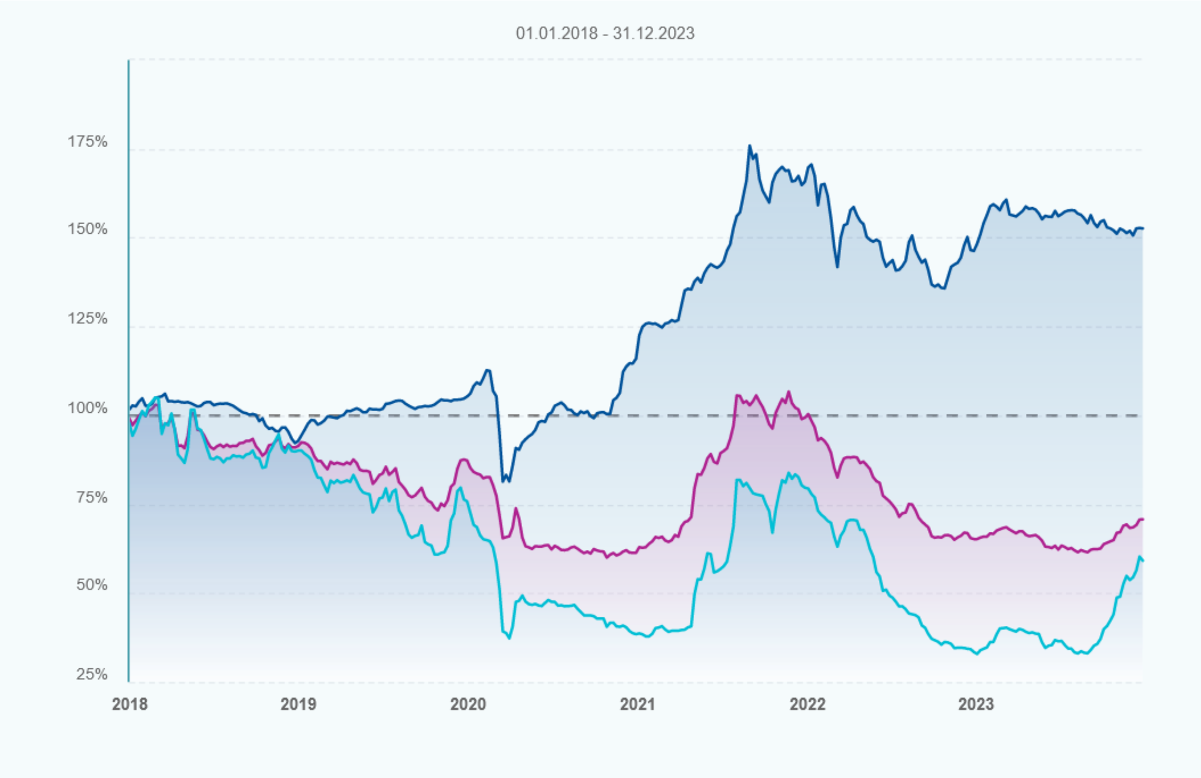


**Source: www.nasdaqbaltic.com*

Trade statistics in euros*	31.12.2023	31.12.2022	31.12.2021
High price	1.12	1.45	1.56
Low price	0.60	0.61	0.68
Last price	1.10	0.61	1.44
Average price	0.72	0.96	1.10
Traded volume (pcs)	1 381 110	876 547	1 883 042
Turnover (million)	0.96	0.76	1.85
Capitalization (million)	62.07	34.58	81.63

**Source: www.nasdaqbaltic.com*

Baltic market indexes 1 January 2018- 31 December 2023*



Source: www.nasdaqbaltic.com

Index/ Equity	31.12.2023	31.12.2022	Change
OMX Baltic Benchmark GI	1 442.41	1 384.42	4.19%
B35PI Real Estate / B8600PI Real Estate	298.01	274.95	8.39%
PKG1T (euros)	1.05	0.61	72.13%

Source: www.nasdaqbaltic.com

Shareholders

As at 31 December 2023 there were 1 048 shareholders registered in the shareholders register. Many of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

Shareholders holding over 5% of the shares:

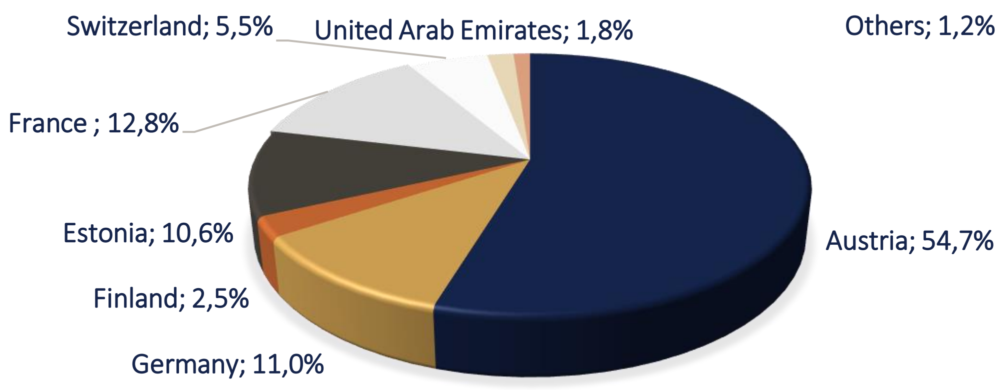
	31.12.2023		31.12.2022	
Shareholders/nominee companies	Number of shares	Participation in %	Number of shares	Participation in %
Raiffeisen Bank International AG	30 985 780	54.66%	30 134 778	53.16%
Clearstream Banking AG	6 228 435	10.99%	12 687 054	22.38%
Svalbork Invest OÜ	5 590 639	9.86%	5 590 639	9.86%
Six Sis Ltd	3 112 129	5.49%	3 914 931	6.91%
Caceis Bank SA	7 247 155	12.78%	0	0%

Shareholders split by holders:

	31.12.2023		31.12.2022	
Shareholders/nominee companies	Number of shares	Participation in %	Number of shares	Participation in %
Financial institutions	50 462 011	89.02%	50 415 419	88.93%
Companies	5 795 267	10.22%	5 815 844	10.26%
Private persons	430 676	0.76%	456 691	0.81%

Shareholders geographical split by residence as at 31 December 2023:

Shareholders/nominee companies	Number of shares	Participation in %
Austria	30 985 780	54.7%
France	7 247 155	12.8%
Germany	6 228 785	11.0%
Estonia	6 014 514	10.6%
Switzerland	3 117 089	5.5%
Finland	1 407 351	2.5%
United Arab Emirates	1 035 348	1.8%
Others	651 932	1.2%



The largest shareholders of AS Pro Kapital Grupp are Ernesto Preatoni and his affiliates. Based on the information at the possession of AS Pro Kapital Grupp as of 31 December 2023 Ernesto Preatoni and his affiliates hold 49.31% (31 December 2022: 49.63%) of the shares of AS Pro Kapital Grupp. The following shares are considered as being held by Ernesto Preatoni because the Management Board believes that he is able to control the use of voting rights by the following persons:

- OÜ Svalbork Invest, Estonian company controlled by Ernesto Preatoni which holds 5 590 639 shares representing 9.86% of the total shares of the Company.
- 20 646 241 shares representing 36.42% of the total shares of the Company held through a nominee account opened by Raiffeisen Bank International AG.
- 1 718 183 shares representing 3.03% of the total shares of the Company held though a nominee account by Clearstream Bank.

The major shareholder has informed the Company that the shares of the Company controlled by him and his affiliates have been transferred to SA Preatoni Group as of 30 December 2023. Being a major shareholder in that French entity, Ernesto Preatoni remains still as a final beneficiary of the shares. Following the transfer the shares will continue to be held on the same nominee accounts. Although the holding in AS Pro Kapital Grupp is less than 50%, the French company – Preatoni Group – consolidates the reporting group and is to be considered an ultimate parent for AS Pro Kapital Grupp.

The members of the Management Board and The Supervisory Council do not own any shares of AS Pro Kapital Grupp as of 31 December 2023.

Earnings per share (EPS), P/E ratio

Earnings per share for year 2023 were -0.02 euro/share (2022: 0.24 euro per share). P/E ratio[1] for year 2023 was -68.97 (2022: 2.57). The calculation of EPS is described in Note 27.

[1] The formulas of Alternative Performance Measures are on page 12

Group structure

As at 31 December 2023

**OÜ Dunte Arendus was renamed Kindrali Majad OÜ in January 2024 since the Group plans to begin a new development under this entity in Spring 2024.*

Corporate governance report

Overview

The system of principles for the management of the Company are regulated by law, the Articles of Association, the internal rules of the Company and from 1 January 2006, the companies listed on the NASDAQ OMX Tallinn Stock Exchange are recommended to follow the "Corporate Governance Recommendations" (CGR) issued by the Financial Supervision Authority.

The Company complies for the most part with the CGR guidelines, despite the indicative nature of the CGR, except to the extent of non-compliance as described and explained below.

The Group's decision- making and governance structure as at 31 December 2023 was as follows:

1. GENERAL MEETING OF SHAREHOLDERS

The Company is a public limited company and has regular General Meetings of Shareholders, a Supervisory Council and a Management Board as the management bodies. The General Meeting of Shareholders is the highest directing body.

1.1. Exercise of shareholders rights

1.1.1. Every shareholder has the right to participate in the general meeting. An ordinary General Meeting is held once a year, Extraordinary General Meetings may be convened

by the Management Board in the cases prescribed by law. The General Meeting is competent to amend the articles of association and the share capital, to elect the members of the supervisory board and decide on their remuneration, to appoint the auditor, to approve the annual reports and the distribution of profits and to decide on other matters provided for in the articles of association and by law.
In the Annual General Meeting notice it is clearly stated where the shareholders or their representatives can direct their questions before the meeting (email and phone number) and that should there be such questions, they will be answered and disclosed on the Company website. At the start of the general meetings, the Chairman of the meeting always makes it clear that questions can be asked throughout and before the meeting is adjourned, once more participants are given the opportunity to voice their questions.

1.1.2. Company's Articles of Association do not allow granting different types of shares with rights which would result in unequal treatment of shareholders in voting. Only one type of shares has been issued, giving all shareholders exactly the same rights related to the shares.

1.1.3. Company facilitates the personal participation of shareholders at the General Meeting. When calling the shareholders' meeting a notice period of at least 3 weeks is given for both general and extraordinary shareholders' meetings. In the notice the exact place, date and time of the meeting are stated. Representatives of the Company always participate at the General Meeting and are accessible to the shareholders during the holding of the General Meeting.

1.2. Calling of a General Meeting and information to be published

1.2.1. The Company published the notice of the convening of the General Meeting via the NASDAQ OMX Tallinn Stock Exchange system and on its website on 22 May 2023 and on 23 May 2023 in the daily national newspaper. The Company allowed the shareholders to submit questions on the topics mentioned in the agenda both at the e-mail address given in the notice and by telephone and to examine the annual report, the auditor's opinion, the principles of remuneration of the Management Board on its website and at the Company's location Sõjakooli 11, Tallinn.

The General Meeting was held on 19 June 2023 at 12.30 in Tallinn, at the Hilton Tallinn Park, in the Atlantic city room, F.R. Kreutzwaldi 23, Tallinn. The resolutions adopted at the General Meeting are publicly available on the NASDAQ OMX Tallinn Stock Exchange system and on the Company's website.

1.3. Procedure of the General Meeting

1.3.1. During 2023 the Company held 1 (one) shareholders' meeting. The Annual General Meeting of the shareholders took place on 19 June 2023. At the 2023 Annual General Meeting of the shareholders Ilona Nurmela was elected as the Chairman of the Meeting.

1.3.2. The Annual General Meeting of the shareholders took place on 19 June, 2023. Present were Chairman of the Supervisory Council Emanuele Bozzone, members of the Supervisory Council Petri Olkinuora, and Oscar Crameri. Other participant was the Member of the Management Board Edoardo Axel Preatoni.

1.3.3. Issuers should make participation in the General Meeting possible by means of communication equipment (Internet), if the technical equipment is available and doing so is not too cost prohibitive for the issuer.
Company has not followed this recommendation and does not plan to follow the recommendation and making participation in the General Meeting possible by means of communication equipment (Internet). The reason for not following the recommendation is that there is no good and cost-efficient technical solution to verify the identities of foreign shareholders, who form the majority of the Company's shareholders. Therefore, allowing the participation of the shareholders by means of communication equipment poses legal risks to the Company, in verifying the list of participants of the shareholders' meeting. In the notice of calling the general meeting, the Company clearly indicates that shareholder or their representatives are expected to participate in person. Thus, while proxy voting or voting in absentia is not prohibited, it is not enabled. Since international shareholders can and do engage local representation, which is the common practice in Estonia, the Company has not made it unduly difficult or expensive to cast votes at general meetings and, thus, has followed the OECD 2015 CGR (Corporate Governance standards adopted by G20/OECD in 2015 (G20/OECD Principles of Corporate Governance)).

1.3.4. As per the recommendation the profit distribution (or covering the loss) has been considered in General Meeting as a separate agenda topic and a separate resolution has been passed regarding it.

In the light of the above descriptions of the General Meeting held in 2023, the Company has complied in 2023 with the recommendations of the CGR in exercising shareholders' rights, informing, convening and conducting the General Meeting.

2. MANAGEMENT BOARD

2.1. Duties

2.1.1. The Management Board is the governing body of the Company, making independent day-to-day decisions without favoring personal and/or controlling shareholders' interests. Pursuant to articles of association of AS Pro Kapital Grupp the Management Board consists of at least 1 (one) to maximum 5 (five) members. In accordance with the Commercial Code, the member(s) of the Management Board shall be elected by the Supervisory Board. According to the Articles of Association, a member of the Management Board is elected for a term of up to three years.

2.2. Composition and charge

2.2.1. As at 31 December 2023, the Management Board of the Company had one Management Board member: Edoardo Axel Preatoni. Management Board Members are selected by the Supervisory Council of the Company based on their expertise in the sector the Company is operating in, in addition candidates' leadership and management experience is taken into account as well as their integrity and their commitment to the Company.

Name	Citizen-ship	Year of birth	Member since	Position	Current term expires/ expired	Number of shares of the Company
Edoardo Axel Preatoni	Italian	1987	01.03.2016	Member	31.12.2024	0

Mr. Edoardo Axel Preatoni holds a diploma in classical studies from Instituto De Amicis, Milano, Italy. Mr. Preatoni has experience in hotel and real estate development business and he is the founder & CEO of Preatoni Real Estate Development LLC in Dubai, UAE. Since 1 January 2022 Edoardo Axel Preatoni has a Management Board contract with AS Pro Kapital Grupp and since 1 June 2022 Mr. Preatoni is the sole member of the Management Board. Mr. Preatoni does not own any Company shares or bonds.

Contrary to the recommendation contained in section 2.2.1. of the CGR, the Management Board consist of one member since 1 June 2022. In addition to the member of the Management Board, the management of the Company also includes the CFO and the CEO´s of the Company's subsidiaries. All important decisions are taken by the Management Board and the management of the Company in cooperation with the Supervisory Board. The management of the Company is also closely coordinated with the CEO´s of the Company's subsidiaries and the persons responsible for the respective areas. This governance structure best protects the interests of shareholders and ensures the sustainability of the Company.

2.2.3. As per the recommendation the bases for Management Board remuneration should be clear and transparent. The Supervisory Council should discuss and review regularly the bases for Management Board remuneration. Upon determination of the Management Board remuneration, the Supervisory Council is guided by evaluation of the work of the Management Board members. Upon evaluation of the work of the Management Board members, the Supervisory Council is taking into consideration the duties of each member of the Management Board, their activities, the activities of the entire Management Board, the economic condition of the Issuer, the actual state and future prediction and direction of the business in comparison with the same indicators of companies in the same economic sector. Remuneration of members of the Management Board, including bonus schemes, should be such that they motivate the member to act in the best interest of the Issuer and refrain from acting in their own or another person's interest.

