



Pillar Capital, AS

Group and Company Condensed Interim Report
for the six month period ended 30 June 2022
(unaudited)

Contents

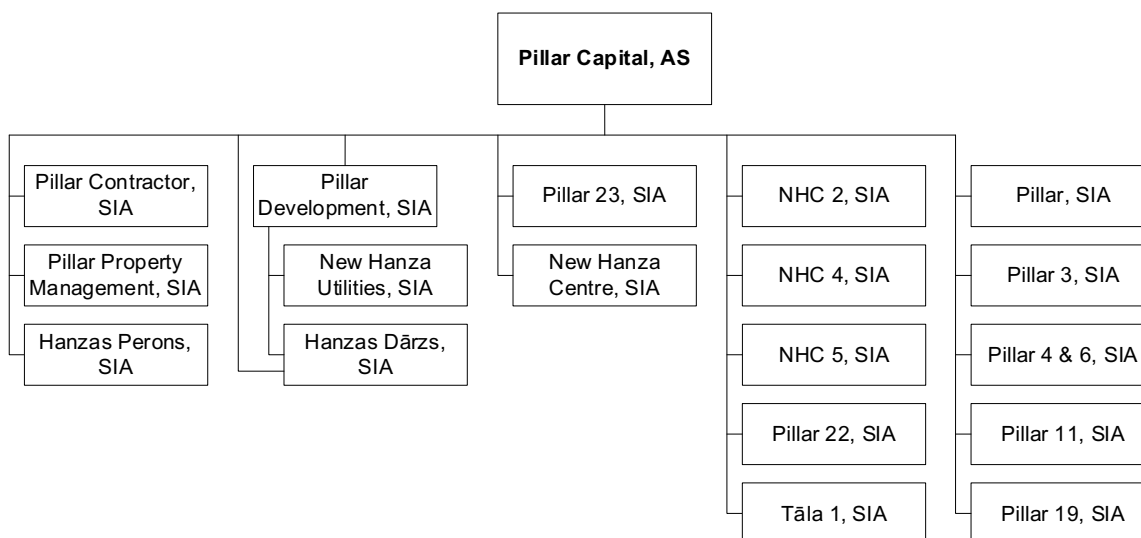
General information	3
Group Management Report	4
Group key financial and property performance indicators	4
Key events in the six months of 2022	5
Statement of the Management's responsibility	6
Group and Company Condensed Interim Financial Statements	7
Statements of Profit and Loss and Other Comprehensive Income for the six month period ended 30 June 2022	7
Statements of Financial Position as at 30 June 2022	8
Statements of Cash Flows for the six months period ended 30 June 2022	9
Group Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2022	10
Company Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2022	10
Events after the reporting date	11

Disclaimer

This report was prepared in Latvian and English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version of the reports shall prevail.

General information

Company name	Pillar Capital, AS
Legal status of the company	Joint Stock Company
Registration No, place and date	50003831571, Riga, 6 June 2006
Legal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
NACE code, Type of primary activity	7010 Activities of head offices 6820 Renting and operating of own or leased real estate 6910 Provision of legal services 6920 Accounting, bookkeeping and auditing activities; tax consultancy 7112 Engineering activities and related technical consultancy 6831 Real estate agencies 7830 Other human resources provision 7022 Business and other management consultancy activities
Members of the Board and their positions	Edgars Mijūns, Chairman of the Board Arnolds Romeiko, Member of the Board Pēteris Guļāns, Member of the Board Inga Vēvere, Member of the Board
Members of the Council and their positions	Ernests Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Kaspars Bajārs, Member of the Council Kārlis Kavass, Member of the Council Ivans Marjasovs, Member of the Council
Reporting period	1 January 2022 – 30 June 2022
Group structure	



Group Management Report

Pillar Capital, AS (hereinafter — the Company or the PCA) is a company incorporated in 2006, which, since late 2015, invests its own funds and the funds of the third parties in commercial properties and residential projects. Beginning with the end of 2019, in implementing the PCA merger with the companies of the Pillar Group, the Group is able to ensure the full real estate development cycle starting from the generation of the idea, development of the business plan and attraction of funding, concluding with the development of the design, management of the construction cycle, property management and maintenance, attraction of tenants and selling of properties.

