

AS Pro Kapital Grupp

INTERIM REPORT 01.01. – 31.12.2012

PROKAPITAL



AS Pro Kapital Grupp

INTERIM REPORT 01.01. – 30.12.2012

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AS Pro Kapital Grupp in brief

Pro Kapital Grupp AS (the Company) is a leading Estonian real estate company with a focus on development, management and sale of modern large-scale retail and residential real estate in the capitals of Estonia, Latvia and Lithuania.

The Company also owns and manages three hotels in Tallinn, Riga and Bad Kreuznach, Germany.

Since its establishment in 1994, Pro Kapital has completed 20 development projects with ca 180 000 square meters of total saleable area.

Pro Kapital follows a conservative policy in financing the projects – a high proportion of equity and low leverage compared to the industry average enables the company to develop the most profitable sales.

The estimated value of the investments in Pro Kapital's current real estate portfolio is approximately 180 million euros: 64% residential developments, 24% commercial premises and 12% hotels. (Newsec, July 2012).

Key Figures and Main events, January 1 - December 31, 2012

- Total revenue was 16,1 million EUR, a decrease of 8% compared to the reference period.
- Net operating profit decreased by 52,5 mln EUR (-110%), totalling to loss of 4,7 mln EUR.
- Net operating result (exclusive of extraordinary income from sales of Kristiine shopping centre in the amount of 54,1 mln EUR in 2011) has decreased by 1,6 mln EUR (-24%) compared to the reference period (2012: - 4,6 mln EUR; 2011: - 6,2 mln EUR)
- Cash flow from operations was 2,4 mln EUR (2011: -19,4 mln EUR).
- Net assets per share totalled 1,24 EUR (2011: 1,35 EUR).
- Building licenses for Peterburi tee 2 shopping centre in Tallinn and Tallinn's Tondi residential quarter (10 buildings in total) obtained
- Projecting works for Peterburi tee shopping centre, Tondi residential quarter in Tallinn and Tallinnas residential quarter in Riga continued
- Change of hotel brand name to „PK Hotels“ implemented in August 2012
- The trading of Company's shares started on the secondary list of Tallinn Stock Exchange in November 2012, the public offering of the Company's new shares started in August 2012 had been cancelled later due to the lack of demand at acceptable price level
- In April 3 new independent members of supervisory Council were elected by the shareholders
- Ms. Ruta Juzulenaite was appointed in April as a new CFO of the Company

Key Financial Figures

	2012	2011
Revenue, th. EUR	16 078	17 449
Gross profit, th. EUR	3 328	1 042
Gross profit, %	20,7%	6,0%
Operating result, th. EUR	-4 613	47 858
Operating result, %	-28,7%	274,3%
Net result, th. EUR	-5 866	50 102
Net result, %	-36,5%	287,1%
	31.12.2012	31.12.2011
Total Assets, th. EUR	100 262	113 472
Total Liabilities, th. EUR	34 135	41 414
Total Equity, th. EUR	66 127	72 058
Debt/Equity	0,52	0,57
Return on Assets, %	-5,49%	35,7%
Return on Equity, %	-8,49%	75,1%
Earnings per share, EUR	-0,11	0,41
Net asset value/share, EUR	1,24	1,35

CEO Review

The year 2012 has been historically important for the Company with the start of the trading of its shares on the secondary list of Tallinn Stock exchange on November 23. This was a result of a long preparation work and has set the road for focusing to the launch of several large scale long-term projects. The general market situation in Baltic capitals continued moderate recovery throughout the year maintaining stable upward trend that creates a solid base of request for the new products both in residential and retail segment.

Development projects

Alongside with the preparations for the listing the Company worked in 2012 intensively on 3 new development projects, Peterburg road shopping centre, first part of second stage in Tondi Quarter in Tallinn and Tallinnas Residential Complex in Riga.

For Peterburi street shopping centre and 10 new buildings in Tondi Quarter the building licences were obtained. The Company further proceeded actively with the negotiations for the lease of the shopping centre premises having signed among others as mentioned in previous Interim Report the anchor tenant agreement with AS Selver. As well there were continued the works for obtaining the detail planning of Kalaranna residential development project.

The Company carried on preparation works for obtaining building license in Tallinnas Residential Complex in Riga and continued the works for obtaining the detail planning of Kliversala residential development project.

In Vilnius the Company continued the projecting of the second stage of the residential quarter "Saltiniu Namai" for obtaining the building license.

Sales and stock

Estonia

In Estonia, real estate market kept stable moderately upward trend in 2012, with both price levels and transaction volumes increasing at a steady pace. The Company's sellable inventory base has decreased, however, and it continued to sell its last available inventories in Tondi and Ilmarise quarters. Real estate and rent segments in Estonia have entered to a developmental part of the business circle, main focus and efforts being put to new developments in Tondi Quarter and Peterburi road shopping centre. The remained sellable stock by the end of 2012 consisted in total of 10 apartments, 8 office premises and several parking places. .

Hotel segment has continued its positive performance, showing gross operational profit growth of 25% due to decrease in operating costs in 2012 and plays significant part of operative cash flows. The occupancy rate of the hotel has been 71% in 2012 (2011: 73%).

Latvia

In Latvia, the Company is practically out of real estate stock and is focusing on office rent segment as well as development of Tallinna residential quarter project.

PK Hotel Riga is continuing its stable performance and accounts for 59% of overall Latvian segment revenue. The occupancy rate of the hotel has increased to 78% in 2012 (2011: 71%).

Lithuania

In Lithuania the Company is continuing with the sales of Saltiniu Namai residential complex. The remained sellable stock by the end of 2012 consisted in total of 46 units (apartments, cottages and commercial premises).

In addition, as mentioned before, the Company is working on planning the next developmental stage of the project.

Germany

Bad Kreuznach based PK Park Inn Hotel is undergoing cost restructuring in order to improve its overall operative performance, nevertheless showing positive net operation profit by the end of the year. The occupancy rate of the hotel has been 53% in 2012 (2011: 60%).