Monthly remuneration of the Management Board Member Edoardo Preatoni is agreed in the service contract concluded with the Company and any additional remuneration was determined by the Supervisory Council of the Company as per the assessment of Edoardo Axel Preatoni having achieved set annual targets.

2.2.4. As per the recommendation, the use of long-term bonus systems (for example options, pension programs) should be connected with the activities of the Management Board member and should be based on explicit and comparable pre-determined factors. The factors, which are the basis for determining the bonus scheme, should not be changed retroactively.

Bonus systems with all Management Board Members have been agreed in their service contracts, they are performance-related and based on explicit and pre-determined targets being achieved.

2.2.5. As per the recommendation, the bonus scheme of a Management Board member that is connected with the securities of the Issuer, as well as changes in such bonus schemes should be approved at the General Meeting of the Issuer. The exercise date for share option should be determined at the General Meeting of the Issuer. When granting share options, the Issuer should comply with the rules and regulations of the Tallinn Stock Exchange.

2.2.6. As per the recommendation severance packages of a Management Board member are connected with their prior work performance and should not be payable if doing so would harm the interests of the Issuer.

All Members of the Management Board have severance packages agreed in their service contracts. Severance compensation is not payable in case the Management Board member is recalled due to the breach of his obligations.

2.2.7. As per the recommendation basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member as well as their essential features (incl. features based on comparison, incentives and risk) should be published in clear and unambiguous form on website of the Issuer and in the Corporate Governance Recommendations Report.

2.3. Conflict of interests

2.3.1. Members of the Management Board avoid conflicts of interests in their activity. Member of the Management Board do not make decisions on the basis of their own interests or use business offers addressed to the Company in their own interests. No conflict of interest had occurred during the financial year of 2023.

2.3.2. As per the Commercial Code the Supervisory Council has to approve the transactions between the Company and a member of its Management Board. As per the OECD 2015 Corporate Governance recommendations, the Supervisory Council of the Company as well as Supervisory Councils of subsidiaries approve and conduct related-party transactions in a manner that ensures proper management of conflict of interest and protects the interests of the Company. The Company is following this recommendation.

During 2023 there were one new transaction with member of the Management Board Edoardo Axel Preatoni.

2.3.3. Interest of members of the Management Board Edoardo Axel Preatoni does not have any interests in companies who are Company's business partners, suppliers, clients and other related companies.

3. SUPERVISORY COUNCIL

3.1. Duties

3.1.1 The duty of the Supervisory Council is to manage internal control of the Management Board activities. The Supervisory Council participates in making important decisions relating to the activities of the Company. The Supervisory Council acts independently and in the best interests of the Company and all shareholders. The Supervisory Council determines and regularly reviews the Company's strategy, general plan of action, principles of risk management and annual budget. The Supervisory Council together with the Management Board ensures the long-term planning of the Company's activity.

3.1.2. The Company's Supervisory Council meets at least once per quarter, before publication of the Company's quarterly reports and reviews the quarterly report and the Management Board's report of its activities performed during the quarter.

The Company publishes important information, including publications of quarterly interim reports and annual reports, to the public and its shareholders via the Tallinn Stock Exchange system. The Company made 25 announcements in 2023, all available on the website: https://www.prokapital.com/info-from-nasdaq/.

The Supervisory Council has established an Audit committee comprised from 29 July 2019 onwards of Emanuele Bozzone and Petri Olkinuora and as of 17 November 2023, the Audit Committee onwards comprising of Patrick Werner and Oscar Crameri. The Company has published on its website the existence, duties, membership and position in the organisation of the audit committee members. The Audit committee is an advisory body of the Supervisory Council in matters involving accounting, auditing, risk management, internal control and audit, exercising of oversight and budget preparation and legality of the activities of the Company.

In 2023, the Audit Committee met one time- to discuss the auditor's report and main findings and the approve the audited 2022 annual report of the Company.

The Company does not have an internal auditor as the Financial Controller performs this function as well. The Company would like to assure that its external auditors have never performed internal audit duties for the Company.

The Supervisory Council has established a Remuneration Committee from 8 July 2020 onwards comprised of Emanuele Bozzone and Oscar Crameri, both were Supervisory Council Members. As of 17 November 2023, the Remuneration Committee onwards comprising of Giovanni Bozzetti and Oscar Crameri, both Supervisory Council Members. The Remuneration Committee is an advisory body of the Supervisory Council in matters involving remuneration of the Management Board of the Company. The committee has been established to safeguard that the Management Board's remuneration and company performance are linked when they annually assess the results of management of the Company. In 2023, the Remuneration Committee has not met.

3.2. Composition and charge

3.2.1. Pursuant to articles of association of AS Pro Kapital Grupp the Supervisory Council consists of at least 3 (three) to maximum 7 (seven) members. There are currently three Supervisory Council members. Mr. Patrick Werner is the Chairman of the Supervisory Council of the Company and Giovanni Bozzetti and Oscar Crameri, both Supervisory Council Members

Information about the members of the Supervisory Council:

Name	Citizen-ship	Year of birth	Member since	Position	Term expired	Current term expires	Number of shares
Emanuele Bozzone	Swiss	1964	05.07.2010	Chairman	05.07.2023		0
Petri Olkinuora	Finnish	1957	13.04.2012	Member	05.07.2023		30 000
Oscar Crameri	Swiss	1961	27.05.2020	Member		05.07.2026	0
Patrick Werner	France	1950	06.07.2023	Chairman		05.07.2026	0
Giovanni Bozzetti	Italy	1967	06.07.2023	Member		05.07.2026	0

Mr. Oscar Crameri has law and banking background, specialising in compliance, corporate and tax law. In the last 10 years he has worked as an executive for a tax and legal consulting firms. Previously he has worked as an executive member and Head of Legal and Compliance for an investment bank (for 4 years); before he held a position as Head of Tax and Legal departments for major audit firms (for 6 years first in Arthur Andersen and then in Deloitte). Mr. Crameri has also been a Board member of the Federation of the Ticino Raiffeisen Banks and a Chairman of a local Raiffeisen Bank as well as a member and Chairman of the Board of the notary Public Association of Canton Ticino. He is also an attorney-at-law in the Canton of Ticino (Switzerland).

Mr Patrick Werner has extensive financial and banking background. From 2017-2022, Mr Werner was Co-owner and Chairman of the Management Board of the VERGENT S.A (Renewable Energies); from 2014-2017 he was Chairman and Chief Executive Officer of the ARUM Gestion Privée; from 2011-2012 he was Chief Executive Officer of the Gras Savoye (Insurance broker, No 1 in France with subsidiaries in 40 countries); from 2006-2011 Founder and CEO of the La Banque Postale; from 1999-2006 he was Managing Director of La Poste, Director of the Financial Services Department. Besides, he was Chairman of the French Banking Federation´s Compliance Committee (2006-2011).

Mr Giovanni Bozzetti is the Italian entrepreneur, has degree in Economics and Commerce, is the university professor and author. He is one of the leading Italian experts on territorial marketing, FDI and internationalization. Founder, president and CEO of EFG Consulting, a consulting company focused on FDI attraction and internationalization processes, marketing, public and institutional relations. Since 1 December 2022 he is First Advisor to the President of the Italian Senates.

The nature of the Supervisory Council's and the Company's activities, the risks of conflict of interests and the age of Supervisory Council members have been taken into account when proposing to elect them to the Supervisory Council.

3.2.2. Mr Patrick Werner will serve as Chairman of the Council as of 6 July 2023. According to the NASDAQ OMX Corporate Governance recommendations, he will be able to serve as an independent member of the Council for 10 years, i.e. until 5 July 2032. Mr Patrick Werner is not considered to be a fully independent member of the Council due to him serving on the boards of the following group subsidiaries: Pro Kapital Latvia PJSC, AS Tondi Kvartal and AS Pro Kapital Eesti.

Mr Oscar Crameri is not considered an independent member of the Council due to him serving on the boards of the following group subsidiaries: Pro Kapital Latvia PJSC, AS Pro Kapital Eesti and AS Tondi Kvartal.

Mr Giovanni Bozzetti will serve as Council member as of 6 July 2023. According to the NASDAQ OMX Corporate Governance recommendations, he will be able to serve as an independent member of the Council for 10 years, i.e. until 5 July 2032. Mr Giovanni Bozzetti is not considered to be a fully independent member of the Council due to him serving on the boards of the following group subsidiaries: AS Tondi Kvartal and AS Pro Kapital Eesti.

The above-mentioned persons do not fully meet the criteria for independence set out in the CGR of the Financial Supervision Authority, but the Company values the contribution of the Council members and their knowledge of the field. Nor they do not have any commercial, family or other links with the Company, the companies controlled by it, the controlling shareholder of the Company, the companies belonging to its Company or the members of the management bodies of those companies which could influence their decisions due to a conflict of interest. In the opinion of the Company, the long-term membership of the Council (e.g. in relation to Oscar Crameri) does not affect his independence, but rather enhances his competence.

While minority shareholders are not given a seat on the Supervisory Council with the Articles of Association of the Company, the function of independent Supervisory Council members is to safeguard the rights of minority shareholders and minority shareholders always have the right to propose new Supervisory Council members to be elected at a general meeting.

3.2.3. The amount and procedure of payment of remuneration of a member of the Supervisory Council was decided by the Annual General Meeting of the shareholders which took place on 17 June 2016.

Council members are paid 25 000 euros per year (gross). Chairman of the Council is paid 27 500 euros per year (gross). In addition, a fee of 600 euros (gross) is paid to the Council member for each attended meeting. Council members are reimbursed their travel, accommodation and postal expenses relating to participation in the Council meetings and in the meetings of the committees. Supervisory Council members are not entitled to any compensation for termination.

No other remuneration or bonuses are paid to members of the Supervisory Council.

3.2.4. During 2023, 5 meetings of the Supervisory Council were held (of which 3 meetings were attended by all members of the Supervisory Council and 2 meetings by 2 out of 3 Supervisory Council members) and 10 written decisions were taken without convening a meeting.

3.3. Conflict of interests

3.3.1. Members of the Supervisory Council should prevent conflict of interests from arising through their activities. Members of the Supervisory Council should give preference to interests of the Company over their own or those of a third party upon his word as a member of the Supervisory Council. Members of the Supervisory Council should not use business offers addressed to the Issuer for their personal interests. The Supervisory Council should operate in the best interests of the Issuer and all shareholders. No conflict of interest had occurred during the financial year of 2023.

3.3.2. Interest of members of the Supervisory Council in other companies which are Company's business partners, suppliers, clients and other related companies.

Mr Patrick Werner does not hold any shares in the Company as of 31 December 2023.
Mr Oscar Crameri does not hold any shares in the Company as of 31 December 2023.
Mr Giovanni Bozzetti does not hold any shares in the Company as of 31 December 2023.

4. CO-OPERATION OF MANAGEMENT BOARD AND SUPERVISORY COUNCIL

4.1. Management Board and Supervisory Council co-operate closely for the purpose of better protection of Company's interests. The basis of this co-operation is first of all the open exchange of ideas between and within the Management Board and Supervisory Board. The Management Board and Supervisory Council jointly develop plans and principles of activities and strategy of the Company. The Management Board operates under strategic guidelines provided by the Supervisory Council and discusses its strategic management questions with the Supervisory Council regularly. The Company follows this recommendation.

The Management Board and Supervisory Council division of tasks are regulated in the Articles of Association of the Company. The Supervisory Council is a directing body of the Company which plans the activities of the Company, organizes the management of the Company and supervises the activities of the Management Board.

4.2. The Management Board and the Supervisory Council ensure that the mutual exchange of data should be adequate and efficient. The Management Board informs the Supervisory Council regularly of all material circumstances, which pertain to planning of the Company's activities, business activities, risks connected with its activities and management of those risks. The Management Board should separately call attention to such changes in the business activities of the Company deviating from plans and purposes set formerly and indicate the reasons of such changes. The information should be delivered promptly and should cover all material circumstances. The Supervisory Council has specified the conditions for the delivery of information by the Management Board and its content. The Management Board sends data necessary for the Supervisory Council decision making, including the annual accounts, the annual accounts of the consolidation group and the auditor's report to the Supervisory Council in sufficient time before the Supervisory Council meeting. The Company follows this recommendation.

4.3. The Members of the Management Board and Supervisory Council observe the rules of confidentiality upon organization of the mutual exchange of data ensuring above all the control over the transfer of price sensitive information. The Company follows this recommendation. The Management Board has ensured the observance of the rules of confidentiality by employees of the Company, who access such information. Management Board has established rules on handling insider information, established the circle of permanent insiders as well as temporary insiders and persons discharging managerial responsibilities along with persons closely associated with them and rules for submitting insider declarations to the Company and appointed a responsible person to handle the insiders register on an ongoing basis. As of the end of 2018 the company also notifies its persons discharging managerial responsibilities after the 30-day prohibition (to trade in Company shares and other securities) period ends and before another prohibition period begins to make sure the prohibition to trade is observed and exceptions to trade are acknowledged.

5. PUBLICATION OF INFORMATION

5.1. The Company treats all shareholders equally and notifies all shareholders equally of material circumstances. Upon notification of shareholders and investors the Issuer shall use proper information channels, including its own web site. The equal treatment of shareholders principle shall not affect the Issuer's right to delay publication of inside information and to deliver the unpublished inside information to persons entitled to receive it.

As of listing of the Company's shares on the NASDAQ OMX Tallinn Stock Exchange the Company uses NASDAQ OMX Tallinn Stock Exchange to communicate with the shareholders in Estonian and English and uploads the information to the Company's website upon notification of shareholders and investors through the stock exchange.

As per the OECD 2015 CGR, the Company's process to ensure *ad hoc* disclosure of important matters is as follows: (i) the concept of 'material information' and 'insider information' is understood by managers and Management Board as well as Supervisory Council members; (ii) whenever there is a resolution of governing bodies or business decisions that fulfil the material information criteria, the persons responsible for Investor Relations and Insider information are consulted as to whether and if, then when a disclosure to the public needs to be made; (iii) if a disclosure needs to be made, it is made immediately, but not later than 3 business days from the time the need for disclosure became known.

Also, as per the OECD 2015 CGR, the Company encourages direct contact and dialogue with its Management Board and the Managing Directors of its key subsidiaries and has stated the relevant contacts (phone numbers and emails) under the subheading 'Management' in the section 'About the Company'.

5.2. The web site of the Issuer shall be clear in structure and published information shall be easy to find. Published information shall also be available in English. The Issuer shall publish the disclosure dates of information subject to disclosure throughout a year (including the annual report, interim reports and notice calling a general meeting) at the beginning of the fiscal year in a separate notice, called financial calendar. The Issuer shall also publish this notice on its web site.

The web-site of the Company has an 'About the Company' section with an overview of its management, Supervisory Council and its committees and news. In addition, the Company has a separate Investors' section with subheadings of 'Shareholders', 'Info from Nasdaq', 'Structure', 'Financial reports' and 'Presentation'.
Information on the website is published in Estonian, English, Latvian, Lithuanian and Russian, with important documents being in Estonian and English only.

5.3. As per the recommendation on the Issuers web-site the following should be accessible to the shareholders:
-report on Corporate Governance Recommendations;
-date, place, and agenda of the General Meeting and other information related to the General Meeting;
-articles of association;
-general strategy directions of the Issuer as approved by Supervisory Council;
-membership of the Management Board and Supervisory Council;
-information regarding the auditor;
-annual report;
-interim reports;
-agreements between shareholders concerning concerted exercise of shareholders rights (if those are concluded and known to the Issuer);
-other information, published on the basis of these Corporate Governance Recommendations.

5.4. As per the recommendation, the Management Board and the Supervisory Council should describe the management practices of the Issuer including their compliance with these CGR in the annual report presented to the General Meeting. If the management of the Issuer deviates from the management structure described in these CGR the Management Board and Supervisory Council should justify the deviation. The Management Board and the Supervisory Council should also describe in the report presented at the General Meeting any circumstances required under these CGR. CGR shall be presented as separate chapter of management report.