The mission of the Company is to create a high-quality and safe environment where everyone would be satisfied to live, work and rest. The purpose of the Company's activity is to invest its own funds and the funds of the third parties in commercial properties and residential projects, to constantly increase revenue from lease of premises and to promote increase in the value of property in the long-term.

The Group specialises in purchasing and developing such immovable properties as office buildings, logistics centres and apartment buildings. Investments are made in both already built and operated commercial properties and development projects of commercial property and residential buildings. The investment strategy entails direct acquisition of real estate, as well as purchase of equity interest in companies holding the respective properties.

Group key financial and property performance indicators

The Group revenue for the reporting period amount to EUR 11 660 109, Company – EUR 1 010 076. The Company closed the reporting period with a pre-tax profit of EUR 459 566, the Group – with a pre-tax loss of EUR 1 915 719. The Company profit for the reporting period is in line with management expectations. Although the Group's operating segments are different, the Group's management primarily analyzes its consolidated results, taking into account industry practices. The table below summarizes the Group's performance indicators, which the Group's management considers to be more relevant given industry standards.

Group profit indicators	Unit	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021	01.01.2020 - 30.06.2020
Revenue	EUR	11 660 109	10 024 960	10 860 624
Adjusted EBITDA	EUR	(835 167)	(870 274)	1 576 156
Profit before tax	EUR	(1 915 719)	(1 974 537)	(253 535)
Cash flows from operating activities	EUR	4 447 387	1 628 522	1 815 849
		0	0	0
Group balance sheet indicators	Unit	30.06.2022	31.12.2021	31.12.2020
Gross asset value (GAV)	EUR	155 097 760	170 042 012	180 089 976
<i>incl. Investment property</i>	EUR	114 003 397	106 955 184	96 685 958
<i>incl. construction in progress</i>	EUR	16 582 221	3 041 818	-
<i>incl. current assets</i>	EUR	24 119 452	44 488 504	62 362 841
Liabilities	EUR	20 765 373	33 740 760	36 719 033
<i>incl. current liabilities</i>	EUR	16 506 889	30 228 050	22 971 619
Net asset value (NAV)	EUR	134 332 387	136 301 252	143 370 943
Group financial ratios	Unit	01.07.2021 - 30.06.2022	01.07.2020 - 30.06.2021	01.07.2019 - 30.06.2020
Adjusted EBITDA margin	%	-19.91%	-7.84%	14.42%
Net profit margin	%	-30.44%	-14.02%	31.65%
Equity ratio	coef.	0.85	0.80	0.72
Return on equity	%	-5.12%	-2.49%	4.88%
Return on assets	%	-4.35%	-1.99%	3.51%
Total liquidity ratio	coef.	1.46	1.47	2.71
Group investment property indicators	Unit	30.06.2022	31.12.2021	31.12.2020
Number of investment properties	pcs.	44	44	45
Investment property market value	EUR	114 003 397	106 955 184	96 685 958
Leasable area	m ²	75 607	75 607	52 809
Annual contractual rent fee	EUR	3 626 665	2 165 731	1 027 716
Return on investment properties at market value	%	3.2%	2.0%	1.1%
WALE	years	10.9	10.6	4.1
Average rent	EUR/m ² p.m.	4.6	4.6	2.2
Occupancy	% of leasable area	88%	53%	75%

Explanation of indicators and ratios

Adjusted EBITDA = earnings before interest, tax, depreciation and amortization, gains and losses from investment property revaluation

Adjusted EBITDA margin = adjusted EBITDA (in a 12 month period) / revenue (in a 12 month period) * 100%

Net profit margin = net profit (in a 12 month period) / revenue (in a 12 month period) * 100%