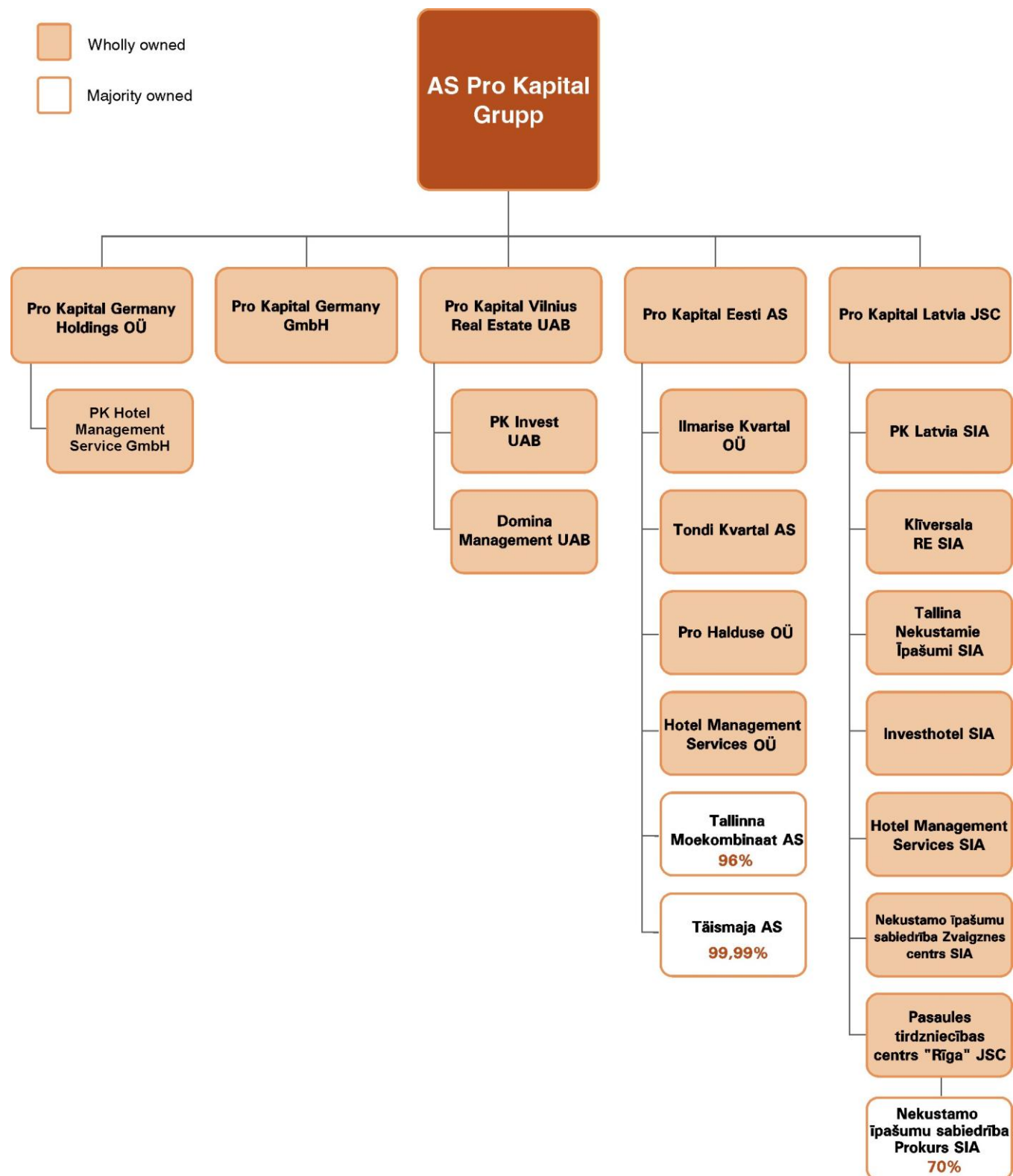
Within the first quarter of 2013 the Company is continuing its regular sales activities, development works for Tondi and Tallinas residential projects and negotiations with future tenants of Peterburi road shopping centre. The Company will continue to explore all relevant alternatives to finance its development pipeline, including minority co-investments into a specific projects, financing from corporate funds as well as debt financing.

Paolo Michelozzi
CEO
Pro Kapital Grupp AS

February 15, 2013

Group Structure

As of 31.12.2012



Overview of development projects

<u>Project name</u>	<u>Type</u>	<u>Location</u>	<u>Ownership</u>	<u>Planned Volume</u>	<u>Classification</u>
Peterburi road shopping centre	Retail	Tallinn	96%	GLA 55 000 m ²	Investment property
Ülemiste 5	Offices	Tallinn	100%	GLA 22 880 m ²	Investment property
Tondi Quarter	Residential	Tallinn	100%	NSA 83 462 m ² 71 280 m ² resid. 12 182 m ² comm.	Inventories
Kalaranna District	Residential	Tallinn	100%	NSA 33 013 m ² 27 600 m ² resid. 5 413 m ² comm.	Inventories
Tallinas Quarter	Residential	Riga	100%	NSA 18 845 m ² 17 650 m ² resid. 1 195 m ² comm.	Inventories
Kliversala District	Residential	Riga	100%	NSA 49 920 m ² 31 600 m ² resid. 7 920 m ² comm. 10 400 m ² hotel	Inventories
Zvaigznes Quarter	Residential	Riga	100%	NSA 17 949 m ² 11 277 m ² resid. 6 672 m ² comm.	Inventories
Šaltinių Namai	Residential	Vilnius	100%	NSA 22 086 m ² 20 343 m ² resid. 2 713 m ² comm.	Inventories

NSA – Net Sellable Area, GLA – Gross Leasable Area, resid.- residential, comm.- commercial

Status of the projects:

Peterburi road shopping centre	Building licence obtained
Ülemiste 5	Detail plan adopted. Project not started
Tondi Quarter	Building license for the 2nd stage obtained
Kalaranna District	Detail plan approval in process
Tallinas Quarter	Projecting works in process in order to apply for the building licence
Kliversala District	Detail plan approval in process
Zvaigznes Quarter	Building licence for reconstruction of the existing building issued
Šaltinių Namai	1st stage completed and on sale with an exception of two more buildings what have received the building licence. 2 nd stage is being projected in order to apply for the building licence

Segments and Key Performance Indicators

The Company's operations are spread across four geographical segments: Estonia, Latvia, Lithuania, and Germany. In addition, the Company monitors its activities amongst business lines of real estate (sales), rental activities, hotel operations, maintenance of real estate and other services.

Revenue structure, th. EUR, 01.01 – 31.12.2012

	EST 2012	EST 2011	LV 2012	LV 2011	LT 2012	LT 2011	GER 2012	GER 2011	TOTAL 2012	TOTAL 2011
Real Estate	823	1 142	105	470	6 419	3 317	-	-	7 347	4 929
Rent	79	2 975	870	729	72	47	-	-	1 021	3 751
Hotels	1 448	1 375	1 567	1 685	-	-	3 321	3 302	6 336	6 362
Maintenance	1 153	2 135	73	70	53	41	-	-	1 279	2 246
Other	58	65	35	95	2	1	-	-	95	161
TOTAL	3 561	7 692	2 650	3 049	6 546	3 406	3 321	3 302	16 078	17 449

The Company's operations in **Estonia** mainly consist of the development and sales of apartments in modern large scale residential real estate properties, development and lease of premises in retail and office properties, and management of cash flow generating retail, office and hotel properties.

The share of the Estonian segment as a percentage of total revenues of the Company during the reporting period amounted 22,1% compared to 44,1% of the comparable period last year, when major part of rental and maintenance revenue was produced by Kristiine Shopping Centre, that was sold in May 2011.

During reporting quarter, total of 5 flats, 7 parking lots and a land plot were sold and new lease agreements were signed. From the start of the reporting year, altogether 10 flats, 1 storage room, 11 parking lots and land plot have been sold. At the end of reporting period stock consisting of 10 apartments, 8 office premises, 63 parking lots was yet available for sale in Tallinn.

Tallinn's PK Ilmarine Hotel has shown outstanding results, increasing its gross profit margin by 25% due to decrease in operating costs.

New auditor was appointed to one of its Estonian daughter companies, AS Tallinna Moekombinaat, switching from local auditor to internationally attested AS Deloitte Audit Eesti.

The Company's operations in **Latvia** mainly consist of the development and sales of apartments in premium residential real estate properties, development and lease of office properties, and management of cash flow generating hotel properties.