The Company is following this recommendation and is including in the annual report the overview of compliance with the CGR as a separate chapter.

5.5. As per the recommendation, if the Issuer notifies financial analysts or other persons of facts or estimates related to the Issuer, it should also publish this information to shareholders on the Issuer's web-site. Inside information disclosed at the General Meeting in response to questions presented by shareholders or other means and which has not been formerly disclosed should be published by the Issuer immediately after holding of the General Meeting.

The Company has not notified financial analysts of any estimates which have not been made public during the listing of the Company's shares or thereafter. The Company also publishes a respective Stock Exchange notice as well as the detailed minutes of its General Meetings either on the day of the date when the meeting was held or on the following day, thus disclosing any information discussed at such General Meetings.

From time to time the Company discloses sensitive information to persons with whom the Company is holding business negotiations. As per the Requirements for Issuers of NASDAQ OMX Tallinn Stock Exchange an Issuer does not need to disclose information about the progress of business negotiations. An Issuer may give undisclosed information confidentially to persons with whom it is holding or intends to hold business negotiations. In such cases the Company always signs a non-disclosure confidentiality agreement and notifies the party to the negotiations of the fact that any inside information can't be used for insider trading. The Company registers such persons as temporary insiders in the insiders' register.

5.6. As per the recommendation the Issuer should organize the exchange of information with journalists and analyst after a careful consideration. The Issuer should refrain from compromising the independence of the analyst or the Issuer's independence from analyst when communicating with analysts. The Issuer should disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website. The Issuer should not arrange meetings with analysts and presentations organized for investors directly before dates of publishing a financial report (interim reports, annual report).

According to the belief of the Management Board of the Company this recommendation is followed. In 2023, when organizing investor conference webinars, the Company has always timed them after publishing the interim and annual reports.

6. FINANCIAL REPORTING AND AUDIT

6.1. Reporting

6.1.1. As per the recommendation, Issuers should publish annually its annual report and within a fiscal year its interim reports. The Management Board should draw up annual accounts, which should be audited by the auditor and the Supervisory Council. On meeting of the Supervisory Council, where the annual account is reviewed, the auditor of the Issuer should participate upon invitation of the Supervisory Council. Members of the Management Board of the Issuer and other persons belonging to management Should leave the meeting during the auditor reports the most material conclusions of audit. The shareholders should be presented with the annual report signed by members of the Management Board and the Supervisory Council for examination. Together with annual report, the Supervisory Council should make available to shareholders the written report concerning the annual report specified in § 333 subsection 1 of Commercial Code.

6.1.2. As per the recommendation, the Issuer should publish an annex of the annual accounts including a list of companies not belonging to the Issuer's group, in which the holding of Issuer has significant importance to the Issuer. The Issuer should disclose the business name, location, and size of the holding, area of activity, amount of share capital, and net profit or loss during the previous financial year of this Company.

There are no companies in which the Company has participation, which do not belong to the group.

6.1.3. As per the recommendation, the annexes to the annual accounts should contain information regarding the connections of the Issuer with shareholders which are deemed to be connected persons pursuant to standards of international financial reporting provided for in sub section 17 (2) of the Accounting Act.

The Company is following this recommendation.

6.2. Election of the Auditor and Auditing of the Annual Accounts.

6.2.1. Upon the recommendation of the Audit Committee and the Supervisory Council Ernst & Young Baltic AS was elected as the auditor of the Company for the financial years of 2023, which was confirmed at the Company's Annual General Meeting of 19 June 2023. The fee payable to the auditor for the audit of the Company and its subsidiaries for the financial year of 2023 in the offer was 143 000 euros (net of VAT). In 2023, besides provision of audit services Ernst & Young Baltic AS has not rendered any advisory or other services to the Company. The agreement with the auditor complies with the requirements of the CGR.

7. HUMAN RESOURCE POLICY

7.1. The aim of the Company's human resource policy is to ensure the implementation of the strategic goals of the Company by all employees and ensuring the reputation of valued employer. Company uses both internal and external hiring processes, and persons already working for the Company are preferred for filling the vacant positions. Human resource policy regulates the management techniques and practices, group communication and fundamental work principles. Training and remuneration policy support the learning organization with the aim to remain competitive as an employer. The Company has a well-established induction policy, including regarding health and safety matters, for all new employees, new appointments to the Supervisory Council and the Management Board. Company's human resource policy is constantly evolving.

8. DIVIDEND POLICY

8.1. The declaration and payment by the Group of dividends and their amount depend on the Company's results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed by the Management to be relevant at the time of making a dividend payment proposal. The Supervisory Board has the right to amend such proposal by the Management Board and the proposal is ultimately to be approved by the General Meeting of Shareholders.

In 2023, the Company did not distribute any dividends as profit to the shareholders.

Management remuneration report

According to Estonian Securities Market Act the Company has to publish remuneration paid to the management. The remuneration principles of the Group will be presented to the shareholders on the next General meeting and after approval will be published and available on Company's website.

In the context of the Estonian Securities Market Act the management of the Company during the reporting year included Management Board Member Edoardo Axel Preatoni.

Management Board Members are selected by the Supervisory Council of the Company based on their expertise in the sector the Company is operating, in addition to candidate's leadership and management experience is taken into account as well as their integrity and their commitment to the Company.

Management Board members are paid monthly remuneration set in their contracts, which are approved by Supervisory Council. Performance fees if applicable are related to achieving targets and strategic objectives set by Supervisory Council and paid annually according to approval of the Supervisory Council. No share options are offered to the management. Management Board members can use general benefits available for all employees of the Company (free parking, coffee/tea in the office etc.).

Remuneration information in tables below is stated **in thousands of euros**. All variances have been calculated as follows: (reporting year's records – previous year's records)/previous year's records.

Mr. Edoardo Axel Preatoni has been the Member of the Management Board of the Company since 1 March 2016 and from the end of 2019 he was holding a position of Head of Development. From 1 January 2022 the Supervisory Board appointed Mr. Preatoni as CEO of the Company. Mr. Preatoni has been paid monthly remuneration based on his agreements with group companies. Performance fees have been related to turnover of Estonian group real estate sales and have been paid on quarterly basis.

Edoardo Axel Preatoni	2019	2020	2021	2022	2023
Annual remuneration*	34.75	95.49	154.13	350.62	349.99
Basic annual remuneration to additional allowances	90%	98%	72%	100%	100%
Change in Annual remuneration	100%	175%	61%	127%	0%
Change in the average remuneration of full time employees	4%	1%	-1%	-22%	7%
Gross profit margin change	-6%	2%	-6%	1%	5%

**Annual remuneration includes gross total Member of the Board remuneration from all group companies.*

Management declaration

The Management Board declares and confirms that according to their best knowledge, the year 2023 consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by European Union, present a true and fair view of the consolidated assets, liabilities, financial situation and loss or profit of AS Pro Kapital Grupp and the undertakings involved in the consolidation as a whole, and the management report gives a true and fair view of the development and results of the business activities and financial status of AS Pro Kapital Grupp and the undertakings involved in the consolidation as a whole and contains a description of the main risks and estimates.

Edoardo Preatoni *\/digitally signed/*
Chief Operating Officer
Member of the Management Board

Consolidated financial statements

Consolidated statement of financial position

in thousands of euros	Notes	31.12.2023	31.12.2022
ASSETS			
Current assets			
Cash	7	17 065	10 589
Current receivables	8	1 411	955
Prepayments		268	64
Inventories	9	35 563	34 224
Total current assets		**54 307**	**45 832**
Non-current assets			
Non-current receivables	10	2 010	2 016
Property, plant and equipment	11	7 763	7 294
Right-of-use assets	11	365	195
Investment property	12	40 361	45 575
Goodwill		0	262
Intangible assets		96	82
Total non-current assets		**50 595**	**55 424**
Assets held for sale	12	2 335	0
Total assets held for sale		**2 335**	**0**
TOTAL ASSETS		107 237	101 256
LIABILITIES AND EQUITY			
Current liabilities			
Current debt	13	30 141	173
Customer advances	16	3 657	1 659
Trade and other payables	14	4 911	4 626
Tax liabilities		161	111
Short-term provisions		11	5
Total current liabilities		**38 881**	**6 574**
Non-current liabilities			
Non-current debt	15	12 695	38 184
Deferred income tax liabilities	26	1 130	1 130
Long-term provisions		108	45
Total non-current liabilities		**13 933**	**39 359**
TOTAL LIABILITIES		52 814	45 933
Equity			
Share capital in nominal value	20	11 338	11 338
Share premium		5 661	5 661
Statutory reserve	20	1 134	1 134
Revaluation surplus	20	2 092	2 012
Retained earnings		34 198	35 178
TOTAL EQUITY		54 423	55 323
TOTAL LIABILITIES AND EQUITY		107 237	101 256

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

in thousands of euros	Notes	2023	2022
CONTINUING OPERATIONS			
Operating income			
Revenue	21	23 021	65 654
Cost of sales	22	-15 993	-48 689
Gross profit		**7 028**	**16 965**
Marketing expenses	23	-705	-498
Administration expenses	23	-5 440	-4 946
Other operating income	24	2 099	6 278
Incl. net result from fair value adjustments of investment properties	*12*	*1 972*	*6 170*
Other operating expenses	24	-19	-142
Operating profit		**2 963**	**17 657**
Finance income	25	254	3
Finance cost	25	-4 115	-4 211
Profit/loss before income tax		**-898**	**13 449**
Income tax	26	-2	3
Net profit/loss for the period		**-900**	**13 452**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Net change in asset revaluation reserve		0	-972
Total comprehensive profit/loss for the year		**-900**	**12 480**
Earnings per share			
From continuing operations			
Basic (euros per share)	27	-0.02	0,24
Diluted (euros per share)	27	-0.02	0,24

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

in thousands of euros	Note	2023	2022
Cash flows from operating activities			
Profit/loss before tax		-898	13 449
Adjustments for:			
Depreciation and amortisation of PPE, ROU and intangible assets		441	406
Gain from disposal of investment property	24	-111	-2 329
Change in fair value of property, plant and equipment		0	13
Change in fair value of investment property	12	-1 972	-3 841
Finance income and costs	25	3 861	4 207
Change in deferred tax assets and liabilities	26	0	-3
Other non-monetary changes (net amounts)		6	1
Movements in working capital:			
Change in receivables and prepayments		1 414	-2 212
Change in inventories	9	3 984	23 310
Change in liabilities and prepayments		2 300	-12 106
Change in provisions		64	-2 927
Income tax paid		-2	3
Net cash flows generated by/used in operating activities		**9 087**	**17 971**
Cash flows from investing activities			
Payments for property, plant and equipment	11	-746	-1 777
Payments for intangible assets		-38	-16
Payments for investment property	12	-473	-1 000
Proceeds from disposal of property, plant and equipment		0	8
Proceeds from disposal of investment property		111	2 329
Payments for subsidiaries	8	-2 000	0
Interests received		182	1
Net cash flows generated by/used in investing activities		**-2 964**	**-455**
Cash flows from financing activities			
Redemption of convertible bonds	18	0	-196
Proceeds from borrowings	13,15	3 974	14 427
Repayment of borrowings	13,15	-63	-26 641
Repayment of lease liabilities		-152	-147
Interests paid		-3 406	-3 996
Net cash flows used in/ generated by financing activities		**353**	**-16 553**
Net change in cash		**6 476**	**963**
Cash at the beginning of the period	7	10 589	9 626
Cash at the end of the period	7	17 065	10 589

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Properties revaluation reserve	Retained earnings	Total equity
01.01.2022	11 338	1 748	0	2 984	26 773	42 843
Net profit/loss for the period	0	0	0	0	13 452	13 452
Other comprehensive loss for the period	0	0	0	-972	0	-972
Total comprehensive income/loss of the period	0	0	0	-972	13 452	12 480
Allocation of previous periods loss	0	3 913	1 134	0	-5 047	0
31.12.2022	11 338	5 661	1 134	2 012	35 178	55 323
Net profit/loss for the period	0	0	0	0	-900	-900
Other comprehensive income for the period	0	0	0	0	0	0
Total comprehensive income/loss for the period	0	0	0	0	-900	-900
Other changes	0	0	0	80	-80	0
31.12.2023	11 338	5 661	1 134	2 092	34 198	54 423

The accompanying Notes are an integral part of these consolidated financial statements.

Changes in revaluation reserve are described in Note 20.

Notes to the consolidated financial statements

Note 1. Corporate information

The consolidated financial statements of AS Pro Kapital Grupp (hereinafter the Company) and its subsidiaries (hereinafter the Group) for the financial year ended 31 December 2023 were signed by the Management Board at 10. April 2024.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board and which also includes the consolidated financial statements shall be approved at the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and presented by the Management Board and require preparation of a new annual report.

AS Pro Kapital Grupp is a public limited company incorporated in the Republic of Estonia and it operates in Estonia, Latvia, Lithuania and Germany in the fields of holding companies, purchase and sales of real estate, rent and operation of real estate, management of real estate and hotel operations.

Since 23 November 2012, the shares of AS Pro Kapital Grupp have been listed on NASDAQ OMX Tallinn (Nasdaq Baltic) Stock Exchange secondary list, since 19 November 2018 in the main list. On 9 July 2020 the secured non-convertible bonds were listed on Nasdaq Stockholm Stock Exchange.

Many of the shareholders registered in the shareholders register are nominee companies, which represent many bigger and smaller non-resident investors.

At the end of reporting period the main shareholders/nominee companies of the Company are the following:

Shareholder/nominee company	Country of incorporation	Ownership 31.12.2023	Ownership 31.12.2022
Raiffeisen Bank International AG	Austria	54.66%	53.16%
Clearstream Banking AG	Germany	10.99%	22.38%
Caceis Bank	France	12.78%	0%
OÜ Svalbork Invest	Estonia	9.86%	9.86%
Six Sis Ltd	Switzerland	5.46%	6.91%

The principal place of business of the Company is at its registered address Sõjakooli 11, Tallinn, 11316 Estonia. The principal activities and the structure of the Group are described in Note 5.

Note 2. Application of new and revised International Financial Reporting Standards

The standards and amendments that are effective and have been endorsed by the European Union

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS and amendments to IFRS which have been adopted by the Group as of 1 January 2023:

- IFRS 17 insurance contracts;
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments);
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments);
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments);
- IAS 12 Income taxes: International Tax reform- Pillar two model Rules (Amendments).

The newly adopted IFRS and amendments to IFRS did not have a material impact on the Group's accounting policies.

The standards and amendments that are not yet effective, but have been endorsed by the European Union

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8.
- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted

The standards issued but not yet effective had no material impact on Group's accounting policies.

The standards and amendments that are not yet effective and they have not been endorsed by the European Union.

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure- Supplier Finance Arrangements (Amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.
- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and**

its Associate or Joint Venture. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations have no material impact on the consolidated financial statements of the Group in the period of initial application.

Note 3. Material accounting policy information

3.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in European Union.

The consolidated financial statements have been prepared on the historical cost basis except for property, plant and equipment, and investment properties, as explained in the accounting policies below. Cost is usually considered to be the fair value which equals to the value paid for the asset.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except where otherwise indicated.

3.2. Going concern

The Management Board has, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from issuance date. Thus, we continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the parent:
- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee;
- has the ability to use its power to affect its return.

The parent re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. In 2023 there were no adjustments made in financial statements of the subsidiaries.

3.4. Held for sale classification

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.
The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Entity has classified as held for sale investment property of 2 335 euros measured at fair value. These assets classified as held for sale are presented separately from other assets in the statement of financial position and are measured in accordance with the fair value model in IAS 40.

3.5. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realized or intended to be sold or consumed in the normal operating cycle;
• Held primarily for the purpose of trading;
• Expected to be realized within twelve months after the reporting period;
Or
• Cash unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
All other assets are classified as non-current.