Equity ratio = (1/2 * value of equity at the beginning of the 12 month period + 1/2 * value of equity at the end of the 12 month period) / (1/2 * value of assets at the beginning of the 12 month period + 1/2 * value of assets at the end of the 12 month period)

Return on equity (ROE) = net income (in a 12 month period) / (1/2 * value of equity at the beginning of the 12 month period + 1/2 * value of equity at the end of the 12 month period) * 100%

Return on assets (ROA) = net income (in a 12 month period) / (1/2 * value of assets at the beginning of the 12 month period + 1/2 * value of assets at the end of the 12 month period) * 100%

Total liquidity ratio = current assets at the reporting date / current liabilities at the reporting date

Return on investment properties at market value = annual rent defined in the agreements / market value of investment properties

WALE = area (m²) weighted average unexpired lease term at the given date

Weighted average rental rate = area (m²) weighted average rental rate at the given date, EUR/m² p.m.

Occupancy = occupied area (m²) of the investment properties at the given date expressed as a percentage of the total property leasable area

Key events in the six months of 2022

Satisfaction of creditor's claims of the Company

On 6 April 2022, the Company entered into an agreement with ABLV Bank, AS in liquidation on the loan agreement, according to which ABLV Bank, AS in liquidation issued a loan to the Company for financing the logistics park A6 of its subsidiary NHC 4, SIA, located at Maskavas iela 462 and Maskavas iela 464A, for partial repayment of the Company's liabilities to ABLV Bank, AS in liquidation in the amount of EUR 12 656 017.15, applying set-off against the Company's creditor's claim against ABLV Bank, AS in liquidation.

On 6 April 2022, the Company entered into an agreement with ABLV Bank, AS in liquidation on the loan agreement, according to which ABLV Bank, AS in liquidation issued a loan to the Company for financing the construction of a class A office building in Riga, Mihaila Tāla iela 1 by its subsidiary Tāla 1, SIA, for partial repayment of the Company's liabilities to ABLV Bank, AS in liquidation in the amount of EUR 3 125 959 applying set-off against the Company's creditor's claim against ABLV Bank, AS in liquidation.

On 12 April 2022, ABLV Bank, AS in liquidation recognized the settlement of the Company's liabilities by applying set-off against the Company's creditor's claim against ABLV Bank, AS in liquidation.

Following the application of the set-off, the remaining part of the Company's creditor's claim against the ABLV Bank, AS in liquidation was paid into the Company's current account in the amount of EUR 4 851 600.

Satisfaction of creditors' claims of the Company's subsidiaries

On 19 and 25 April 2022, ABLV Bank, AS in liquidation satisfied the recognised creditor's claims of all the Company's subsidiaries against ABLV Bank, AS in liquidation by making a payment to the current accounts of the Company's subsidiaries.

Sale of the Company's subsidiary Pillar 20, SIA and its real estate

On 21 June 2022, the Company entered into a capital share sale agreement with the buyer for the sale of 100% capital shares of the Company's subsidiary Pillar 20, SIA with its real estate – a plot of land located at Sergeja Eizenšteina iela 47A, Riga, and a technical design for the construction of a multi-apartment house, owned by Pillar 20, SIA. As a part of the capital share sale transaction, the loan issued by the Company to Pillar 20, SIA was also repaid.

Statement of the Management's responsibility

The Board of Pillar Capital, AS is responsible for the preparation of the Company interim financial statements, as well as for the preparation of the interim consolidated financial statements of the Company and its subsidiaries.

The condensed interim financial statements are prepared in accordance with the source documents and present truly and fairly the financial position of the Company and the Group as at 30 June 2022 and 31 December 2021, and the results of their operations, changes in the share capital and reserves and cash flows for the six months of 2022 and the six months of 2021. Group management report presents truly an overview of Group and Company operating results. The aforementioned interim condensed financial statements are prepared on a going concern basis in conformity with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The Company management has been prudent and reasonable in its judgments and estimates in preparation of these condensed interim financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group.