The share of the Latvian segment as a percentage of total revenues of the Company during the reporting period amounted 16,5% compared to 17,5% of the comparable period last year.

In Latvia, the Company has continued leasing of its office premises. There are still 3 flats in stock in Latvia as for the end of reporting period. PK Riga Hotel has significantly improved its occupancy ratios and is keeping stable operating margin.

The Company'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 Company during the reporting period amounted 40,7% compared to 19,5% of the comparable period last year. The reason of such increase was a bulk sale of 27 flats and 13 parking places at the beginning of 2012.

In Lithuania 2 flats and 2 parking lots 3 underground storage rooms were sold during the reporting quarter. During the year, 33 flats and 19 parking lots were sold. There were still 46 and 103 parking lots in stock in Vilnius at the end of the reporting period.

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

The share of the German segment as a percentage of total revenues of the Company during the reporting period amounted 20,7% compared to 18,9% of the comparable period last year. The occupancy of PK Parkhotel Kurhaus hotel has dropped somewhat during the first half of the year due to undergoing restructuring and it has been showing trend of recovery since the second half of the year.

Sales of real estate consist of the development and sales of apartments in premium residential real estate properties in the Baltic capitals. Lease of commercial premises includes the development and lease of premises in retail and office properties in the Baltic capitals. Real estate management business line revenues are generated by the management of cash flow generating retail, office and hotel properties. Other operations mainly include provision of consulting or other services.

Other operative data, 01.01 - 31.12.2012

	EST 2012	EST 2011	LV 2012	LV 2011	LT 2012	LT 2011	GER 2012	GER 2011	TOTAL 2012	TOTAL 2011
M ² sold	435	979	60	309	2 822	1 641	-	-	3 317	2 929
Average price/m ² , EUR	1 593	1 534	1 759	1 523	2 188	2 238	-	-	2 102	1 927
M ² under maintenance management	52 241	50 363	15 013	15 013	10 172	6 711	-	-	77 426	72 087
Occupancy rate, hotels, %	71,07	73,1	78,34	70,5	-	-	52,8	59,8	66,1	66,1

Financing sources and policies

Pro Kapital Group pursues conservative financing policy, targeting for high ratio of equity in its projects, as compared to the industry standards. Company's goal is to use external financing in a manner 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 Company seeks to maintain such long term debt levels that are in reasonable proportion to growth in operations and which preserve Company's credit standing.

During 2012 the Company has repaid 3,2 mln EUR of its bank loans.

Bank loans are predominantly of middle- term duration, maturing within one to three years. Repayment schedule is floating in dependence on sales volumes.

The Company has signed credit line agreements of 3 mln EUR with Swedbank and 12 mln EUR with its shareholder Svalbork Invest OÜ, to enhance its working capital flexibility. The Company is furthermore negotiating possible debt financing of new developmental projects.

The Company has 4,2 mln EUR of bank loans to be repaid in 2013. 7,7 mln EUR of bank loans is repayable within 2- 5 years (2014- 2017). The latter repayment schedule is floating and dependend on sales volumes.

As of December 31, 2012 the Company had 11,3 mln EUR convertible bonds (current portion: 5,1 mln EUR; long term portion: 6,2 mln EUR).

Shares and shareholders

As of 31.12.2012 AS Pro Kapital Grupp has issued total 53 185 422 shares with the nominal value 0,2 euros. The registered share capital of the company is 10 637 084.40 EUR. General shareholder meeting, held on February 6, 2013, allowed the increase of share capital up to 5,32 mln EUR within coming three years.

By the shareholders decision of 13.04.2009 the share capital has been increased conditionally. By the 13.04.2012 shareholders decision the decision of the conditional share capital increase was amended and it was confirmed the share capital is increased conditionally by 805 151.60 EUR in connection with possible conversion of the issued convertible bonds to the shares of the Company.

Due to the start of listing on the secondary list of Tallinn Stock Exchange the Company signed in November the market making agreement with AB Bankas Finasta.

As of 31.12.2012 there are 57 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 as of 31.12.2012:

	Shareholders	Number of shares	Participation in %
1	Clearstream Banking Luxembourg S.A. Clients	11 823 668	22,23
2	Svalbork Invest OÜ	6 840 738	12,86
3	Eurofiduciaria S.R.L.	6 828 916	12,84
4	Sueno Latino AG	4 528 531	8,51
5	A.F.I. American Financial Investments Ltd.	4 362 835	8,20
6	Anndare Ltd.	3 335 582	6,27
7	UNICREDIT BANK AUSTRIA AG	3 178 201	5,98

Participation of Member of the Management Board and the Council Members as of 31.12.2012:

Name	Position	Number of shares	Participation in %	Number of convertible bonds
Paolo Vittorio Michelozzi	CEO	0	0,00	0
Allan Remmelkoor	COO	0	0,00	0
Emanuele Bozzone	Chairman of the Council	0	0,00	22 224
Sari Aitokallio	Council Member	0	0,00	0
Petri Olkinuora	Council Member	0	0,00	0
Pertti Huuskonen	Council Member	0	0,00	0
Giuseppe Prevosti	Council Member	4 447 597*	8,36	0
Renato Lorenzo Bullani	Council Member	133 000	0,25	0

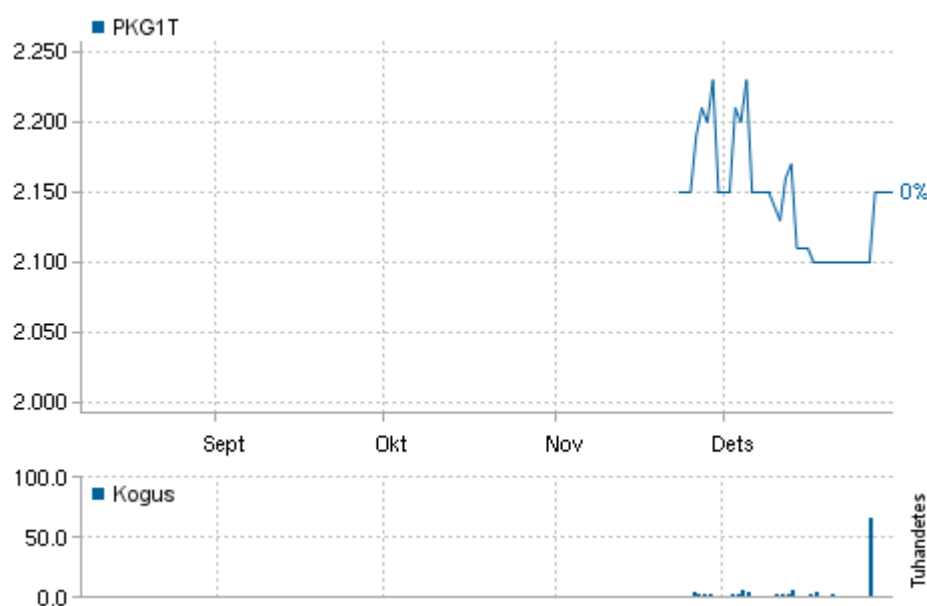
* participation directly and through (a) UNICREDIT BANK AUSTRIA AG nominees account, (b) Zunis S.A and (c) wife Donatella Grigioni

Earnings per share

Earnings per share have dropped in fourth quarter by 0,02 EUR TO -0,11 EUR/share for 2012. Last year's earnings per share for the same period have been at high of 0,41 EUR/share profitable sales of Kristiine shopping centre and disposal of its subsidiary in Latvia.