A liability is current when:
• It is expected to be settled in the normal operating cycle;
• It is held primarily for the purpose of trading;
• It is due to be settled within twelve months after the reporting period;
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.6. Fair Value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date.
External valuers are involved for valuation of real estate properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.7. Cash

Cash on the statement of financial position and statement of cash flows comprises cash on hand, bank accounts, and short-term bank deposits (with an initial maturity of three months or less).

3.8. Inventories

In Group’s financial statements the projects that are under development are recognized as inventories.

Inventories are initially recognized at cost which includes direct purchase costs and other costs directly attributable to the acquisition of the inventories incurred in bringing the inventories to their present location and condition. The principles of recognition of borrowing cost are described in 3.19 “Expenses” (*Borrowing cost*).

Inventories are subsequently measured at the lower of cost and net realizable value. For Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied.

Inventories regarding real estate developments are recognized in two categories: completed property ready to be sold and work in progress. Transfers to inventory from investment property is made when there is evidence of a change in use. The principles are described in 3.10 „Investment Property“.

Inventories regarding real estate developments are derecognized when the property is sold and ownership has been transferred to the customer (i.e. notarial real right agreement is signed).

The carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of inventory property recognized in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

3.9. Property, plant and equipment

The Group has following property, plant and equipment groups:

- Land and buildings;
- Machinery and equipment;
- Other fixtures and fittings;
- Right of use assets.

Land and buildings held for supply of services, or for administrative purposes, are measured in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed after every five years or more often when there are significant indications on possible change in value.

Any revaluation gain arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity under revaluation reserve

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of lease term and estimated useful life of the assets.

The annual depreciation rates for groups of property, plant and equipment are as follows:

- Buildings in use 2 to 5% per annum;
- Machinery and equipment 8 to 20% per annum;
- Other fixtures 20 to 50% per annum.
- Right-of-use-assets 0.22% to 5% per annum.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.10. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including land plots and properties for future developments). Land and buildings, which are planned to be held for a longer period of time and which have different possibilities to be used are reported also as investment property.

In case of change in the usage purpose of the investment property, the asset is reclassified and since the reclassification date the accounting principles of the new class of asset are applied. When development of a part or entire investment property starts with the aim to sell developed product, this part or entire investment property is reclassified as inventory when the developed product enters active development phase.

The Group considers the start of active development phase when one or several of the following events occur:
- signing reservation agreements with customers;
- applying for construction permit from local municipality;
- signing of development loan agreement;
- signing construction agreement.

Investment properties are initially recognized at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, mainly based on the market price determined annually by independent appraisers, based on the prices of recent transactions involving similar items (adjusting the estimate for the differences) or using the discounted cash flow method. Changes in fair value are recorded under the income statement items “Other operating income/other operating expenses”. No depreciation is calculated on investment property recognized at fair value.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.11. Impairment of non-current assets

At the end of each reporting period, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see Note 3.9 above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

3.12. Investments in subsidiaries (in parent company´s unconsolidated financial statements)

Investments in subsidiaries are recognized in the financial statements of the parent company at cost. At the end of each reporting period, the parent company assesses whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

3.13. Financial instruments and their initial measurement

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets of financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Trade receivables are measured at transaction price since they do not contain a significant financing component.

3.14. Financial assets

All recognized financial assets for the purposes of subsequent measurement, are classified as amortized cost.

Measurement of financial assets at amortized cost

Financial assets that are measured at amortized cost: cash and trade receivables.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

Impairment of financial assets

The Group uses simplified model for determining impairment allowances.

The Group recognizes a loss allowance for expected credit losses in debt instruments that are measured at amortized cost, lease receivables and trade receivables, as well as on financial guarantee contracts.

The Group always recognizes lifetime expected credit losses (ECL) for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case

of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3.15. Financial liabilities

Financial liabilities

Financial liabilities (including current and non-current debt and trade and other current and non-current payables) are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other operating income or other operating expenses. There were no such modifications of debt instruments in 2023.

3.16. Contingent liabilities

Pledges and other commitments, which at certain conditions may turn into liabilities in the future, are disclosed in the Notes of the consolidated financial statements as contingent liabilities.

3.17. Statutory reserve

Statutory reserve is recorded based on the requirements of the Estonian Commercial Code and is comprised of the provisions made from the net profit. The annual provision must be at least 1/20 of the approved net profit of the financial year until the statutory reserve equals at least 1/10 of share capital amount.

3.18. Revenue recognition

The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Revenue from contracts with customers

Revenues from the sale of real estate

The Group develops and sells residential and commercial properties. The Group enters into preliminary contracts with customers to sell property that are either completed or under development. Property is sold when the final agreement is confirmed by the notary and the control over the property has been transferred to the customer. The revenue is measured at the transaction price under the contract and the consideration is due when legal title has been transferred. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer and the premises have been handed over.

(i) Completed inventory property

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied. Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

(ii) Inventory property under development

The Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Group accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed property (the combined output) which the customer has contracted to buy. For the sale of property under development, the Group has determined that it generally does not meet the criteria to recognise revenue over time. In these cases, control is transferred and hence revenue is recognized at a point in time. This is either property sold to one customer encompassing either all of the land and building or multi-unit property.

(iii) *<u>Other consideration related to the sale of inventory property</u>*
In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

If the consideration in a contract for the sale of property under development includes a variable amount in the form of delay penalties and, in limited cases, early completion bonuses, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur. At the end of each reporting period, an entity updates the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

In addition, for certain contracts involving the sale of property under development, the Group may require customers to make advance payments of 10-20% of the selling price, as work goes on, that give rise to a significant financing component. For contracts where revenue is recognized over time, the Group uses the practical expedient for the significant financing component, as it generally expects, at contract inception, that the length of time between when the customers pay for the asset and when the Group transfers the asset to the customer will be one year or less. For contracts where revenue is recognized at a point in time (i.e., upon completion of the development) and the practical expedient cannot be applied, the Group adjusts the transaction price for the effects of the significant financing component by discounting it using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception. However, the Group has concluded that the impact from this adjustment is immaterial to the financial statements of both the current and prior years.

The Group has determined that contracts involving the sale of completed property do not contain significant financing components. In addition, there is no non-cash consideration or consideration payable to customers.

Revenue from hotel operations

The Group operates a hotel in Bad Kreuznach, Germany. The hotel derives revenue from providing accommodation, renting of banquet halls and related facilities, providing catering, offering access to the thermal bath etc.
The hotel services provided are recognized as over time revenue because accommodation, along with related services and goods, is provided for a specific duration. Whether it's for a single night, a weekend, or an extended stay, the client simultaneously receives and utilizes the benefits provided to them.
Payment of the transaction price is usually due immediately when the customer purchases a product or the service is provided.

Revenue from maintenance services

The Group provides maintenance services, which includes only one performance obligation to apartment associations in the residential buildings that the Group has developed. These services are regularly provided to the customers for a fixed fee based on long-term contracts and the Group records revenues monthly on accrual basis and received payments accordingly. Revenue is recognized over time.

Revenue from other services

Revenue from other services is irregular and is recognized depending on the provided service over time or at point in time when the promised goods or service is transferred to the customer.

Rental income

The Group's policy for recognition of revenue from operating leases is described in paragraph 3.20 below.

Other operating income

Income, which is not related to the core operations of the Group entities, is recorded as other income.

Interest income

Interest income from a financial asset is recognized using the effective interest rate method. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

3.19. Expenses

Cost of sales

Cost of sales includes the costs of bringing real estate objects that are realized during the reporting period and recorded in the net sales to a marketable condition. Real estate rental, development and management expenses, and costs related to hotel management services are also recorded in the consolidated statement of profit or loss under “Cost of sales”.

Marketing expenses

Marketing expenses include selling expenses, i.e. advertising, agency fees, marketing personnel expenses and other marketing expenses.

Administration expenses

Administration expenses include personnel and office management expenses, depreciation expenses of plant, property and equipment.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (more than one year) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. Interest and financing costs are recorded using effective interest rate method on the accrual basis as financial expenses of the reporting period.

3.20. Leases

The Group as a Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the cost of the right-of-use assets an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group as a Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services. The consideration charged to tenants for these services includes fees charged based on proportion of rented spaces and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

3.21. Taxation

Estonia

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends. Income tax should be calculated also on other payments made from equity that are exceeding the monetary or non-monetary contributions made to the equity. The tax rate applicable is 20/80 from taxable amount. The tax rate of 14/86 can be applied to dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. Income tax expense to be incurred at the payment of dividends is recognized in the income statement as expense at announcement of dividends or any other distribution of equity.
The Group recognizes a deferred tax liability for all taxable temporary differences associated with subsidiaries, except if the timing of reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Other subsidiaries

Profit earned by subsidiaries of the Group is imposed to income tax according to the tax rate stipulated by the legislation of domicile countries.
In Latvia the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends similarly as in Estonia. The tax rate applicable is 20/80 from taxable amount. The Corporate Income Tax Rate in Lithuania and Germany is 15%. Deferred income tax liability is accounted from all relevant temporary differences between the tax bases of assets and liabilities and their book value. Deferred income tax assets, which are mainly caused by the tax losses carried to future periods, are recognized in the statement of financial position only, when it is likely that it will be realized through the taxable profit earned in the future. Deferred tax assets and liabilities are offset when there is a legally enforceable right in the Group subsidiaries' countries of incorporation to set off current tax assets against current tax liabilities. For calculation of the deferred income tax assets and liabilities, generally the income tax rate enacted or substantially enacted at the balance sheet date is used.

3.22. Segment reporting

According to IFRS 8 Operating Segments, segment reporting is applicable to operating segments whose results are regularly reviewed by the chief decision makers of the Group to make business-related decisions. The primary decisions are made on a country basis. (Estonia, Latvia, Lithuania, Germany) Operating segments are components of the entity for which it is possible to obtain discrete financial information to make decisions about resources to be allocated to the segment and assess its performance. Primary criteria for monitoring of operating segments are the following: Revenue from third parties, profit before tax, net profit earned and total assets.

3.23. Subsequent events

Consolidated financial statements include impact of significant events that are related with the events of previous periods that affect the valuation of assets and liabilities and occurred between the end of the reporting period and the date that the financial statements are finalized by the management board of the Group.

Events after the reporting period that do not affect the valuation of assets and liabilities but have a significant effect on the result of the following financial year, are disclosed in the Notes to the consolidated financial statement.

Note 4. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Significant judgements in applying accounting policies

The following are the critical judgements, that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Income tax applicable to possible distribution on dividends and tax rates applicable to undistributed profits are described in 3.21 „Taxation" and Note 26 „Income tax".

Classification of real estate

Real estate classification to inventory, investment property or property, plant and equipment is done based on management's intention over the future use of the object (see Note 9; 11 and 12). Property is recognized as inventory, if the objective of purchase is connected with its development, sale or resale during ordinary course of business. Items are recognized as investment property if purchase objective is gaining profit from rent or capital appreciation. Also, items are recognized as investment property if it is intended to keep them for long time and which have unclear purposes of use.

The Group takes into account the following considerations when reviewing the strategy and which are decisive for classification of the real estate assets as investment properties:

- there has been no development of such properties over the past 10 years;
- during the upcoming 5+ years perspective the Group has no intention to start developing these properties;
- there are no current plans to sell these properties in the near future;
- the essence of these properties is to be held for capital appreciation;
- an average operating cycle of the Group is usually about 2 years, very complex projects can take up to 4 years, which is less than 5+ years perspective.

Property used for rendering services or for administrative purposes and with useful life of over one year is considered to be property, plant and equipment.

4.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets Notes 9, 10, 11, 12 include details of their nature and their carrying amount through the end of the reporting period.

Estimation of net realizable value of inventories

According to the Group principles, inventories are stated on the statement of financial position at the lower of cost or net realizable value. The management should decide upon net realizable value if indication occurs that inventory value might be fallen below cost price. If this is the case inventories are written down to their net realizable value.

Fair value of investment property

As of the balance sheet date the investment properties are measured at their fair value. In determination of the fair value valuation of independent certified real estate appraisers is used. In determination of the fair value two methods are used: discounted cash flow method and comparative transaction price method, whichever is more appropriate considering the circumstances. The significant methods and assumptions used by valuers in estimating the fair value of the investment properties are set out in Note 12.

Recoverable value of property, plant and equipment

At the end of each reporting period, the management reviews the carrying amounts of its assets to determine whether there are any indications that the assets may be impaired. If the indication is detected, recoverable value is calculated. In determining the recoverable value of an asset, the impairment test is carried out and the recoverable value is identified. The recoverable value of the asset is the higher of the present value of the future cash flows from the asset or the fair value of the asset less costs to sell.
For assets carried at revalued amount the management is assessing yearly whether carrying amount approximates fair value. The information about property, plant and equipment is included in Note 11.

Useful life of property, plant and equipment

In determining useful life of property, plant and equipment, the Group takes into account business conditions and volumes, previous experience in relevant field and future plans.

Note 5. Entities belonging to the Group

Name of the Entity	Country of incorporation and operation	Proportion of ownership interest and voting power held by the Group 31.12.2023	31.12.2022	Principal activity
AS Pro Kapital Grupp	Estonia			Holding activities, parent
Held directly by AS Pro Kapital Grupp:				
AS Pro Kapital Eesti	Estonia	100.00%	100.00%	Real estate development
Pro Kapital Vilnius Real Estate PJSC	Lithuania	100.00%	100.00%	Real estate development
Pro Kapital Latvia PJSC	Latvia	100.00%	100.00%	Real estate development
OÜ Pro Kapital Germany Holdings	Estonia	100.00%	100.00%	Holding activities
Pro Kapital Germany GmbH	Germany	100.00%	100.00%	Real estate development
Held directly by AS Pro Kapital Eesti:				
OÜ PKE Treasury	Estonia	100.00%	100.00%	Treasury
AS Tondi Kvartal	Estonia	100.00%	100.00%	Real estate development
OÜ Pro Halduse	Estonia	100.00%	100.00%	Real estate management
OÜ Kalaranna Kvartal	Estonia	100.00%	100.00%	Real estate development
Held directly by AS Tondi Kvartal:				
OÜ Marsi Elu	Estonia	100.00%	100.00%	Real estate development
OÜ Dunte Arendus	Estonia	100.00%	100.00%	Real estate development
Held directly by Pro Kapital Vilnius Real Estate UAB:				
PK Invest UAB	Lithuania	100.00%	100.00%	Real estate development
In Vitam UAB	Lithuania	100.00%	100.00%	Real estate management
Held directly by Pro Kapital Latvia PJSC:				
Klīversala SIA	Latvia	100.00%	100.00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Latvia	100.00%	100.00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Latvia	100.00%	100.00%	Property sale
Held directly by OÜ Pro Kapital Germany Holdings:				
PK Hotel Management Services GmbH	Germany	100.00%	100.00%	Hotel management

Note 6. Segment reporting

Group companies consolidated segment information derived from geographical intercompany segment reporting is presented below.

Segment result, assets and liabilities are presented in line with items associated directly with particular segment. Internal transactions are not eliminated in separate segment reporting provided below.