On behalf of the Board:

Edgars Mijūns
Chairman of the Board

Arnolds Romeiko
Member of the Board

Pēteris Guļāns
Member of the Board

31 August 2022

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Group and Company Condensed Interim Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for the six month period ended 30 June 2022

	Group 01.01.2022 - 30.06.2022 EUR	Group 01.01.2021 - 30.06.2021 EUR	PCA 01.01.2022 - 30.06.2022 EUR	PCA 01.01.2021 - 30.06.2021 EUR
Continuing operations				
Revenue	11 660 109	10 024 960	1 010 076	742 279
Operating expenses	(12 369 759)	(10 739 331)	(827 022)	(404 625)
Gross profit	(709 650)	(714 371)	183 054	337 654
Selling expenses	(27 385)	(88 712)	(18 456)	(16 657)
Administrative expenses	(950 813)	(981 180)	(517 462)	(514 385)
Other operating income	200 766	277 710	13 679	1 052
Other operating expenses	(43 611)	(72 553)	(37 470)	(19 386)
Other interest and similar income	-	-	750 442	607 492
Other interest and similar expenses	(385 026)	(362 831)	(334 221)	(305 823)
Dividends received from subsidiaries	-	-	420 000	207 000
Investment property revaluation	-	(32 600)	-	-
Profit / (loss) before taxes from continuing operations	(1 915 719)	(1 974 537)	459 566	296 947
Corporate income tax for the reporting period	(53 146)	(2 417)	-	-
Profit / (loss) for the reporting period from continuing operations	(1 968 865)	(1 976 954)	459 566	296 947
Discontinued Operations				
Profit / (loss) from discontinued operations for the reporting period	-	-	-	-
Profit / (loss) for the reporting period	(1 968 865)	(1 976 954)	459 566	296 947

On behalf of the Board:

Edgars Mijūns
Chairman of the Board

Arnolds Romeiko
Member of the Board

Pēteris Guļāns
Member of the Board

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Statements of Financial Position as at 30 June 2022

	Group 30.06.2022 EUR	Group 31.12.2021 EUR	PCA 30.06.2022 EUR	PCA 31.12.2021 EUR
Assets				
Non-current assets				
Intangible assets	43 022	50 569	30 924	36 034
Goodwill	989 606	989 606	-	-
Fixed assets	15 564 339	16 889 461	90 393	90 495
Investment properties	114 003 397	106 955 184	718 000	718 000
Investments in subsidiaries	-	-	91 122 978	91 286 021
Loans to subsidiaries	-	-	28 677 188	22 854 072
Other loans and non-current trade receivables	317 999	-	-	-
Financial assets measured at fair value through profit and loss	59 945	59 945	-	-
Total non-current assets	130 978 308	124 944 765	120 639 483	114 984 622
Current assets				
Real estate held for sale	12 658 400	12 706 553	-	-
Non-finished products and orders	3 401 501	3 041 818	-	-
Trade receivables and contract assets	1 571 365	870 163	13 563	5 553
Receivables from related companies	-	22 689 498	3 509 797	25 359 910
Loans to subsidiaries	-	-	14 133 352	12 368 400
Loans to other companies	340 107	-	340 107	-
Other assets	2 494 414	1 791 182	76 355	133 453
Cash and cash equivalents	3 653 665	3 389 290	1 815 181	1 864 423
Total current assets	24 119 452	44 488 504	19 888 355	39 731 739
Long – term investments held for sale	-	608 743	-	340 811
Total assets	155 097 760	170 042 012	140 527 838	155 057 172
Equity and Liabilities				
Equity				
Share capital	135 186 885	135 186 885	135 186 885	135 186 885
Retained earnings / (uncovered loss) of previous periods	1 114 367	8 184 058	(6 826 552)	1 624 059
Profit / (loss) for the reporting period	(1 968 865)	(7 069 691)	459 566	(8 450 611)
Total equity	134 332 387	136 301 252	128 819 899	128 360 333
Long term liabilities				
Loans form credit institutions	3 066 404	3 050 804	-	-
Other loans from related companies	776 715	118 618	776 716	118 618
Trade payables	357 526	299 267	-	-
Other liabilities and contract liabilities	57 839	38 682	57 013	37 857
Total long-term liabilities	4 258 484	3 507 371	833 729	156 475
Short term liabilities				
Loans from credit institutions	194 624	385 623	-	-
Bonds issued	7 605 119	7 620 533	7 605 119	7 620 533
Other loans from related companies	-	15 126 184	-	15 126 184
Trade payables	2 735 917	1 732 725	22 060	22 621
Payables from related companies	3 000 000	3 500 000	3 008 472	3 500 010
Taxes	419 721	55 948	30 655	19 018
Other liabilities and contract liabilities	1 008 280	703 468	13 800	13 800
Accrued liabilities	1 543 228	1 103 569	194 104	238 198
Total short – term liabilities	16 506 889	30 228 050	10 874 210	26 540 364
Liabilities related to long-term investments held for sale	-	5 339	-	-
Total liabilities	20 765 373	33 740 760	11 707 939	26 696 839
Total liabilities and equity	155 097 760	170 042 012	140 527 838	155 057 172