On November 23, 2012 the Company's shares started trading on the secondary list of Tallinn's stock exchange. The shares were trading at the price range of 2,010- 2,230 during the reporting quarter with the closing price of 2,15 EUR/share on 31 December, 2012. During the period, 107 th. of the Company shares were traded, with their turnover amounting to 0,23 mln EUR.

Trading price range and trading amounts of Pro Kapital Grupp shares, November 23-December 31, 2012



Legal overview and developments

As of December 31, 2012, the Company had 4 pending court cases and 2 court cases where the Company was involved as the third party.

Potentially the most significant legal dispute is held with Dutch resident Aprisco B.V., with possible negative outcome up to 1,4 mln EUR. The Company has followed conservative approach and provisioned the whole amount. Meanwhile, court mortgage claim has been executed on basement premises located at Narva mt. 13, their book value as of December 31, 2012 recorded at 40 th. EUR. More detailed information is presented in Note 13, Lawsuits.

The Company has appealed court's decision and expects more positive outcome than it is actually reflected in current financial statements.

People

At the end of 2012 the Company employed 127 people compared to 136 at the end of 2011. 77 of them were engaged in hotel and property maintenance services (84 at the end of 2011). The total remuneration cost incurred during 2012 was 1,97 mln EUR compared to 2,23 mln EUR 2011 (included one-time premiums in amount of 0,56 mln EUR for successful sale of Kristiine Shopping Centre).

Risks

Market risk and liquidity risk are of the most significant influence on the Company. While real estate market has demonstrated some significant fluctuations during last five years, due to its long- term orientation in business model the Company has successfully survived the turbulence. The Company is further pursuing long term strategic approach, enabling it to acquire properties for development when market is low and sell the developed properties at the peak of business circle, thus naturally capitalising on market opportunities and hedging market risk.

Liquidity risk is managed on ongoing basis, with increased focus on working capital dynamics and needs. Both careful roll-on basis cash planning, monitoring of development project cash flow and flexibility in everyday cash needs contribute to effective management of liquidity risk.

Asset risks are covered by effective insurance contracts.

Management Board's confirmation of the management report

The Management Board confirms that the management report presents a true and fair view of any significant event, development of business activities and financial position as well as includes a description of the main risks and doubts.

Paolo Michelozzi	Chief Executive Officer and Chairman of the Management Board	14. February 2013
Allan Remmelkoor	Chief Operating Officer and Member of the Management Board	14. February 2013

Consolidated statement of financial position

(Th. EUR)	Notes	31.12.2012	31.12.2011
ASSETS			
Current Assets			
Cash and cash equivalents		707	8 637
Current receivables		3 198	2 865
Inventories		48 191	53 186
Total Current Assets		52 096	64 688
Non-Current Assets			
Non-current receivables		164	152
Deferred tax assets		464	370
Property, plant and equipment	4	21 161	21 863
Investment property	5	26 089	26 111
Intangible assets		288	288
Total Non-Current Assets		48 166	48 784
TOTAL ASSETS		100 262	113 472

The accompanying notes are an integral part of these interim financial statements.

Consolidated statement of financial position

	Notes	31.12.2012	31.12.2011
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	6	11 692	14 002
Customer advances		652	838
Current payables		1 926	1 791
Taxes payable		102	95
Short-term provisions		2 035	1 091
Total Current Liabilities		16 407	17 817
Non-Current Liabilities			
Long-term debt	6	15 706	21 462
Other long-term liabilities		33	0
Deferred income tax liability		1 858	1 962
Long-term provisions		131	173
Total Non-Current Liabilities		17 728	23 597
TOTAL LIABILITIES		34 135	41 414
Equity attributable to equity holders of the parent			
TOTAL LIABILITIES AND EQUITY Share capital in nominal value		10 637	10 637
Revaluation reserve		11 313	11 330
Foreign currency differences		-1 130	-1 130
Retained earnings			
Accumulated profits		49 624	27 693
Profit (loss) for the period		-5 869	21 931
Total equity attributable to equity holders of the parent		64 575	70 461
Non-controlling interest		1 552	1 597
TOTAL EQUITY		66 127	72 058
		100 262	113 472

The accompanying notes are an integral part of these interim financial statements.

Statement of comprehensive income

(Th. EUR)	Notes	2012	2011	2012 Q4	2011 Q4
Operating income					
Revenue	3,7	16 078	17 449	2 877	3 633
Cost of goods sold	8	-12 750	-16 407	-2 364	-6 903
Gross profit		3 328	1 042	513	-3 270
Marketing expenses		-531	-352	-82	-17
Administrative expenses	9	-5 403	-5 237	-1 139	-465
Other income		411	54 280	245	83
Other expenses		-2 418	-1 875	-610	-1 172
Operating profit (loss)		-4 613	47 858	-1 073	-4 841
Financial income	10	48	4 770	26	415
Financial expense	10	-1 465	-2 877	-366	-180
Profit (loss) before income tax		-6 030	49 751	-1 413	-4 606
Income tax	3	-32	351	65	334
Deferred tax	3	196	0	123	0
Net profit (loss) for the period		-5 866	50 102	-1 225	-4 272
Net profit (loss) attributable to:					
Equity holders of the parent		-5 869	21 931	-1 224	-4 257
Non-controlling interest	3	3	28 171	-1	-15
Other comprehensive income (loss), net of income tax					
Comprehensive income (loss) for the period		-5 866	50 102	-1 225	-4 272
Equity holders of the parent		- 5 869	21 931	-1 224	-4 257
Non-controlling interest		3	28 171	-1	-15
Earnings per share (EUR)	11	(0,11)	0,41	(0,02)	(0,08)
Diluted earnings per share (EUR)	11	(0,11)	0,41	(0,02)	(0,08)

The accompanying notes are an integral part of these interim financial statements.

Statement of cash flows

(Th. EUR)	Notes	2012	2011
Profit (loss) for the period		-5 866	50 102
Adjustments:			
Depreciation charge for the period	3,4	811	572
Amortisation charge for the period		8	19
Loss from change in fair value of investment property	5	1 025	331
Profit from sale of investment property		-2	-54 057
Loss from sale of property, plant and equipment		2	0
Interest income	10	-28	-1 514
Profit from sales of ownership in subsidiaries		0	-2 736
Interest expenses	10	1 433	3 097
Non-monetary transactions		-175	-1 081
Change in:			
Current receivables		-333	6 697
Inventories		4 995	5 550
Customer advances		-186	-514
Current payables		135	-1 857
Taxes payable		7	-83
Short-term provisions		944	-3 093
Other long-term liabilities		33	0
Deferred income tax liability		-104	1 543
Long-term provisions		-42	7
Other changes		-252	-22 377
Cash used in operating activities		2 405	-19 394
Additions to fixed assets	4	-73	-40
Additions to investment property	5	-1 025	-332
Proceeds from sale of investment property		25	104 997
Proceeds from sale of tangible assets		3	0
Proceeds from sale of subsidiaries		0	6 323
Acquisition of subsidiaries		-9	-22 825
Interests collected		28	7 641
Cash from (used in) investing activities		-1 051	95 764
Proceeds from convertible bonds		0	1 905
Proceeds from loans / debt		566	2 843
Repayment of loans / debt		-8 417	-70 578
Interests paid		-1 433	-3 097
Cash used in financing activities		-9 284	-68 927
Net change in cash and cash equivalents		-7 930	7 443
Opening balance		8 637	1 194
Closing balance		707	8 637

The accompanying notes are an integral part of these interim financial statements.