The business activity of the Group is exercised in Estonia (sale of real estate, rent revenues and real estate maintenance), Latvia (sale of real estate, rent and real estate maintenance), Lithuania (sale of real estate, rent and real estate maintenance) and Germany (hotel operating).

in thousands of euros	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
2023							
Revenue (Note 21)	1 322	10 322	6 344	910	6 003	*-1 880*	23 021
Incl. sales of real estate	*0*	*10 199*	*6 099*	*424*	*0*		***16 722***
Incl. rental income	*0*	*0*	*210*	*110*	*480*	*-480*	***320***
Incl. hotel operating	*0*	*0*	*0*	*0*	*5 452*		***5 452***
Incl. maintenance services	*0*	*117*	*14*	*362*	*0*		***493***
Incl. other services	*1 322*	*6*	*21*	*14*	*71*	*-1400*	***34***
Other operating income & expenses (net)	-1	2 169	-89	1	0	*-1*	**2 080**
Incl. fair value adjustments	*0*	*2 058*	*-86*	*0*	*0*		***1 972***
Segment operating profit/ loss	-1 740	2 847	1 885	-485	431	*25*	**2 963**
Finance income and cost (net)	-6 792	3 658	-101	-393	-232	*-1*	**-3 861**
Profit/ loss before income tax	**-8 532**	**6 505**	**1 784**	**-878**	**199**	***24***	**-898**
Income tax	0	0	0	5	-7		**-2**
Net profit/ loss for the financial year attributable to owners of the Company	**-8 532**	**6 505**	**1 784**	**-873**	**192**	***24***	**-900**
31.12.2023							
Assets	57 634	169 305	23 507	16 168	9 149	*-168 526*	**107 237**
Liabilities	152 550	9 264	11 973	5 071	6 661	*-132 705*	**52 814**
Acquisition of non-current assets (excluding investment properties)	0	86	108	7	894		**1 095**
Write-off of non-current assets	0	-22	0	-6	-358		**-386**
Depreciation and amortization	-1	-49	-46	-38	-307		**-441**

in thousands of euros	PKG Holding	Estonia	Latvia	Lithuania	Germany	Elimina-tions	Total
2022							
Revenue (Note 21)	805	59 819	1 873	698	3 326	*-867*	65 654
Incl. sales of real estate	*0*	*59 676*	*1 673*	*359*	*0*		***61 708***
Incl. rental income	*0*	*1*	*177*	*39*	*0*	*0*	***217***
Incl. hotel operating	*0*	*0*	*0*	*0*	*3 270*		***3 270***
Incl. maintenance services	*0*	*120*	*5*	*295*	*0*		***420***
Incl. other services	*805*	*22*	*18*	*5*	*56*	*-867*	***39***
Other operating income & expenses (net)	-2	6 549	-523	0	112		6 136
Incl. fair value adjustments	*0*	*4 317*	*-519*	*0*	*0*		***3 798***
Segment operating profit/ loss	-1 818	20 771	-547	-352	-412	*15*	17 657
Finance income and cost (net)	-6 178	2 561	-407	-6	-172	*-6*	-4 208
Profit/ loss before income tax	**-7 996**	**23 332**	**-954**	**-358**	**-584**	*9*	13 449
Income tax	0	0	0	1	2	*0*	3
Net profit/ loss for the financial year attributable to owners of the Company	**-7 996**	**23 332**	**-954**	**-357**	**-582**	*9*	13 452

31.12.2022							
Assets	57 567	157 409	25 954	15 537	8 420	*-163 631*	101 256
Liabilities	143 951	3 874	16 204	3 568	6 124	*-127 788*	45 933
Acquisition of non-current assets (excluding investment properties)	3	20	24	129	1 744		1 920
Write-off of non-current assets	0	-10	-14	0	-30		-54
Depreciation and amortization	-5	-45	-43	-35	-277		-405

Eliminations stated in the segment report above include transactions between group companies.

Note 7. Cash

in thousands of euros	31.12.2023	31.12.2022
Cash at hand	20	12
Bank accounts	17 045	10 577
Total	**17 065**	**10 589**

Cash recorded in the statement of financial position and statement of cash flows comprise cash at hand and bank accounts as at the end of each reporting period. Foreign currency accounts in SEK (Swedish krona) have been translated into euros at the European Central Bank currency exchange rates prevailing on the reporting date.

Note 8. Current receivables

in thousands of euros	31.12.2023	31.12.2022
Trade receivables from contracts with customers	1 319	318
Allowance for doubtful debts	-1	-38
Other receivables	92	49
Accrued income	1	7
Prepaid taxes	0	619
Total	**1 411**	**955**

Trade receivables from contracts with customers have increased by 1 million euros compared to the previous period mainly due to ongoing sales transactions in Riga and Vilnius.

Note 9. Inventories

in thousands of euros	31.12.2023	31.12.2022
Completed properties	**5 474**	**9 313**
incl. Kindrali Houses, Tallinn	*165*	*237*
incl. Kalaranna District, Tallinn	*958*	*1 215*
incl. River Breeze, Riga	*2 897*	6 171
incl. Šaltinių Namai | Attico, Vilnius	*1 454*	*1 604*
incl. other properties	*0*	86
Work in progress	**29 885**	**24 854**
incl. Uus-Kindrali, Tallinn	*5 324*	*7 182*
incl. Kalaranna District, Tallinn	*11 048*	*5 192*
incl. Šaltinių Namai, Vilnius	*7 211*	*6 223*
incl. Naugarduko, Vilnius	*6 302*	*6 257*
Goods bought for resale	126	57
Prepayments for inventories	78	0
Total	35 563	34 224

Completed properties include completed real estate stock in Tallinn, Riga and Vilnius. The balance of completed properties of Kindrali Houses includes also one apartment that serves as a showroom and is not currently on the market.

Works in progress include current development stage in Kalaranna (Tallinn) and the final phase with city villas and a residential-commercial building in Vilnius, as well as Uus-Kindrali project (Tallinn), which construction began in March 2024.
With Naugarduko we are in the process of obtaining the building permit, subject to which we plan on starting the renovation works in autumn 2024.

Movements in inventory are described in the table below:

in thousands of euros	Inventories total
Balance at 01.01.2022	**57 533**
Increase in value (development)	15 001
Purchase of new property	6 621
Disposal (recognized in cost of sales)	-44 931
Balance at 31.12.2022	**34 224**
Increase in value (development)	12 710
Purchase of a new property	0
Disposal (recognized in cost of sales)	-11 371
Balance at 31.12.2023	**35 563**

Note 10. Non-current receivables

in thousands of euros	31.12.2023	31.12.2022
Finance leases	10	16
Other non-current receivables	2 000	2 000
Total	**2 010**	**2 016**

As of 31 December 2022, non-current receivables included 2 million euros prepayment for potential purchase of a new subsidiary. In April 2022 the Company signed a preliminary agreement with intention to buy 100% of the shares of P.K. Sicily S.P.A. – an Italian company which owns and operates hotel Domina Zagarella Sicily. With preliminary agreement the Company reserved its rights to buy the shares and made a prepayment in instalments in the total value of 2 million euros. The Company initiated legal and financial due diligence. According to agreement the Company had time until 31 January 2023 to inform the seller about its decision. Based on results of the due diligence and considering global economic situation, the Company decided to withdraw from acquisition of the hotel company and the seller has repaid the amount of 2 million euros during 2023 (Note 28).

The Group has signed on 21 July 2023 a preliminary agreement with an intention to buy 67,5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy) and made a prepayment in amount of 2 million euros for potential purchase of a new subsidiary.
On March 22, 2024 the Group acquired 67,5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy) at a price of 2,5 million euros (Note 28).

Note 11. Property, plant and equipment

Property, plant and equipment in thousands of euros	Land and buildings	Machinery and equipment	Other property, plant and equipment	Pre-payments	Total	Right-of-use assets
01.01.2022	6 759	1 026	262	0	8 047	574
Additions:						
Acquired	1 584	160	33	0	1 777	127
Change in fair value	-1 303	0	0	0	-1 303	0
Disposals and write offs:						
Sold	0	0	-14	0	-14	0
Written off	0	-30	-10	0	-40	0
31.12.2022	7 040	1 156	271	0	8 467	701
Additions:						
Acquired	578	113	48	6	746	311
Disposals and write offs:						
Written off	0	0	-28	0	-28	-358
31.12.2023	7 618	1 269	291	6	9 185	654

Accumulated depreciation in thousands of euros	Land and buildings	Machinery and equipment	Other property, plant and equipment	Pre-payments	Total	Right-of-use assets
01.01.2022	133	935	225	0	1 293	372
Additions:						
Charge for the period	169	37	22	0	228	134
Change in fair value	-302	0	0	0	-302	0
Disposals and write offs:						
Sold	0	-30	-10	0	-40	0
Written off	0	0	-6	0	-6	0
31.12.2022	0	942	231	0	1 173	506
Additions:						
Charge for the period	189	63	23	0	275	132
Disposals and write offs:						
Written off	0	0	-26	0	-26	-349
31.12.2023	189	1 005	227	0	1 422	289

Balance sheet value in thousands of euros	Land and buildings revaluation value	Machinery and equipment	Other property, plant and equipment	Pre-payments	Total	Right-of-use assets
31.12.2022	7 040	214	40	0	7 294	195
31.12.2023	7 429	264	64	6	7 763	365

Valuation of properties

According to IFRS 13 classification, land and buildings measured at revalued amounts are classified as belonging to Level 3 fair value hierarchy. The valuation of such properties is based on inputs that are not observable and are significant to the overall fair value measurement.

Valuations of the Group's properties have been mainly made by using discounted cash flows (DCF) method. Considering that the Group is operating a hotel in a property owned by real estate subsidiary, the valuators do not take into account rental income to property owner, but hotel's ability to generate cash flows and to operate properties effectively. Historical data and expected projections of hotel performance. This information is derived from management reporting prepared by hotel manager and reviewed by Financial Controller of the Group. Also, assumptions and valuation models, which are typically market related such as discount rates and exit yields, are used. Valuation reports are reviewed and accepted by the Management of the Group.

Sensitivity of measurement to variance of significant unobservable inputs:

- a decrease in the estimated revenues either due to lower occupancy or lower average room rate will decrease the fair value;
- an increase of departmental and other costs will decrease the fair value;
- an increase in discount and exit yield rates will decrease the fair value.

Discount and exit yield rates are partially determined by market rate conditions but are also influenced by expected return rate, which is the rate of return expected by the shareholders.

Latest independent valuation was carried out in 2022 for the hotel. Management of the company has performed a valuation of the hotel as at the end of 2023 and determined that the fair value does not materially deviate from the carrying amount. Consequently, it has been decided that a new revaluation is unnecessary at this time.
The valuation result was 6.90 million euros, which is higher by 2.8% than the carrying amount of the hotel. The management has decided not to revalue the property.
The following assumptions have been used by the management. Discounted cash flows (DCF) method with a 42-year period (remaining rental period). Gross operating profit (GOP) of the 1st year is based on estimation for 2024. Growth rate of 2% has been used for GOP starting from the 2nd year. Calculations include property taxes, insurance expenses and payments related to the property which are made by the owner of the heritable right. Although historical investments in the property have been lower with an exception of renovation works in 2016-2017 and 2022-2023, the management has estimated 100 000 euros for capital expenditure (CAPEX) over the entire period of cash flow projection. Discount rate of 8.5% was used. No exit value nor related sales costs were accounted for.

Sensitivity analyses

	GOP		CAPEX		Discount rate	
in thousands of euros	+5%	-5%	+5%	-5%	+5%	-5%
Fair value of the hotel property (6,90 million euros)	523	-637	-57	57	-399	317

Note 12. Investment property

in thousands of euros	Property held for increase in value	Total
Balance at 01.01.2022	**40 734**	**40 734**
Capital expenditure	1 000	1 000
Gain from change in fair value (Note 24)	6 170	6 170
Disposal	-2 329	-2 329
Balance at 31.12.2022	**45 575**	**45 575**
Capital expenditure	473	473
Gain from change in fair value (Note 24)	1 972	1 972
Reclassification to inventories	-5 324	-5 324
Reclassification to assets held for sale	**-2 335**	**-2 335**
Balance at 31.12.2023	**40 361**	**40 361**

The fair value (FV) of the Group's investment property at 31 December 2023 and 31 December 2022 has been derived on the basis of valuations carried out by Colliers International independent valuators not related to the Group. Valuation company has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations were performed by reference to recent market information.
The Market Value of the properties is primarily calculated through the Sales Comparison Approach, benefiting from sufficient market evidence from comparable development properties currently available. However, an exception is made for the property in Kliversala, Latvia. In this case, the valuation of the Subject property is conditionally divided into two parts and the Market Value is calculated by considering both the Sales Comparison method and the Income Approach, while also taking into account the current highest and best use of the Subject Property and prevailing conditions in the real estate market.

In 2023 the valuation resulted in an increase of 2 million euros (2022: 6.2 million euros) which has been presented as other operating income in consolidated statement of comprehensive income. During 2023 the Group has paid for investments 0.5 million euros (2022: 1 million euros).

Valuation of properties

According to IFRS 13 classification, investment properties owned by the Group are classified as belonging to Level 3 value hierarchy. A majority of investment properties are valued using market comparable method. Under market comparable method valuations performed are based on prices of transactions involving properties of a similar nature, location and condition. Where necessary, the price information from other transactions is adjusted to reflect any differences in the terms of the actual transaction. The valuation of properties is based on inputs that are not observable and are significant to the overall fair value measurement.

The most significant unobservable inputs used in the valuations are the price per building right (€/GBA/m2 above ground), as significant increases (decreases) in estimated price per building would result in a significantly higher (lower) fair value on a linear basis.

Valuation reports prepared by the experts are reviewed and approved by the Management of the Group.

Ülemiste 5, Tallinn

Ülemiste property is situated next to the railway and the future Rail Baltica Ülemiste joint terminal. It is planned to develop office and retail spaces with total leasable area of 14 410 square meters. The market value was calculated by using Sales Comparison Approach. Four comparable objects were selected and comparable transactions were adjusted with different factor weights. As a result, the value of 212 €/m² (2022: 199 €/m²) was reached per building right (Gross Building Area- GBA) square meter above ground, which is 18 500 square meters in this project.

Kristiine City, Tallinn

Kristiine City is one of the largest residential blocks in the Baltics, located close to the city centre in the former Dunte summer manor and latter territory of the military school. The area still to be developed has been divided into 6 different cadastral units so as to allow the phased out development subject to market trends and conditions. The market value of the property was estimated using Sales Comparison Approach as there is currently enough market evidence with comparable development properties on the market. As a result, the value of 347 €/m² (2022: 315 €/m² as a mathematical calculation total value 19.08 million euros divided by GBA) was reached per building right (Gross Buildable Area- GBA) square meter above ground, which is 54 966 square meters in this project.

Kliversala residential complex, Riga

Kliversala is a residential and commercial development project located on the left bank of river Daugava. The land is located between two main bridges, next to one of the biggest parks in Riga and has a long coastline. The property is situated on the waterfront and provides views of the Old Town on the opposite bank. The project for the residential area foresees a series of exclusive apartment buildings coupled with commercial premises. It has been planned to develop the property in phases. The first phase, the River Breeze Residence, was completed in spring 2018 and is recorded as completed inventories.
Remaining phases are classified as investment property. The valuator has divided the valuation of the Subject property conditionally into two parts, taking into account the status and readiness for the start of construction. The Market Value is calculated by considering both the Sales Comparison and the Income Approach method.
Blue Marine is the following phase ready for construction. To calculate the value of this stage., the Valuator has used Income Approach method (DCF) with 5-year period, applying a discount rate of 11.5%. In addition, a sales comparison was used as a cross-check calculation. As a result, the value of 227.8 €/m² (2022: 233.6 €/m²) was reached per GBA square meter above ground. The market value of remaining territory 9 547 square meters was estimated using Sales

Comparison Approach. Six comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 158.0 €/m² (2022: 156.7 €/m²) was reached per GBA square meter above ground. 73 413 square meters have been considered as GBA for market approach.

City Oasis residential complex, Riga

City Oasis is a residential development project located in Tallinas street, Riga at the right bank of river Daugava, right next to the border of Riga's historical City Centre. The project for the residential area foresees a series of apartment buildings with commercial functions on the first floor with net sellable area of 20 814 square meters and 357 square meters respectively. It has been planned to develop the property in one phase. The valuator has used the Sales Comparison approach for valuation. Five comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 115.5 €/m² (2022: 114.7 €/m²) was reached per GBA square meter above ground. 31 631 square meters have been considered as GBA for the project.

Brivibas Business Quarter, Riga

Brivibas is a mixed development project located at one of the main transport arteries heading through the city, next to the railways within a former industrial area. The project foresees renovation of the existing industrial building into mostly office buildings with total net rentable area of 18 080 square meters. The project is expected to be developed in two phases as the initial phase includes the renovation. The valuator has used the Sales Comparison Approach for valuation. Four comparable objects were found and comparable transactions were adjusted with different factor weights. As a result, the value of 74.8 €/m² (2022: 74.70 €/m²) was reached per GBA square meter above ground. 31 212 square meters have been considered as GBA for the project.