On behalf of the Board:

Edgars Mijūns
 Chairman of the Board

Arnolds Romeiko
 Member of the Board

Pēteris Guļāns
 Member of the Board

31 August 2022

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Statements of Cash Flows for the six months period ended 30 June 2022

	Group 01.01.2022 - 30.06.2022 EUR	Group 01.01.2021 - 30.06.2021 EUR	PCA 01.01.2022 - 30.06.2022 EUR	PCA 01.01.2021 - 30.06.2021 EUR
Cash flows from operating activities				
Profit / (Loss) of the reporting period before tax from continuing operations	(1 915 719)	(1 974 537)	459 566	296 947
Adjustments for:				
Amortisation/depreciation of intangible/fixed assets	695 526	708 832	19 043	17 967
Interest income	-	-	(750 442)	(607 492)
Interest expense	385 026	362 831	334 221	305 823
Dividend income	-	-	(420 000)	(207 000)
Changes in accrued loan and coupon interest liabilities	(15 414)	36 630	(15 414)	36 630
Other items, that do not affect cash flow	(955 647)	959 309	(340 811)	36 074
(Gain) / loss on revaluation of investment property and real estate	-	32 600	-	-
Disposal of shares in related companies	299	-	19 566	-
Profit before changes in working capital	(1 805 929)	125 665	(694 271)	(121 051)
(Increase) / decrease in trade receivables	5 185 088	1 088 739	5 445 964	(16 113)
(Increase) / decrease in inventory	(170 272)	-	-	-
Increase / (decrease) in trade payables	1 688 852	712 181	(505 400)	(41 873)
Interest received	-	-	83 563	94 446
Interest expense	(392 991)	(295 356)	(392 991)	(268 054)
Corporate income tax	(57 361)	(2 707)	-	-
Cash flows from operating activities	4 447 387	1 628 522	3 936 865	(352 645)
Cash flows from investing activities				
Acquisition of investment property/ investment in construction	(5 985 071)	(6 488 539)	-	-
Purchase of fixed assets	(146 386)	(37 700)	(13 913)	(4 540)
Sale of fixed assets	13 854	777 818	-	-
Acquisition of shares in related companies	-	-	-	(1 995 000)
Share capital increase of subsidiaries	-	-	-	(2 500 000)
Share capital decrease of subsidiaries	-	-	1 737 800	1 568 125
Disposal of shares in other related companies	481 381	-	484 288	-
Dividends received	-	-	420 000	-
Loans issued	-	-	(9 863 533)	(6 961 394)
Income from loan repayment	340 107	-	1 935 359	3 686 000
Net cash flows from investing activities	(5 296 115)	(5 748 421)	(5 299 999)	(6 206 809)
Cash flows from financing activities				
Loans received	1 840 546	4 885 394	1 840 546	4 885 394
Expenses related to loan repayments	(727 443)	(742 131)	(526 654)	(540 000)
Net cash flows from financing activities	1 113 103	4 143 263	1 313 892	4 345 394
Increase / (decrease) in net cash during the reporting period	264 375	23 364	(49 242)	(2 214 060)
Cash at the beginning of the reporting period	3 389 290	6 254 519	1 864 423	4 562 020
Cash at the end of the reporting period	3 653 665	6 277 883	1 815 181	2 347 960