Statement of changes in equity

(Th. EUR)	Share capital in nominal value	Share premium	Statutory legal reserve	Revaluation reserve	Foreign currency differences	Retained earnings		Profit (loss) for the financial period	Total equity attribut able to equity holders of the parent	Non- controlling interest	Total equity
						Accumulated profits (losses)	Accumulated profits (losses) separated				
NBV 01.01.2010	33 992	45 089	2 938	0	-1 373	111 925	-142 761	-3 455	46 355	29 390	75 745
Transfer to retained earnings	0	0	0	0	0	-3 455	0	-3 455	0	0	0
Profit (loss) for the financial period	0	0	0	0	0	0	0	-7 413	-7 413	393	-7 020
Change in interest in subsidiaries	0	0	0	0	0	-2 097	0	0	-2 097	- 113	- 2 210
Foreign currency differences	0	0	0	0	-9	0	0	0	-9	0	-9
NBV 31.12.2010	33 992	45 089	2 938	0	-1 382	106 373	-142 761	-7 413	36 836	29 670	66 506
Transfer to retained earnings	0	0	0	0	0	-7 413	0	7 413	0	0	0
Decrease in share capital	-23 355	-45 089	-2 938	0	0	71 382	0	0	0	0	0
Impact of separation	0	0	0	0	0	-142 761	142 761	0	0	0	0
Appropriation to revaluation reserve	0	0	0	11 330	0	0	0	0	11 330		11 330
Profit (loss) for the financial period	0	0	0	0	0	0	0	21 931	21 931	28 171	50 102
Change in interest in subsidiaries	0	0	0	0	0	112	0	0	112	-56 244	-56 132
Foreign currency differences	0	0	0	0	252	0	0	0	252	0	252
NBV 31.12.2011	10 637	0	0	11 330	-1 130	27 693	0	21 931	70461	1597	72 058
Transfer to retained earnings	0	0	0	0	0	21 931	0	-21 931	0	0	0
Profit (loss) for the financial period	0	0	0	0	0	0	0	-5 869	-5 869	3	-5 866
Change in interest in subsidiaries	0	0	0	0	0	0	0	0	0	-48	-48
Foreign currency differences	0	0	0	-17 11	0	0	0	0	-17	0	-17
NBV 31.12.2012	10 637	0	0	313	-1 130	49 624	0	-5 869	64 592	1552	66 127

Note 1. General information

AS Pro Kapital Grupp (hereinafter also referred to as “the Ultimate Parent Company”) is a holding company incorporated and operating in the Republic of Estonia. The main shareholders of the Ultimate Parent Entity are the following:

Shareholder	Country of incorporation	Share of ownership 31.12.2012	Share of ownership 31.12.2011
Clearstream Banking Luxembourg S.A.	Luxembourg	22,23%	0,00%
Svalbork Invest OÜ	Estonia	12,86%	12,86%
Eurofiduciaria S.r.l.	Italy	12,84%	11,98%
Sueno Latino AG	Liechtenstein	8,51%	8,51%
A.F.I. American Financial Investments Ltd.	Liechtenstein	8,20%	9,57%
Anndare Ltd.	Ireland	6,27%	41,69%

For the purpose of comparative financial figures of these interim financial statements as at 31 December 2012, AS Pro Kapital Grupp (hereinafter also referred to as “PKG”) is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and Germany (Pro Kapital Germany GmbH) (hereinafter also referred to as „the Group“) and whose main fields of activity are to coordinate and control the development and implementation of the subsidiaries’ business strategies, to administrate the Group’s financial management, business reporting, and to forward information to investors.

For the comparative period of twelve months of 2012, these interim financial statements represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Ultimate Parent Company and its subsidiaries (hereinafter also referred together to as “the Group”).

Note 2. Basis of preparation of interim financial statements

Basis of preparation

In 2011, PKG disposed its operations in Ukraine and Russia:

- By 14 September 2011 liquidation of subsidiary of the Ultimate Parent Company, Pro Kapital Ukraine 3AT was finished. In regard of this, the business activity of the Group ended in Ukraine.
- On 28 November 2011 the Ultimate Parent Company sold 100% of Pro Kapital Rus OOO shares at the price of 10 thousand Russian roubles (292 EUR). Profit from sale of ownership amounted to 6 589 th. EUR. In regard of this, business activity of the Group ended in Russia.

In connection with the offering of PKG shares and in order to present an economic and consistent view of the Group business as a whole, historical financial statements for the period 1 January – 31 December 2011 have been prepared based on the financial statements historically included in the consolidated financial statements of AS Pro Kapital Grupp and excluding financial effect arising from sold entities, Pro Kapital Ukraine 3AT and Pro Kapital Rus OOO.

These comparative financial statements for the period 1 January – 31 December 2011 are not necessarily indicative of the consolidated financial statements that would have been prepared if the subsidiaries in Ukraine and Russia had been disposed at an earlier date than the actual. They provide an indicative view of the Group businesses' historical operations within AS Pro Kapital Grupp.

These interim financial statements ("financial statements") have been prepared in accordance with IFRS as adopted in the European Union, with the exception of the following Principles :

IAS 27 requires that a group consolidates its operations as if it was a single entity. Group's operations are defined through existence of control that the parent company exercises over other entities (subsidiaries), i.e. the parent company has the power to govern, directly or indirectly, the financial and operating policies of other entities so as to obtain benefits from its activities. The comparative financial statements for the twelve-month period ended 31 December 2011, have been compiled in line with the existence of control over entities as of 31 December 2011 and in accordance with consolidation principles as stated in IFRS standards.

Consequently, the comparative financial information provided does not reflect factual legal structure nor presence of control over other entities by the Group as at 31 December 2011. The purpose for such presentation is providing sufficiently comparable historical information about the operations of the group entities retained after the disposal of Ukraine and Russian operations on the twelve months of 2011.

This results in deviation from IFRS 5 principles for reporting on discontinuing operations, as after applying the IAS 27 deviation described above has lost its relevance for the context purposes.

Judgements, estimates and assumptions used in compiling interim financial statements do not differ from those used and stated in last Annual Report (for the year 2011).