Summary of movements and valuation inputs:

Property	Valuation method	FV 2023 th euros	FV 2022 th euros	Capex	Change in FV	GBA m²	Average €/m² 2023	Average €/m² 2022
Kristiine City*	*SCA*	24 400	22 230	354	1 816	71 152	343 €/m²	312 €/m²
Ülemiste 5	SCA	3 920	3 679	0	241	18 500	212 €/m²	199 €/m²
Kliversala	DCF, SCA	13 711	13 707	61	-57	82 960	166 €/m²	165 €/m²
City Oasis	SCA	3 654	3 627	15	12	31 631	116 €/m²	115 €/m²
Brivibas*	SCA	2 335	2 332	45	-42	31 212	75 €/m²	75 €/m²
Total		**48 020**	**45 575**	**473**	**1 972**	**235 455**	**204 €/m²**	**194 €/m²**
Uus-Kindrali reclassification to inventories at 31.12.2023		5 324				16 186		
Brivibas reclassification to property held for sale at 31.12.2023		2 335				31 212		
Total after reclassification		**40 361**	**45 575**	**474**	**1 972**	**188 057**		

SCA - sales comparison approach
DCF – discounted cash flow method

Sensitivity analyses on average price changes:

Property	FV 2023 th euros	+5%	-5%	FV 2022 th euros	+5%	-5%
Kristiine City*	24 400	1 225	-1 215	22 230	1 079	-1 141
Ülemiste 5	3 920	198	-194	3 679	187	-182
Kliversala	13 711	682	-688	13 707	683	-687
City Oasis	3 654	182	-183	3 627	182	-180
Brivibas*	2 335	116	-117	2 332	116	-117

*Kristiine City and Brivibas includes reclassified property

Investment properties of the Group are evaluated based on the assumed highest and best use according to the management judgement.

Note 13. Current debt

in thousands of euros	Loans and overdrafts (Note 17)	Convertible bonds (Note 18)	Secured and unsecured non-convertible bonds (Note 18)	Current portion of lease liabilities	Total
01.01.2022	**3 640**	**194**	**0**	**122**	**3 956**
Changes from financing cash flows	-3 640	-194	0	-122	**-3956**
Other changes	63	0	0	110	**173**
31.12.2022	**63**	**0**	**0**	**110**	**173**
Financing cash flow	-63	0	0	-152	-215
Other changes	63	0	29 903	217	30 183
31.12.2023	**63**	**0**	**29 903**	**175**	**30 141**

28.5 million euros of secured non-convertible bonds and 1.4 million euros of unsecured non-convertible bonds were reclassified to current debt. In January 2024, after balance sheet date, the maturity date of secured non-convertible bonds amounting to 19.95 million euros were extended. Additional information is included in the Note 18.

Note 14. Current payables

in thousands of euros	31.12.2023	31.12.2022
Trade payables	2 731	2 134
Accrued expenses	961	766
Accrued interests	1 214	1 211
Other	5	515
Total	**4 911**	**4 626**

Trade payables consists mostly of construction invoices issued at the end of the year in relation to ongoing constructions in Kalaranna and Saltiniu Namai. Accrued interests accrued on secured and unsecured bonds (Note 18).

Note 15. Non-current debt

in thousands of euros	Loans and overdrafts (Note 17)	Secured and unsecured non-convertible bonds (Note 18)	Non-current portion of lease liabilities	Total
01.01.2022	**9 110**	**37 248**	**97**	**46 455**
Changes from financing cash flows	-8 641	0	41	**-8 601**
Other changes	-63	375	17	**330**
31.12.2022	**406**	**37 623**	**155**	**38 184**
Changes from financing cash flows	3 974	0	310	4 284
Other changes	-63	-29 493	-217	-29 773
31.12.2023	**4 317**	**8 130**	**248**	**12 695**

The Group received loans for 4 million euros and repaid loans for 63 thousand euros. The balance of non-current debt decreased due to reclassification of secured non-convertible bonds and unsecured non-convertible bonds to current debt. Additional information is included in the Note 18.

Note 16. Customer advances

in thousands of euros	31.12.2023	31.12.2022
Advances for real estate	3 623	1 630
Advances from hotel services	34	30
Total	**3 657**	**1 659**

Customer advances represent “contract liabilities” under IFRS 15. Customer advances are recorded in the financial statements from receiving deposit and instalment payments until properties are handed over to customers. 3.6 million euros of customer advances are related to developments in Kalaranna District and Vilnius (2022: 1.7 million euros).

Note 17. Loans and overdrafts

Borrower	Creditor	Loan balance in thousands of euros 31.12.2023	31.12.2022	Maturity
OÜ Kalaranna Kvartal	AS LHV Pank	3 974	0	28.04.2026
PK Hotel Management Services GmbH	Sparkasse	406	469	30.06.2030
Total		**4 380**	**469**	

Bank loans are related to development activities with an exception of loan from Sparkasse to our German hotel as part of the subsidy related to Covid-19 support.

Current loans are described in Note 13, non-current loans in Note 15, collaterals of the loans in Note 19 and finance costs in Note 25.

The total interest cost on loans for the reporting period was 0.4 million euros (2022: 0.6 million euros).

Note 18. Secured and unsecured non-convertible bonds

in thousands of euros	31.12.2023	31.12.2022
Current non-convertible debt (Note 13)	29 903	0
Non-current non-convertible debt (Note 15)	8 130	37 623
Total	**38 033**	**37 623**

Unsecured and secured non-convertible bonds

Registration date of bonds issued	February 2020 (secured)	August 2020 – January 2021 (unsecured)
Number of bonds	285	3 459 081
Issue price per bond	100 000 EUR	2.80 EUR
Total nominal value, in euros	28 500 000	9 685 427
Annual return (%) from issue price	8%	8%
Interest payment	Twice a year	Twice a year
Redemption date	20 February 2024	31 October 2024
New terms, effective after balance sheet date		
Number of bonds	285	3 459 081
Nominal price per bond	70 000 EUR	2.38 EUR
Total nominal value, in euros	19 950 000	8 232 613
Annual return (%) from issue price	11%	9%
Interest payment	Twice a year	Twice a year
Redemption date	20 February 2028	31 October 2026

2 925 641 unsecured and non-convertible bonds with the total face value of 8 191 795 euros were issued in August 2020. During the second subscription period, 187 502 bonds with the total issue value of 525 006 euros were issued in November 2020. During the third subscription

period, 345 938 bonds with the total issue value of 968 626 euros were issued in January 2021. New unsecured non-convertible bonds have been listed on Nasdaq Tallinn bond list since 27 January 2021. The balance sheet value on the reporting date was 9.5 million euros which equals to nominal value minus 103 thousand refinancing costs (2022: 9.5 million euros and 219 thousand euros). In August 2023 the Company initiated the written procedure for prolonging the maturity date of the unsecured bonds to 2+2 years with the redemption date at 31 October 2026 with the right to postpone the redemption date until 31 October 2028, which was approved by bondholders. From 1 November 2024 the unsecured bonds will carry an interest rate of 9%. The Company will redeem 15% of the denomination value of all the Bonds and pay each investor 0.42 euros per each bond on 31 October 2024 (i.e. 1.5 million euros). As from 1 November 2024 the new denomination value of the Bonds will be 2.38 euros per bond.

Number of unsecured bonds	**2023**	**2022**
Number of unsecured bonds at the beginning of period	3 459 081	3 459 081
Number of unsecured non-convertible bonds at the end of period	3 459 081	3 459 081

in thousands of euros	**2023**	**2022**
Value of unsecured bonds at the beginning of period	9 685	9 685
Value of the unsecured bonds at the end of the period	9 685	9 685
Current portion of liabilities at the end of the reporting period in nominal value	**1 453**	**0**
Non-current portion of liabilities at the end of the reporting period in nominal value	**8 232**	**9 685**

In February 2020 the Company secured refinancing of the senior secured bonds 2015/2020 (the “Old Bonds”) in full by issuing new senior secured, called, fixed rate bonds 2020/2024 (the “New Bonds”) in total amount of 28.5 million euros. The New bonds are similar to the Old Bonds with minor differences. All shares of current Pro Kapital subsidiaries were pledged. 285 bonds (value of 100 000 euros each) carry a fixed rate coupon 8% and mature in February 2024. The New Bonds were approved for trading on Nasdaq Stockholm bonds list on 9 July 2020. According to terms and conditions of the bonds, the Company has to meet maintenance test, which requires equity to assets ratio to be higher than 35%. The equity ratio was 50.8% as at the end of the reporting period. Remaining balance of the secured non-convertible bonds is 28.5 million euros on 31 December 2023.

In 2023 the Company initiated a written procedure for extending the maturity of the senior secured bonds, which was approved by bondholders after balance sheet date in January 2024. According to Terms and Conditions of the bonds, the Company partially redeemed 8.6 million euros of the bonds on 20 February 2024 by way of reducing the outstanding amount of each bond pro rata at a price equal to 100 per cent of the nominal amount together with accrued but unpaid interest on the prepaid amount. From 21 February 2024 the senior secured bonds will carry an interest rate of 11% and are due on 20 February 2028.

Number of secured bonds	**2023**	**2022**
Number of secured fixed rate bonds at the beginning of period	285	285
Number of secured fixed rate bonds issued	0	0
Number of secured fixed rate bonds redeemed	0	0
Number of secured fixed rate bonds at the end of period	285	285

in thousands of euros	2023	2022
Value of secured fixed rate bonds at the beginning of period	28 500	28 500
Value of secured fixed rate bonds issued	0	0
Value of secured fixed rate bonds redeemed	0	0
Value of secured fixed rate bonds issued at the end of the period	28 500	28 500
Current portion of liabilities at the end of the reporting period in nominal value	**8 550**	**0**
Non-current portion of liabilities at the end of the reporting period in nominal value	**19 950**	**28 500**

Note 19. Collaterals and pledged assets

AS Pro Kapital Grupp has pledged in favor of Nordic Trustee & Agency AB the shares of all its subsidiaries. The pledges have been set to guarantee the secured non-convertible bonds issued in February 2020 in total amount of 28.5 million euros. The total value of pledged shares is 63.3 million euros (total nominal value of share capital of subsidiaries). In addition to share pledges, the Group bank accounts held with Nordea Bank AB in Sweden are pledged. The cash balance in Nordea bank pledged accounts was 18 thousand euros on 31 December 2023 (23 thousand at the end of 2022).

Note 20. Share capital and reserves

Share capital

Owners of AS Pro Kapital Grupp ordinary shares have the right to receive dividends, in case these are announced, and to participate in voting at general shareholders' meetings of the entity with one vote per share. The Company has not issued any preference shares.

On 31 December 2023 and on 31 December 2022 the share capital in the amount of 11.3 million euros consisted of 56 687 954 ordinary shares at a nominal value of 0.20 euros per share. All shares have been paid for in full.

According to the articles of association effective on 31 December 2023, the minimum share capital amounts to 6 million euros, whereas maximum share capital amounts to 24 million euros.

Reserves

As decided on 19 June 2023 on the Annual General Meeting of shareholders, the profit of 2022 was decided to be distributed into retained earnings of previous period.

Statutory legal reserve of the Company is recorded based on the requirements of the Estonian Commercial Code § 336 and was comprised of the provisions made from the net profit. The statutory legal reserve as at 31 December 2023 amounted to 1.1 million euros (2022: 1.1 million euros).

Revaluation surplus results from application of revaluation model to property, plant and equipment (specifically land and buildings) under IAS 16 “Property, Plant and Equipment” (Note 11). Revaluation surplus as at 31 December 2023 is 2.1 million euros (2022: 2.0 million euros).

Note 21. Revenue

Segment revenue (Note 6) in thousands of euros	2023	2022
Revenue from contracts with customers		
Revenue from sale of real estate	16 722	61 708
Hotel operating revenue	5 452	3 270
Revenue from maintenance and other services	526	460
Total revenue from contracts with customers	**22 700**	**65 438**
Rental income	321	216
Total	**23 021**	**65 654**

Timing of revenue recognition in thousands of euros	2023	2022
At a point in time		
Revenue from sale of real estate	16 722	61 708
Revenue from other services	34	40
Total revenue recognised at a point in time	**16 756**	**61 748**
Over time		
Hotel operating revenue	5 452	3 270
Revenue from maintenance fees	492	420
Total revenue recognised over time	**5 944**	**3 690**
Rental income	321	216
Total	**23 021**	**65 654**

Revenue from sale of real estate has decreased by 73% compared to reference period as we have sold out most of our completed properties in Kindrali Houses and Kalaranna District in 2022 and the last ones in the beginning of 2023. Sales of available inventory have continued in Kliversala in Riga and in Šaltinių Namai in Vilnius.

Revenue from hotel operations has increased significantly compared to the previous period as the renovation works that influenced revenues in 2022 were finalised in spring 2023 and renovated rooms have increased hotel occupancy.

Customer advances decrease when developments are completed, real right agreements are signed and real estate have been handed over to the customers and is the point in time when the Group is entitled for consideration and revenue from sale of real estate is recognized.

All of the balance of 1.7 million euros of customer advances at the end of 2022 was recognized as revenue from sale of real estate during 2023 (Note 16).

Note 22. Cost of sales

Split by activities

in thousands of euros	**2023**	**2022**
Cost of real estate sold	11 703	45 420
Cost of providing rental services	86	66
Cost of hotel operations	3 906	2 977
Cost of maintenance and other services	298	221
Total	**15 993**	**48 689**

Split by type

in thousands of euros	**2023**	**2022**
Personnel expenses	1 274	1 030
Depreciation/amortization charge	244	241
Inventory write-down	73	0
Other	14 402	47 418
Incl. cost of real estate sold	*11 297*	*44 931*
Incl. maintenance services purchased	*1 007*	*826*
Incl. supplies costs	*1 825*	*1 240*
Incl. commissions and service fees	*261*	*418*
Incl. other	*12*	*3*
Total	**15 993**	**48 689**

Note 23. Marketing and administration expenses

Marketing expenses

in thousands of euros	2023	2022
Personnel expenses	327	244
Other	378	254
Total	**705**	**498**

Administration expenses

in thousands of euros	2023	2022
Personnel expenses	2 994	3 189
Consulting fees	1 275	536
Depreciation charge	165	138
Land and real estate taxes	279	306
Bank and CSD fees	87	91
Other	640	686
Total	**5 440**	**4 946**

Consulting fees include fee payable to Ernst & Young Baltic AS for the audit of the Group in total amount 143 th euros (net of VAT).
As at the end of 2023 the number of employees in the Group was 85 (2022: 75) and total personnel cost (included in cost of sales, marketing and administrative costs) in 2023 were 4.6 million euros comparing to 4.5 million euros in 2022.

Note 24. Other operating income and expenses

Other income

in thousands of euros	2023	2022
Fines received	1	0
Gain from sale of investment property	111	0
Net gain from fair value adjustments	1 972	6 157
incl from investment property (Note 12)	*1 972*	*6 170*
incl from PPE	*0*	*-13*
Other	15	121
Total	**2 099**	**6 278**

Other expenses

in thousands of euros	2023	2022
Fines and penalties expenses	5	2
Other	14	140
Total	**19**	**142**

The gain from sale of investment property was received due to expropriation of small portion of land from Ülemiste 5 investment property, which had not been valued previously as that part had been an unusable land since acquisition.

Note 25. Finance income and cost

Finance income

in thousands of euros	2023	2022
Interest income	254	3
Total	**254**	**3**

Finance cost

in thousands of euros	2023	2022
Interest expenses:	3 829	4 192
incl interest expenses of the bonds	*3 464*	*3 552*
incl interest expenses of loans and overdrafts	*357*	*632*
incl interest expenses of leases	*8*	*8*
Other financial expenses	286	19
Total	**4 115**	**4 211**

Note 26. Income tax

Rates of statutory corporate income tax	2023	2022
Estonia	20%	20%
Latvia	20%	20%
Lithuania	15%	15%
Germany	15%	15%

According to Income Tax Acts in Estonia and Latvia net profit is not taxed until distribution.