On behalf of the Board:

Edgars Mijūns
Chairman of the Board

Arnolds Romeiko
Member of the Board

Pēteris Guļāns
Member of the Board

31 August 2022

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Group Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2022

	Share capital EUR	Retained earnings/ (uncovered loss) of previous periods EUR	Profit / (loss) of the reporting period EUR	Total equity EUR
1 January 2021	135 186 885	8 184 058	-	143 370 943
Total comprehensive income				
Total comprehensive income for the reporting period	-	-	(7 069 691)	(7 069 691)
31 December 2021	135 186 885	8 184 058	(7 069 691)	136 301 252
1 January 2022	135 186 885	1 114 367	-	136 301 252
Total comprehensive income				
Total comprehensive income for the reporting period	-	-	(1 968 865)	(1 968 865)
30 June 2022	135 186 885	1 114 367	(1 968 865)	134 332 387

Company Statement of Changes to the Shareholders Equity for the six month period ended 30 June 2022

	Share capital EUR	Retained earnings/ (uncovered loss) of previous periods EUR	Profit / (loss) of the reporting period EUR	Total equity EUR
1 January 2021	135 186 885	1 624 059		136 810 944
Total comprehensive income				
Total comprehensive income for the reporting period	-	-	(8 450 611)	(8 450 611)
31 December 2021	135 186 885	1 624 059	(8 450 611)	128 360 333
1 January 2022	135 186 885	(6 826 552)	-	128 360 333
Total comprehensive income				
Total comprehensive income for the reporting period	-	-	459 566	459 566
30 June 2022	135 186 885	(6 826 552)	459 566	128 819 899

On behalf of the Board:

 Edgars Mijūns
 Chairman of the Board

 Arnolds Romeiko
 Member of the Board

 Pēteris Guļāns
 Member of the Board

31 August 2022

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Events after the reporting date

Changes to the Company's Articles of Association

On 20 July 2022, the Company's shareholders, taking into account the need to update the activities of the Company in accordance with the NACE classification according to the activities to be actually performed, decided to supplement the Company's Articles of Association by new activities - 78.30 Other human resources provision and 70.22 Business and other management consultancy activities. The amendments to the Company's Articles of Association were entered into the Register of Enterprises on 2 August 2022.

Refinancing of liabilities of the Company's subsidiary

On 27 July 2022, the Company's subsidiary NHC 4, SIA entered into a loan agreement with the Reģionālā investīciju banka, AS, registration No. 40003563375, for a loan of EUR 18 000 000. Date of the loan repayment is 24 July 2024. Annual interest rate - 4.75% + 3-month EURIBOR. The loan is secured by a pledge of real estate, logistics park A6, located at Maskavas iela 462, Riga. The loan received was used by NHC 4, SIA for partial refinancing of its liabilities, including to the Company.

Repayment of the reduced investment of ABLV Bank, AS in liquidation

On 18 August 2022, the Company, in accordance with the previously concluded agreement between the Company and ABLV Bank, AS in liquidation, carried out the repayment of the reduced investment of ABLV Bank, AS in liquidation in amount of EUR 3 000 000.

Early redemption of bonds issued by the Company (ISIN LV0000802312)

On 22 August 2022, the Company, in order to reduce the costs of financing raised by the Company, decided to redeem in full its issued bonds early on 22 September 2022 at a price of 100% of their nominal value, paying accrued and unpaid interest to investors up to the early redemption date, setting 15 September 2022 as the record date. On 23 August 2022, the Company notified the made decision to Nasdaq Riga, AS, registration number: 40003167049.

There have been no other events that occurred between the last day of the reporting period and the date of signing of these Group consolidated and separate financial statements of the Company that require adjustments to these financial statements.