Note 3. Segment reporting

(Th. EUR)	Estonia	Latvia	Lithuania	Germany	Total
2012					
Revenue	3 561	2 650	6 546	3 321	16 078
Other operating income	226	41	19	125	411
Segment operating profit (loss)	-4 375	-999	786	-25	-4 613
Financial income and expense (net)	-544	-177	-568	-128	-1 417
Profit (loss) before income tax	-4 919	-1 176	218	-153	-6 030
Income tax	0	91	10	63	164
Non-controlling interest	7	-10	0	0	-3
Net profit (loss) for the financial year attributable to equity holders of the parent	-4 912	-1 095	228	-90	-5 869
31.12.2012					
Assets	51 085	25 926	14 427	8 824	100 262
Liabilities	21 621	5 772	5 526	1 216	34 135
Acquisition of non-current assets	54	12	3	4	73
Depreciation and amortisation	-157	-255	-25	-374	-811
2011					
Revenue	7 692	3 049	3 406	3 302	17 449
Other operating income	54 087	92	0	101	54 280
Segment operating profit (loss)	51 906	-4 021	-90	63	47 858
Financial income and expense (net)	-200	2 953	-827	-33	1 893
Profit (loss) before income tax	51 706	-1 068	-917	30	49 751
Income tax	0	331	24	0	351
Non-controlling interest	28 125	46	0	0	28 171
Net profit for the financial year attributable to equity holders of the parent	23 581	-787	-893	30	21 931
31.12.2011					
Assets	59 413	26 544	18 403	9 112	113 472
Liabilities	25 919	6 047	8 050	1 398	41 414
Acquisition of non-current assets	812	9	1	0	822
Depreciation and amortisation	-99	-132	-10	-60	-301

During nine months of 2012, Pro Kapital Lithuanian segment sold 4 535 th. EUR worth real estate properties (both residential, commercial and parking lots) to UAB Colosseum Real Estate Vilnius, which is a related party, in a bulk deal. Related party information is further disclosed in Note 12.

Note 4. Property, plant and equipment

As of 31 December 2011 Group's land and buildings was valued into their fair value based on the valuation of independent expert. The valuation, which conforms to International Valuation Standards, was performed by independent real estate appraiser SIA Newsec Valuation LV and was determined by reference to discounted cash flow method. Current market conditions (at the moment the valuation was performed) were used as assumptions for the valuations performed.

Based on independent appraiser's valuation, following fair value adjustments were performed as of 31 December 2011 (th. EUR):

	Carrying amount 31.12.2011	Fair value 31.12.2011	Fair value 31.12.2012
Pulkvieza Brieza 11, Riga	1 795	6 070	5 880
Põhja pst. 21, 21a, 21b-1, Tallinn	3 602	6 100	5 975
Põhja pst.21c, Tallinn	198	268	255

Revaluation reserve (accounted for under equity) was formed to account for revaluation differences.

Independent real estate appraiser Newsec Valuations EE has carried out property valuations on January, 2013. However, as the values determined by independent appraiser have not been significantly (over 3% different) from the balance sheet value of properties, no upward fair value adjustment has been deemed necessary by the Company's management.

(Th. EUR)	Land and buildings	Machinery and equipment	Other tangible assets	Prepay- ments	Total
Cost 01.01.2011	13 731	1 315	2 194	0	17 240
Additions:					
Acquired	0	12	27	0	39
Acquired in business combination	0	0	399	0	399
Disposals:					
Sold	0	-6	-3	0	-9
Written off	0	-9	-224	0	-233
Application of revaluation model:					
Fair value gain	12 878	0	0	0	12 878
Reversal of accumulated depreciation	-1 955	0	0	0	-1 955
Other changes:					
Reclassified to/from inventories	-2 807	0	0	0	-2 807
Reclassified to/from investment property	0	0	-14	0	-14
Foreign currency differences	57	15	15	0	87
Cost 31.12.2011	21 904	1 327	2 394	0	25 625
Additions:					
Acquired	0	19	51	3	73
Disposals:					
Sold	0	-17	0	0	-17
Written off	0	-43	-73	-3	-119

Other changes:

Reclassification to inventories	0	0	45	0	45
Reclassification	0	-65	65	0	0
Cost 31.12.2012	21 904	1 221	2 482	0	25 607

Accumulated depreciation 01.01.2011	2 446	673	2 072	5 191
Additions:				
Depreciation charge for the period	415	109	53	577
Acquired in business combination	0	0	235	235
Application of revaluation model:				
Reversal of accumulated depreciation	-1 955	0	0	-1 955
Disposals:				
Sold	0	-2	-4	-6
Written off	0	-9	-209	-218
Other changes:				
Reclassified				
Reclassified to/from inventories	-100	0	0	-100
Reclassified to/from investment property	0	0	-9	-9
Foreign currency differences	29	8	10	47
Accumulated depreciation 31.12.2011	835	779	2 148	3 762
Additions:				
Depreciation charge for the period	620	150	41	811
Disposals:				
Sold		-12		-12
Written off		-42	-73	-115
Other changes:				
Reclassified		-57	57	0
Accumulated depreciation 31.12.2012	1 455	818	2 173	4 446

Note 5. Investment property

(Th. EUR)	31.12.2012	31.12.2011
Investment property held for increase in value	26 001	26 023
Investment property held for earning rentals	88	88
Total	26 089	26 111

	Investment property held for increase in value	Investment property held for earning rentals	Total
NBV 01.01.2011	26 132	468	26 600
Additions:			
Acquired	332	0	332
Disposals:			
Written off	-110	-380	-490
Changes in fair value:			
Gain/loss from change in fair value	-331	0	-331
NBV 31.12.2011	26 023	88	26 111
Additions:			
Acquired	1 025	0	1 025
Disposals:			
Written off	-22	0	-22
Changes in fair value:			
Gain/loss from change in fair value	-1 025	0	-1 025
NBV 31.12.2012	26 001	88	26 089

As of 31 December 2011 assessing the fair value of investment property the management of the Group was based on valuation reports of independent real estate appraisers. The valuation, which confirms to International Valuation Standards, was in majority determined by reference to recent market transactions and arms' length term. In few instances where appropriate also discounted cash flow method was used in determination of fair value of Group's investment property.

On January 2013 Group's investment properties were upraised by independent real estate expert Newsec Valuations EE. The appraiser determined no significant changes in the value of investment properties, consequently, the management of Group decided to state the value of investment properties unchanged since 31 December 2012.

Fair value adjustment of 1 025 th. EUR comes from change in methodology.

The rental income and the corresponding direct expenses from the described investment property were the following:

(Th. EUR)	2012	2011
Rental income	35	12
Direct operating costs:		
Maintenance	72	81

Note 6. Loans

(Th. EUR)	31.12.2012	31.12.2011
Current debt, financial institutions	4 237	4 402
Non-current debt, financial institutions	7 695	10 190
Non- current debt, related parties	4 153	9 600
Convertible debt	11 272	11 272
Total	27 357	35 464

Creditor	31.12.2012	31.12.2011	CCY	Interest %
Swedbank AS (EE)	1 731	2 141	EUR	2% + 6m Euribor
Swedbank AS (EE)	605	605	EUR	2,5% + 6m Euribor
Swedbank AS (EE)	566	0	EUR	1,95%+ 6m Euribor
AS Swedbank (LV)	4 284	4 623	EUR	3,0% + 3m Euribor
"Swedbank" AB (LT)	4 736	7 200	EUR	2,4% + 6m Euribor
Volksbank Bad Kreusnach	10	23	EUR	5,1%
Svalbork Invest, related party	4 153	9 600	EUR	5,0%
Convertible debt- various shareholders	11 272	11 272	EUR	7%
Total	27 357	35 464		

(Th. EUR)	31.12.2012	31.12.2011
Due within 1 year	13 500	25 274
Due between 2 to 5 years	13 857	10 190
Due after 5 years	0	0
Total	27 357	35 464