Income tax expense in unconsolidated reports

2022 in thousands of euros	Estonia	Latvia	Lithuania	Germany	Total
Profit/ loss before taxation (unconsolidated)	15 336	-954	-358	-584	13 440
Income tax, statutory rate	0	0	754	0	754
Non-deductible expenses	0	0	0	0	0
Non-taxable income and tax incentive	0	0	-810	0	-810
Tax loss utilized	0	0	0	0	0
Reversals	0	0	56	0	56
Total income tax expense	**0**	**0**	**0**	**0**	**0**
Effective income tax rate	**0%**	**0%**	**0%**	**0%**	**0%**

2023 in thousands of euros	Estonia	Latvia	Lithuania	Germany	Total
Profit/ loss before taxation (unconsolidated)	-1 802	1 373	-462	199	-691
Income tax, statutory rate	0	0	-69	0	-69
Non-deductible expenses	0	0	0	0	0
Non-taxable income and tax incentive	0	0	-6	0	-6
Tax loss utilized	0	0	11	0	11
Reversals	0	0	66	0	66
Total income tax expense	**0**	**0**	**2**	**0**	**2**
Effective income tax rate	**0%**	**0%**	**0%**	**0%**	**0%**

Income tax expense in consolidated report

in thousands of euros	2023	2022
Profit/loss before income tax	-898	13 449
Estimated income tax respective to the tax rates	0	-3
Adjustments to estimated income tax:		
Income tax, statutory rate	-69	754
Non-deductible expenses (+)	0	5
Non-taxable income and tax incentive	-6	-810
Tax loss utilized	11	0
Reversal loss carry forward	66	0
Income tax expense	**2**	**-54**
Effective tax rate	N/A	N/A
Income tax expense	2	0
Deferred income tax expense	0	-3
Total effect on income statement	**2**	**-3**
Income tax paid	3	7

Deferred income tax liability (net) movements

in thousands of euros	Accelerated tax depreciation	Deferred development cost	Revaluation of assets	Deferred tax losses	Total
01.01.2022	0	703	430	0	1 133
Effect on income statement:					
Income tax expenses and reclaims of the reporting period	0	-3	0	0	-3
31.12.2022	0	700	430	0	1 130
Effect on income statement:					
Income tax expenses and reclaims of the reporting period	0	0	0	0	0
31.12.2023	0	700	430	0	1 130

Deferred income tax balances

in thousands of euros	31.12.2023	31.12.2022
Deferred income tax liability	1 130	1 130
Total, net	**1 130**	**1 130**

The Group's retained earnings and maximum possible amount of corporate income tax (CIT) obligation were as follows:

in thousands of euros	31.12.2023	31.12.2022
Group's retained earnings	34 198	35 178
Estonian tax rate applicable	20%	20%
Contingent CIT obligation	**6 840**	**7 036**
Maximum net dividend	**27 358**	**28 142**

The calculation of maximum possible income tax liability is based on the assumption that the sum of distributable net dividends and the income tax expense which occurs on distribution of dividends cannot exceed total retained earnings as at 31 December 2023 and 31 December 2022.
The Group has received dividends from its subsidiary Pro Kapital Latvia PJSC, which is the resident and taxable person in the Republic of Latvia. As at 31 December 2023 the Company has potential opportunity (in case of retained earnings) to pay dividends that are not taxable with income tax in amount of 44.2 million euros (31 December 2022: 44.2 million euros). The Company has also the potential opportunity to distribute paid in capital in the total amount of 78.4 million euros without income tax applied. The total maximum possible income tax amount that could be considered as contingent asset is 30.7 million euros.

It is not planned to distribute dividends from subsidiaries in the foreseeable future.

Note 27. Earnings per share

Earnings per share are calculated by dividing the net profit/ loss for the period with the weighted average number of shares in the period:

Average number of shares:

For the period	01.01.2023-31.12.2023	(56 687 954 x 366/366)	=56 687 954
For the period	01.01.2022-31.12.2022	(56 687 954 x 365/365)	=56 687 954

Indicative earnings per share from continuing operations:

2023	-900 thousand euros/ 56 687 954=-0.02 euros
2022	13 452 thousand euros/ 56 687 954 = 0.24 euros

Note 28. Transactions and balances with related parties

Balances and transactions between the parent and its subsidiaries have been eliminated within consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below.

Transactions with related parties are considered to be transactions with shareholders, members of the Supervisory Council and the Management Board (defined as "key management personnel"), their immediate families and the companies in which they hold control or have significant influence.

Transactions with related parties

in thousands of euros	2023	2022
Significant owners and owner related companies		
Sales of goods/ services	9	8
Administrative expenses	513	0
Other shareholders/ bondholders		
Interest expenses incurred	890	892
Redemption of non-convertible bonds	0	196
Interest payments	775	794
Members of the Management Board and Council		
Salaries and bonuses paid to management*	579	650

**Including remuneration paid to supervisory council and management board members of all subsidiaries, not only Group management remuneration as stated in the Management Remuneration Report.*

The Group is disclosing information about redemption, interest calculations/ payments from convertible bonds as most of the bondholders are shareholders of the Group as well.

Receivables and payables from/to related parties

in thousands of euros	31.12.2023	31.12.20222
Short-term receivables		
To significant owner related companies	68	0
Long-term receivables		
To significant owner related companies	2 000	2 000
Total	**2 068**	**2 000**
Short term payables		
To significant owner related company	105	0
Total	**105**	**0**

In 2022 the Group investigated an opportunity to purchase shares of PK Sicily SpA from a related party. To secure the transaction and reserve the shares, the Group paid a prepayment in amount of 2 million euros to the seller. The Group has performed a thorough due diligence to evaluate potential gain on transaction and in 2023 has decided not to buy the shares of hotel company. According to the presale agreement the seller has to return the prepayment no later than three years from prepayment. The Group has the right to set the second rank pledge on the property to secure its receivable. At the balance sheet date this amount has been repaid.

The Group has signed on July 21, 2023 a preliminary agreement with an intention to buy 67.5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy). As of the date of publishing this report, the Group has decided to acquire 67.5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy) on March 22, 2024 at a price of 2.5 million euros of which 2 million euros has already been paid earlier.
As AS Pro Kapital Grupp is constantly on the lookout for new opportunities the acquisition will enable the Group to enter a market of bare ownership, a market that is well developed in southern European countries, especially in Italy. We see an opportunity to provide structural support for Preatoni Nuda Proprieta S.R.L while also benefiting from the experience and potentially replicating it in the Baltics. We believe that with the aging population and the changing attitudes of new generations toward real estate ownership, this approach may offer a different perspective on real estate sales.

The Group has provided loans to related parties within consolidation group at rates comparable to the average commercial rate of interest. The loans to related parties have no collaterals.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Holdings in the Company	31.12.2023	31.12.2022
Significant owner and owner related companies	49.31%	49.63%
Members of the Council and individuals related them	0%	0.05%
Members of the Board and individuals related them	0%	0%

Mr. Emmanuele Bozzone, member of the Supervisory Council until July 2023, with his affiliates holds 357 000 unsecured, fixed rate non-convertible bonds of the Company with the nominal value of 2.80 euros each, i.e. 999 600 euros in total.

The major shareholder has informed the Company that the shares of the Company controlled by him and his affiliates have been transferred to SA Preatoni Group as of 30 December 2023. Being a major shareholder in that French entity, Ernesto Preatoni remains still as a final beneficiary of the shares. Following the transfer the shares will continue to be held on the same nominee accounts. Although the holding in AS Pro Kapital Grupp is less than 50%, the French company – Preatoni Group – consolidates the reporting group and is to be considered an ultimate parent for AS Pro Kapital Grupp.

Note 29. Risk management

The business of the Group involves business risk and several financial risks: market risk (interest and currency risk), credit risk and liquidity risk. It is aimed to minimize the negative impact of these risks to the Group's financial results with the risk management. The main purpose of the risk management is to assure the retention of Group's equity and to carry Group activities as a going concern.

Financial risks

Financial assets

in thousands of euros	31.12.2023	31.12.2022
Cash	17 065	10 589
Current receivables	1 411	1 019
Non-current receivables	10	2 016
Total	**18 486**	**13 624**

Financial assets include cash and bank balances and short-term and long-term receivables.

Financial liabilities

in thousands of euros	31.12.2023	31.12.2022
Current debt	30 141	173
Current payables	4 911	4 626
Non-current debt	12 695	38 184
Non-current payables	0	0
Total	**47 747**	**42 983**

Financial liabilities include loans, convertible and non-convertible bonds, payables to suppliers. Financial liabilities of the Group belong to category ‘other financial liabilities at amortized cost.

Interest risk

Interest risk is referring to potentially higher financing costs due to possible change of interest rate. The Group is exposed to interest rate risk when entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. In general, the interest rates of loans raised by the entities belonging to the Group are fixed through Euribor plus a risk margin. Interest risk appears from Euribor and the volatility of the average market interest rates which affect the Group’s interest expenses.

The breakdown of interest-bearing financial debt is as follows:

in thousands of euros	31.12.2023	31.12.2022
Fixed rate liabilities	3 974	38 357
Variable rate liabilities (12+ months)	38 861	0

As at the end of 2023 there is an interest risk for the Group from Euribor, however Euribor has stabilized and is expected to fall during next year. On new developments the Group evaluates interest risk according to loan obligations and market situation and adopts interest rate risk mitigation measures as needed.

Cash in banks also bear interest risk, especially due to negative rates and possible flooring. As at 31 December 2023 the Group had 17 million euros on bank accounts (31 December 2022: 10.6 million euros). Due to higher Euribor rates, the Group do not foresee any risks coming from negative interest rates in 2024.

Currency risk

Currency risk is a form of risk that arises from the change in price of one currency against another. Entities belonging to the Group perform transactions in currency applicable in the resident country, currency risk arises in case of exchange currency transactions, which are performed with currencies not related to euro. To ground the currency risk, all the relevant contracts in the Group are signed in euro or in currencies related to euro. Thus, the main currency risk is related with devaluation of currencies related to euro, against which the Group is not protected.

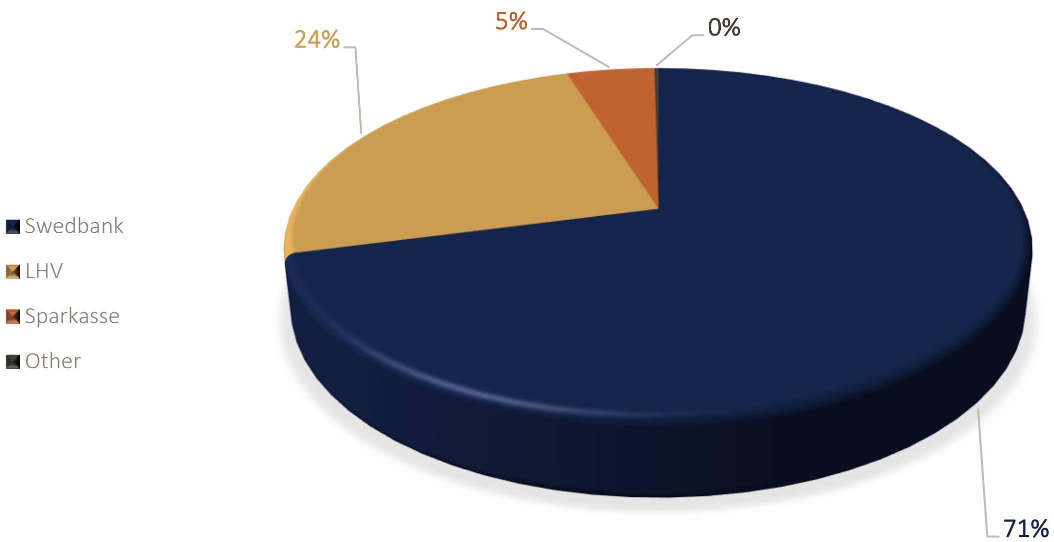
Due to the fact that Group's liabilities are all in euro and majority of Group's income comes from euro-based contracts, the Group's management estimates that it has limited exposure to foreign currency risk.

Credit risk

The Credit risk expresses potential loss that occurs, when counterparty does not fulfil their contractual obligations to the Group resulting in financial loss.

In general, the sales of real estate are secured with clients' prepayments. In case of sales of the real estate under the instalment, the creditworthiness of each client is analyzed separately. The ownership of the sales object belongs to the Group entities until the client has settled all debt. In extremely rare cases it may happen that the ownership is transferred to the buyer prior to final settlement. In this case a mortgage is set in favor of the Group entity to secure the debt. There were no such cases in 2023.

Also, cash accounts with the banks are subjects to the credit risk. The Group has narrowed the risk by having its assets in different high ratings assigned banks. As at 31 December 2023 the Group is holding assets in the following banks: LHV, Swedbank, Luminor, Nordea, Kölner Banken and Sparkasse. Cash on accounts in the banks as at 31 December 2023 was distributed as follows:



Liquidity risk

Liquidity risk expresses the potential risk that if the Group's financial condition will change, the Group's ability to settle its liabilities on time will degrade. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by constantly monitoring cash flow forecasts and actual cash balances, and by matching the maturity profiles of financial assets and liabilities. As at 31 December 2023 the working capital of the Group's is positive and current ratio is 1.4 (as at 31 December 2022: 7.1).

Financial liabilities of the Group by due dates:

in thousands of euros	31.12.2023	Repayment of liabilities Within 1 year	Within 2-5 years	After 5 years	31.12.2022	Repayment of liabilities Within 1 year	Within 2-5 years	After 5 years
Loans	4 380	63	4 318	0	469	63	250	156
Lease liabilities	423	175	248	0	265	110	155	0
Unsecured non-convertible bonds	11 949	2 235	9 714	0	10 888	775	10 114	0
Secured unconvertible bonds	36 465	29 570	6 894	0	30 755	2 280	28 475	0
Trade payables	2 156	2 156	0	0	809	809	0	0
Other debt	9 978	8 740	1 238	0	3 465	2 290	1 175	0
Total	**66 804**	**42 939**	**23 865**	**0**	**46 651**	**6 326**	**40 169**	**0**

Financial liabilities carrying interests include accumulated interest amounts until repayment. Secured non-convertible bonds due date was extended by four years after balance sheet date (Note 18). Other debt includes current payables, tax liabilities, short term provisions and customer advances.

Short-term liabilities of the Group (loans and bonds) by due dates:

in thousands of euros	31.12.2023	Repayment of liabilities Within 1 month	2-3 months	4-12 months	31.12.2022	Repayment of liabilities Within 1 month	2-3 months	4-12 months
Loans	63	0	16	47	63	0	16	47
Lease liabilities	175	15	30	130	110	9	18	83
Non-convertibles	29 570	0	29 570	0	775	387	0	387
Secured bonds	2 235	0	0	2 351	2 280	0	1 140	1 140
Total	**32 043**	**15**	**29 616**	**2 528**	**3 228**	**396**	**1 174**	**1 657**

Financial liabilities carrying interests include accumulated interest amounts until repayment.

Fair value

Based on the estimates of the Group's management, book value of the financial assets and liabilities does not differ significantly from their fair value.

Fair value of interest-bearing receivables and liabilities is not considered to be significantly different from their book value, because the interest rates fixed by the contracts underlying the corresponding receivables and liabilities do not significantly differ from the effective market interest rates.

Capital risk management

The purpose of capital risk management is to provide the Group's sustainability and to ensure profit for the shareholders through optimal structure of capital. The Group uses debt and equity instruments for financing business activities and it monitors percentage of equity to total assets in designing its financial structure and in assessment of risk.

	31.12.2023	31.12.2022
Equity to total assets	50.8%	53.7%
Debt to total assets	49.2%	46.3%
Long-term debt to total assets	13.0%	39.7%

The Group strives to pursue conservative financing policy. The goal is to use external financing so as to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. The Group seeks to maintain such long-term debt levels that are in reasonable proportion to growth in operations and which preserve the Group's credit standing.