(Th. EUR)		Carrying value of the pledged assets	
Beneficiary	Collateral description	31.12.2012	31.12.2011
Swedbank AS (Estonia)	Kalaranna 1, Tallinn	4 927	4 927
Swedbank AS (Estonia)	Ülemiste Road 5, Tallinn	1 700	1 700
Swedbank AS (Estonia)	Seebi 24a/ Tondi 53b, Tondi 49a, 51d, 51f, 53, 53a, 53c, 55b, 57, Tammsaare Road 56/58, Tallinn	8 425	8 410
Swedbank AS (Estonia)	Põhja Avenue. 23, Jahu 1, Tallinn	1 084	1 205
Swedbank AS (Estonia)	Peterburi Road 2, Tallinn	24 300	24 300
Swedbank AS (Estonia)	Tondi 51, Tallinn	1 781	1 781
Swedbank AS (Estonia)	Põhja Avenue 21a, 21b, 21 (703/6962), Tallinn	5 975	6 037
AS Swedbanka (Latvia)	Pulkveza Brieza St. 11, Riga	5 880	6 070
AS Swedbanka (Latvia)	Trijadibas St.5, Riga	8 869	8 869
Swedbank AB (Lithuania)	Aguonu str.10, Vilnius	11 900	17 772
Total		74 841	81 071

As of 31 December 2012, obligations connected to collaterals of Kalaranna 1, Ülemiste Road 5, Seebi 24a/ Tondi 53b, Tondi 49a, 51d, 51f, 53, 53a, 53c, 55b, 57, Tammsaare Road 56/58 and Peterburi Road 2 (all of the properties located in Tallinn) have been fully repaid.

In addition to guarantee letters related to loans of the Group, AS Pro Kapital Grupp has issued guarantee letters as follows:

- To Hotel Blijdorp B.V. to assure the rental liabilities to Serval S.r.l. related to the hotel, located in Rotterdam, rental agreement concluded between Serval S.r.l. and Hotel Blijdorp B.V. The guarantee letter is only to assure the rental payments in amount up to 2 300 Th. EUR (31 December 2012);
- To AS Swedbank (Latvia) to assure the potential liability of Klīversala RE SIA, an entity belonging to Pro Kapital Latvia subsidiary group, in the amount of 8 002 Th. EUR (5 681 334 LVL), as AS Swedbank (Latvia) has issued a guarantee letter in the same amount to VAS „Privatizācijas aģentūra” to assure the investment liabilities related to contract concluded between Klīversala RE SIA and VAS „Privatizācijas aģentūra” (31 December 2012).
- To Swedbank AS (Latvia) to assure loan liabilities of SIA Investhotel in the amount of 4 284 th. EUR as of 31 December 2012.
- Guarantee letter to Kristiine Keskus OÜ to secure (jointly with Pro Kapital Eesti AS) possible claims against Täismaja AS arising from a loan contract concluded between Pro Kapital Eesti and Täismaja AS on 9 March 2004. The guarantee letter is limited to maximum amount of potential claim. The guarantee is effective for 72 months from concluding sales- purchase agreement, i.e. until 2 May 2017.
- As AS Swedbank (Estonia) to assure loan liabilities of AS Tondi Kvartal that amounted to 605 th. EUR as of 31 December 2012
- To Swedbank AB (Lithuania) to assure loan liabilities of UAB PK Invest in the amount of 4 736 th. EUR as of 31 December 2012.

Note 7. Revenue

(Th. EUR)	2012	2011	2012 Q4	2011 Q4
Revenue from sales of real estate	7 347	4 929	679	1 657
Rental revenue	1 021	3 751	270	137
Hotel operating revenue	6 336	6 362	1 833	1 839
Other services	1 374	2 407	95	0
Total	16 078	17 449	2 877	3 633

Note 8. Cost of goods sold

(Th. EUR)	2012	2011	2012 Q4	2011 Q4
Cost of real estate sold	6 059	7 701	705	4 765
Cost of providing rental services	858	1 809	138	518
Cost of hotel operations	3 568	3 731	821	751
Cost of other services	2 265	3 166	700	869
Total	12 750	16 407	2 364	6 903

(Th. EUR)	2012	2011	2012 Q4	2011 Q4
Staff costs	1 329	1 859	380	685
Depreciation charge	379	512	-149*	225
Impairment of tangible and intangible assets	66	1 116	66	1 095
Inventory write-offs	0	13	0	3
Maintenance costs	2 379	3 454	665	386
Other	8 597	9 453	1 402	4 509
Total	12 750	16 407	2 364	6 903

- Recalculation of depreciation due to change to fair value method for tangible assets

Note 9. Administrative expenses

Administrative expenses (Th. EUR)	2012	2011	2012 Q4	2011 Q4
Staff costs	2 354	2 600	535	282
Depreciation charge	433	276	108	22
Amortisation charge	8	8	6	3
Other	2 608	2 353	490	158
Total	5 403	5 237	1 139	465

Note 10. Financial income and expenses

Financial income (Th. EUR)	2012	2011	2012 Q4	2011 Q4
Interest income	28	1 986	6	408
Income arising from transactions with participations in subsidiaries	0	2 750	0	0
Gain from foreign currency translation	1	28	1	1
Other financial income	19	6	19	6
Total	48	4 770	26	415

Financial expenses (Th. EUR)	2012	2011	2012 Q4	2011 Q4
Interest expenses	1 433	2 770	358	156
Foreign currency loss	15	29	4	13
Other financial expenses	17	78	4	11
Total	1 465	2 877	366	180

Note 11. 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:

In period 01.01.2012 - 31.12.2012 $(53\,185\,422 \times 9/9) = 53\,185\,422$

In period 01.01.2011 - 31.12.2011 $(53\,185\,422 \times 9/9) = 53\,185\,422$

Indicative earnings per share (in EUR):

01.01- 31.12.2012 $(5\,869\,000)/53\,185\,422 = (0,11)$

01.01- 31.12.2011 $21\,931\,000/53\,185\,422 = 0,41$

Indicative changes in earnings per share during 01.07.2012- 30.09.2012

01.10- 31.12.2012 $(1\,224\,000)/53\,185\,422 = (0,02)$

01.10- 31.12.2011 $(4\,257\,000)/53\,185\,422 = (0,08)$

The convertible bonds issued did not have a dilutive effect on earnings in 2012 and 2011, therefore they have not been included in the calculation of the diluted net gain (loss) per share and the diluted gain (loss) per share equals the net gain (loss) per share indicator.

On the general meeting of shareholders held on February 6, 2013 it has been decided that the Company can increase its share capital up to 5,32 mln EUR in coming three years. For the date of preparation of interim report, the Company has not passed decision to issue new shares.

Note 12. Transactions with related parties

Transactions with related parties are considered to be transactions between the entities within the consolidated Group, its shareholders, the members of the Supervisory Council and the Management Board, their families and the companies in which they hold majority interest or have significant influence.