Long-term financing is planned and obtained on project-by-project basis. Prior to application for external finance a company constructs budget for the project in question, performs sensitivity analysis. When applying for external financing, company carefully considers the effect such additional financing may have on its debt/equity ratio, gearing ratio and NPV of the project. Additional borrowing conditions in face of loan/financial covenants, as well as interest rate risks are taken into consideration. If any special conditions are set in external financing agreement (rental income, ratio of rented/vacant space, etc.), company seeks to meet them yet before the agreement is signed. Generally, the Group's policy is to finance its assets and operating requirements in the currency of the country/currency zone concerned, in order to create a natural hedge and avoid any currency risk.

Long-term partners are preferred for external financing, given their offers are most favorable. Long-term loans are to be approved by the Company's Council prior to the assumption of loan obligations. Short term overdrafts may be used to smooth out the seasonality of company's business and to maintain cash balances that are adequate for operating levels. Short term financing partners are usually those through whom everyday banking operations of a company are carried out.

Estonian Commercial Code §301 establish a restriction to the level of mandatory equity level: total equity shall not be less than ½ of registered share capital. Under the Estonian Accounting Act such a compliance assessment is made based on the adjusted unconsolidated equity of the Company. The adjusted unconsolidated equity equals unconsolidated equity of the Company less book values of investments into subsidiaries measured at cost less impairment plus the amount of investments into subsidiaries measured under the equity method of accounting. As disclosed in Note 31 to these consolidated financial statements, the Company has been in compliance with such an equity restriction as at 31 December 2023 and 31 December 2022.

Note 30. Lawsuits

AS Pro Kapital Eesti continues to be in litigation with the Land Board concerning the cadastral unit with the address Kalasadama 3, Tallinn, with 100% purpose of land under water, and the litigation relates to a claim for compensation. AS Pro Kapital Eesti is of the opinion that it has unjustly paid a portion of the purchase price and land tax from this cadastral unit. The Group is claiming from the state compensation of 192 338 euros of land tax paid in excess during 1 January 2004-31 December 2018 as well as that the state compensate 681 816 euros of the purchase price overpaid by the company for that portion of land (including notary and state fees paid in excess = 675 546 + 2 034 + 4 236), the claim for compensation amounting to 874 152 euros in total in the principal sum plus 1 176 262 euros of interest in arrears.

AS Pro Kapital Eesti proposed to end the dispute with a settlement, which was not accepted by the other party, so the litigation continues. In this litigation, an expert's report is ordered to determine the damage related to the acquisition of the property.

Main contractor of one of the developments of Pro Kapital, AS Oma Ehitaja, has started legal proceedings against OÜ Marsi Elu, a subsidiary of Pro Kapital subsidiary in May 2023.

Contractor has filled the claim to court wanting to identify that Pro Kapital subsidiary does not have any penalty claims against the contractor and alternatively asks the court to reduce the penalty claims and seeks the payment of the balance of the invoices (in base amount of 587 932 euros, plus delay interest). Pro Kapital subsidiary is of opinion that contractor claim is baseless, the penalty claims are in accordance with the contract, are justified due to long delay in the completion of the construction, the penalty claims have already been reduced and the balance of the invoices has been paid via set-off with the penalty claim. The litigation continues. Pro Kapital is of opinion that this court case does not have any substantial negative impact on financial results of Pro Kapital. The construction invoices in question have been accounted for as costs of construction during construction already, thus any possible negative outcome of the court case will not increase the costs (except for the delay interest and court costs). In case of positive outcome of the court case Pro Kapital will receive additional income through reflecting the penalty claims of ca 2 million euros.

The litigation with the City of Tallinn that is arising from the public interest acquisition procedure of Ülemiste tee T3, Ülemiste tee T4 and Ülemiste tee T6 properties owned by AS Pro Kapital Eesti. As the parties failed to reach an agreement on the prices of Ülemiste tee T3, Ülemiste tee T4 and Ülemiste tee T6 during the negotiations, the City of Tallinn has issued an expropriation decision for the acquisition of Ülemiste tee T3, Ülemiste tee T4 and Ülemiste tee T6. AS Pro Kapital Eesti has objected to the expropriation decision (in particular the justification of the fair compensation awarded) before the Administrative Court, arguing that the fair compensation (including consequential damages) is higher than the amount awarded. The complaint by AS Pro Kapital Eesti was upheld by the court.

Pro Kapital, its Lithuanian subsidiary and one other company (not affiliated with Pro Kapital) and a private individual have been sued in Rome by two Italian citizens. According to the complainants, the alleged financial claim (125 thousand euros per sued entity) has passed to them by inheritance. Pro Kapital and its Lithuanian subsidiary deny any connection with the alleged claim as they have never had any contractual or non-contractual relations with the person whose claims are allegedly inherited. Pro Kapital and its Lithuanian subsidiary have lodged their statement of objections with the Rome Court. There is no further information available at this stage as to the further course of the proceedings.

Note 31. Supplementary disclosures on the parent

The financial information of the parent comprises separate primary statements of the Company (statement of financial position, statement of income, statement of cash flows and statement of changes in equity), the disclosure of which is required by the Estonian Accounting Act. The primary financial statements of the parent have been prepared using the same accounting methods and measurement bases as those used for the preparation of the consolidated financial statements, except for subsidiaries which are reported at cost in the separate primary financial statements of the parent.

Statement of financial position

in thousands of euros	31.12.2023	31.12.2022
ASSETS		
Current assets		
Cash	590	65
Current receivables	8 779	6 245
Total current assets	**9 369**	**6 310**
Non-current assets		
Investments in subsidiaries	32 503	32 503
Non-current receivables	13 384	16 375
Intangible assets	3	3
Total non-current assets	**45 890**	**48 881**
TOTAL ASSETS	**55 259**	**55 191**
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	29 903	39 422
Current payables	1 524	1 489
Tax liabilities	94	58
Total current liabilities	**31 521**	**40 969**
Non-current liabilities		
Non-current debt	8 129	37 623
Non-current payables	112 800	65 320
Other non-current payables	101	39
Total non-current liabilities	**121 030**	**102 982**
Total liabilities	**152 551**	**143 950**
Equity		
Share capital in nominal value	11 338	11 338
Share premium	5 661	5 661
Statutory reserve	1 134	1 134
Accumulated losses	-115 425	-106 892
Total equity	**-97 292**	**-88 759**
TOTAL LIABILITIES AND EQUITY	**55 259**	**55 191**

Statement of profit and loss and other comprehensive income

in thousands of euros	2023	2022
Revenue from contracts with customers		
Revenue	1 322	805
Gross profit	**1 322**	**805**
Marketing expenses	0	-7
Administration expenses	-3 060	-2 614
Other operating expenses	-1	-2
Operating loss	**-1 739**	**-1 818**
Finance income and cost		
Interest income	597	597
Interest expense	-7 365	-6 775
Other finance income and cost	-23	0
Loss for the year	**-8 531**	**-7 996**
Other comprehensive income		
Other comprehensive income	0	0
Total comprehensive loss for the year	**-8 531**	**-7 996**

Statement of changes in equity

in thousands of euros	Share capital	Share premium	Statutory reserve	Retained earnings	Loss for the year	Total equity
01.01.2022	11 338	5 661	1 134	-90 912	-7 984	42 843
Result of the financial year	0	0	0	0	-7 996	-7 996
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**0**	**-7 996**	**-7 996**
Allocation of net loss	0	0	0	-7 984	7984	0
31.12.2022	11 338	5 661	1 134	-98 896	-7 996	-88 759
Cost of subsidiaries' shares	X	X	X	X	X	-32 503
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	176 585
Adjusted unconsolidated equity 31.12.2022	**X**	**X**	**X**	**X**	**X**	**55 323**
Result of the financial year	0	0	0	0	-8 531	-8 531
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	**0**	**0**	**0**	**0**	**-8 531**	**-8 531**
Allocation of net loss	0	0	0	-7 996	7 996	0
31.12.2023	11 338	5 661	1 134	-106 892	-8 531	-97 290
Cost of subsidiaries' shares	X	X	X	X	X	-32 503
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	184 216
Adjusted unconsolidated equity 31.12.2023	**X**	**X**	**X**	**X**	**X**	**54 423**

Statement of cash flows

in thousands of euros	2023	2022
Cash flows from operating activities		
Loss before tax	-8 533	-7 997
Adjustments for:		
Amortization of intangible assets	1	5
Finance income and costs	6 792	6 178
Gain from foreign currency translation	1	-1
Change in receivables and prepayments	1 747	-1 942
Change in liabilities and prepayments	163	-833
Cash flow used in operating activities	**171**	**-4 590**
Cash flows from investing activities		
Loans granted	-1 131	-6 408
Prepayments for subsidiaries	-2 000	-350
Repayments of loans granted	2 310	6 440
Payments for intangible assets	0	-3
Interest received	127	0
Cash flows used in/ generated by investing activities	**-694**	**-321**
Cash flows from financing activities		
Convertible bonds redeemed	0	-196
Proceeds from borrowings	141 590	12 148
Repayments of borrowings	-94 110	-4 425
Interests paid	-46 432	-3 399
Cash flows generated by financing activities	**1 048**	**4 128**
Net change in cash	**525**	**-783**
Cash at the beginning of the year	65	848
Cash at the end of the year	590	65

Note 32. Subsequent events

After the balance sheet date the Group extended the maturity date of secured non-convertible. According to Terms and Conditions of the bonds, the Company partially redeemed 8.6 million euros of the bonds on February 5, 2024 by way of reducing the outstanding amount of each bond pro rata at a price equal to 100 per cent of the nominal amount together with accrued but unpaid interest on the prepaid amount. From February 21, 2024 the senior secured bonds will carry an interest rate of 11% and are due on February 20, 2028 (Note 18).

On March 22, 2024 the Group acquired 67.5% of the shares of Preatoni Nuda Proprieta S.R.L (registered office in Milan, Italy) at a price of 2,5 million euros of which 2 million euros has already been paid earlier.
As AS Pro Kapital Grupp is constantly on the lookout for new opportunities the acquisition will enable the Group to enter a market of bare ownership, a market that is well developed in southern European countries, especially in Italy. We see an opportunity to provide structural support for Preatoni Nuda Proprieta S.R.L while also benefiting from the experience and potentially replicating it in the Baltics. We believe that with the aging population and the changing attitudes of new generations toward real estate ownership, this approach may offer a different perspective on real estate sales.

Signatures of the Management Board

The Management Board of AS Pro Kapital Grupp has prepared the management report, the consolidated financial statements and the profit allocation proposal for 2023.

Edoardo Preatoni

Chairman of the Management Board *\/digitally signed\/*

Approval of the Supervisory Council

The Supervisory Council has reviewed the consolidated annual report which consists of the management report and the consolidated financial statements prepared by the Management Board, and which also includes the auditor’s report and the profit allocation proposal and approved it for presentation at the General Meeting of Shareholders.

Patrick Jaques Bernard Werner

Chairman of the Supervisory Council

Giovanni Bozzetti

Member of the Supervisory Council

Oscar Crameri

Member of the Supervisory Council

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Pro Kapital Grupp

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AS Pro Kapital Grupp and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *"Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *"Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key Audit Matter	*How our audit addressed the key audit matter*
Valuation of investment properties As at 31 December 2023 the carrying value of the Group's investment properties accounted at fair value is 40,4 mln EUR, which constitutes 38% of the Group's total assets. The basis of the Group's investment property valuation and accounting policy is presented in the material accounting policies section in Notes 3.6 and 3.10 to the consolidated financial statements. Significant accounting judgements, estimates and assumptions relating to investment properties are set out in Notes 4 and 12 to the consolidated financial statements. These investment properties are stated at their fair values based on independent external valuations. The estimation of the fair value of investment properties requires a high level of judgment. This is due to factors including the individual nature of each property, as well as the specific location and the outlook of each property. A relatively minor adjustment in the assumptions in the valuations of each individual property can lead to a material effect on the consolidated financial statements. Due to the size of these assets relative to the balance sheet total and given the significant estimates associated with the valuation of these assets we have considered the valuation of investment properties as a key audit matter.	*Our audit procedures included, among others the following:* ► We obtained an understanding of the management's investment properties valuation process (including assumptions and methods). ► We have involved our valuation specialists to assist us in the assessment of the fair value of investment properties and to verify methodology and inputs applied in the valuation reports. ► We assessed the competency and independence of the professional valuers engaged by the Group's management. In addition, we assessed the accuracy of the property information provided to the appraisers by the Management, as well as verification of mathematical accuracy and forecasts used in the valuation reports. ► Discussed the key assumptions and critical judgmental areas (such as relevance of the comparable transactions to the valuation of the subjects and the adjustments made to these transactions, Gross Building Area assumptions, etc.) with the professional valuers and understood the approaches taken by them in determining the valuation of each and every investment property of the Group; ► We considered if the result of the external valuation is within an acceptable range as assessed by us, considering the existence of alternative assumptions and valuation methods. ► We reconciled the appraised value in the valuation reports with the amounts recorded. Finally, we considered the adequacy and completeness of the disclosures related to the estimations of the fair value of the investment properties in the consolidated financial statements (Note 12).

Other information

Other information consists of company overview, results for 2023, chairman´s summary, management report, corporate governance report, management remuneration report and management declaration, but does not consist of the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

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Furthermore, in accordance with Securities Market Act of the Republic of Estonia we are required to consider whether the Remuneration Report is prepared in compliance with the requirements of Article 135^3 of the Securities Market Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion:

- the Management Report is consistent, in all material respects, with the consolidated financial statements;
- the Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia;
- the Remuneration Report is prepared in compliance with the requirements of Article 135^3 of the Securities Market Act of the Republic of Estonia.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. *Report on the compliance of format of the consolidated financial statements with the requirements for European Single Electronic Reporting Format („ESEF")*

Based on our agreement we have been engaged by the management of the Group to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European Single Electronic Reporting Format of the consolidated financial statements of the Group for the year ended 31 December 2023 (the Single Electronic Reporting Format of the consolidated financial statements) contained in the file "asprokapitalgrupp-2023-12-31-en.zip" (sha-256-checksum:10773fbe9ef37a75947eeac8f857504df93279073630eb29ce788a70f0645064).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the consolidated financial statements has been applied by the management of the Group to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Group is responsible for the application of the Single Electronic Reporting Format of the consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which includes also the preparation of consolidated financial statements in the single electronic reporting format required by applicable requirements.

Auditor's responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated financial statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (Revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated financial statements is prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (Revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (Revised) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated financial statements was applied, in all material respects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of Single Electronic Reporting Format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified;
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the consolidated financial statements for the year ended 31 December 2023 complies, in all material respects, with the ESEF Regulation.

2. Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

Appointment and approval of the auditor

We were first appointed as auditors of AS Pro Kapital Grupp, as public interest entity, for the financial year ended 31 December 2021 in accordance with the decision made by the General Meeting of Shareholders on 7 July 2021. In accordance with the decision made by the General Meeting of Shareholders on 18 May 2023 we were appointed to carry out the audit of the Group's consolidated financial statements for the year ended 31 December 2023. Our total uninterrupted period of engagement is 3 years, covering the periods ended 31 December 2021 to 31 December 2023.

Consistency with the additional report submitted to the audit committee

Our report on audit of the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 10 April 2024.

Non-audit services

We confirm that in light of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Except for the audit services and assurance engagement on the compliance of format of the consolidated financial statements with the requirements for the European Single Electronic Reporting Format, no other services were provided by us to the Group.

Tallinn, 12 April 2024

/signed digitally/

Erki Usin
Authorised Auditor's number 496
Ernst & Young Baltic AS
Audit Company's Registration number 58

This independent auditor's report (translation of the Estonian original) should only be used with the original document in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100006040/reports).

Profit allocation proposal

The Management Board of AS Pro Kapital Grupp proposes to distribute the loss of the year ended at 31 December 2023 in amount of 900 thousand euros into retained earnings.