Transactions with related parties

(Th. EUR)	2012	2011	2012 Q4	2011 Q4
Significant owners and owner related companies				
Goods and services sold	4 703	458	57	239
Goods and services purchased	22	87	0	25
Interest income earned	16	1 662	2	626
Received interest (-)	0	0	0	0
Issued loans	475	478	0	0
Granted claims	19 927	23 412	0	0
Acquisition of shares in subsidiaries	0	9	0	0
Issued convertible bonds	0	3 062	0	0
Salaries and bonuses paid to management	851	1 155	157	185

Receivables from related parties

(Th. EUR)	31.12.2012	31.12.2011
Significant owners and owner related companies		
Current receivables from related parties	492	516
Total	492	516

Payables to related parties

(Th. EUR)	31.12.2012	31.12.2011
Significant owners and owner related companies		
Payables to related parties	4 153	9 520
Total	4 153	9 520

Holdings in the Ultimate Parent Company

	31.12.2012	31.12.2011
Members of the Council and individuals related to them	8,36%	8,61%

Furthermore, 22 224 pieces of convertible bonds are held by the members of the council.

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

No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties. The Group has been provided loans to related parties at rates comparable to the average commercial rate of interest. The loans to related parties are unsecured.

Note 13. Lawsuits

Ultimate parent company

As of 31.12.2012 the AS Pro Kapital Grupp had two pending court cases.

On 27.05.2010 Aprisco B.V filed a case to Rotterdam court against AS Pro Kapital Grupp related to the guarantee letter with what AS Pro Kapital Grupp assures the rental liabilities of the Serval S.r.l (former Domina Hotel Group Spa, a former group company) arising from the rental agreement of the Rotterdam hotel, concluded on 04.08.2006 between Serval S.r.l and Hotel Blijdorp B.V.

In 2007 Aprisco B.V acquired the hotel that was managed by subsidiary of Serval S.r.l and the rental agreement with Serval S.r.l was transferred to Aprisco B.V. Serval S.r.l has not fulfilled the rental obligations to Aprisco B.V, therefore Aprisco B.V claims the payments according to the guarantee letter from AS Pro Kapital Grupp.

Aprisco has filed alternative claims to the court. Firstly, Aprisco B.V claims the payment of caused loss in the amount of 2 300 thousand euros or in the amount stated by the court. As an alternative claim, Aprisco B.V claims overdue rental payments in the amount of 904 thousand euros with accumulated interest for default or in the amount of 504 thousand euros with accumulated interest for default. On 31.08.2011 Aprisco B.V changed its claim and claims the payment of caused loss in the amount of 2 300 thousand euros with accumulated interest for default, or in the amount stated by the court. As an alternative claim, Aprisco B.V claims overdue rental payments in the amount of 1 776 thousand euros and accumulated interest for default or in the amount of 1 409 thousand euros and accumulated interest for default.

On 04.07.2012 Rotterdam City Court made a decision and awarded Aprisco B.V claim in the amount of 1 409 265,2 EUR to be paid, the sum to be increased by default interest.

The Management Board of AS Pro Kapital Grupp does not agree with the court decision. The Management Board of AS Pro Kapital Grupp does not recognize the claim. AS Pro Kapital Grupp has appealed the decision on 11.09.2012. As of 31.12.2012 the appeal is pending.

Nevertheless, to keep in line with the Company's conservative policies, the provision has been formed for the maximum amount of the claim 1 409 thousand euros as of 30.06.2012 so the potential negative outcome of the dispute shall not have a significant impact on AS Pro Kapital Grupp income statement.

On 06.08.2012 Aprisco B.V has filed the application to the Harju County Court for the recognition and enforcement of the Rotterdam City Court decision of 04.07.2012. AS Pro Kapital Grupp rejects the application of Aprisco B.V. as the Rotterdam City Court decision of 04.07.2012 has been appealed and the decision is not in force and final, thus can't be deemed enforceable in Republic of Estonia in the opinion of AS Pro Kapital Grupp. On 17.01.2013 Harju County court decided to suspend the proceeding until the Rotterdam City Court decision is final. Aprisco B.V. has appealed the Harju County court decision of suspending the proceedings. Currently the appeal is pending.

Aprisco B.V also applied for the court mortgage to be set on AS Pro Kapital Grupp real-estate assets located at Narva road 13a to secure their claim arising from the Rotterdam City Court decision of 04.07.2012. On 27.08.2012 Harju County Court made the ruling in regards to the application to secure the claim of Aprisco B.V. The court set the court mortgage in total of 807 514,56 euros on Narva road 13a real-estate properties belonging to AS Pro Kapital Grupp.

Pro Kapital Estonia sub-group

As of 31.12.2012 the parent company of Pro Kapital Estonia sub-group and its subsidiaries did not have any court cases. AS Täismaja is involved in one law suit as a third party.

Pro Kapital Latvia sub-group

As of 31.12.2012 the Pro Kapital Latvia sub-group had one pending court case and one court case in which the sub-group subsidiary is involved as third party.

During August – October 2007 the Tax Board audited the VAT accounting of Pro Kapital Latvia PJSC for the period from January 2005 to December 2006. As a result the Tax Board found that the company's loss should be 60 thousand Latvian latts smaller (approx. 86 thousand euros). The Company disputed the decision. The trial court left the claim unsatisfied. The company appealed, but on 28.09.2012 the Administrative Regional Court decided to reject the claim. The Company has submitted the cassation to the Supreme Court. Case is pending.

Italian citizen Mr. Antonio Sugaroni Ziemelu has started litigation against maintenance company (not belonging to Pro Kapital group of companies) claiming personal damages in amount of LVL 4'945,09 on the basis that he was walking through the street near the building at Pulkveza Brieza 11, Riga and was injured by the snow and ice falling from the roof of the building. Group company LLC Hotel Management Services is involved in the proceeding as third party (not defendant).

Pro Kapital Vilnius sub-group

As of 31.12.2012 the entities of Pro Kapital Vilnius sub-group have two pending court cases.

UAB "Natalex" has filed a claim in the amount of 166 thousand Lithuanian litas (approx. 48 thousand euros), plus interest 6% for return of the prepayment under an apartment sale contract. Group company PK Invest UAB found that UAB "Natalex" had breached the contract and the prepayment has been set-off with the penalty against UAB "Natalex". In April 2012 the court rejected UAB "Natalex" claim. UAB "Natalex" has appealed court decision.

In February 2012, UAB "Gatvių statyba" submitted the claim to the Vilnius district court requesting for LTL 197 thousand Lithuanian litas (approx. 57 thousand euros), plus 8,06 % interest, for the performed works in Saltiniu Namai. Group company PK INVEST UAB did not agree with the claim because the works were performed unduly and the deficiencies were recorded by the parties in writing.

In 2012 PK Invest has won the appeal court case against "Apskaitos ir Mokesčiu sistemas" and will keep the deposit of LTL 59'990,35 and litigation cost of LTL 7000 will be covered to PK Invest.

PK Hotel Management Services GmbH

As of 31.12.2012 PK Hotel Management Services GmbH (former Domina Tourismus GmbH) did not have any legal disputes.

During the reporting period it had 5 pending labor court cases, 4 of which are new cases due to the termination of the cleaning department of the hotel.

During the reporting period the Company won 4 labor court cases initiated by the former employees of the cleaning department and the conclusion of the court was that the termination of the employment contracts in those cases was according to law.

During the reporting period the Company also settled a labor court case with sales-manager of the hotel. Settlement was mutually beneficial.