AS PRO KAPITAL GRUPP
PÕHIKIRI

AS Pro Kapital Grupp (edaspidi „aktsiaselts“) põhikiri on kinnitatud aktsiaseltsi aktsionäride erakorralisel koosolekul 14.08.2012 Tallinnas.

1. ÄRINIMI JA ASUKOHT

1.1. Aktsiaseltsi ärinimi on AS Pro Kapital Grupp.

1.2. Aktsiaseltsi asukoht on Tallinn, Eesti Vabariik.

2. AKTSIAKAPITAL JA RESERVKAPITAL

2.1. Aktsiaseltsi miinimumaktsiakapital on 6 000 000 (kuus miljonit) eurot ja maksimumaktsiakapital 24 000 000 (kakskümmend neli miljonit) eurot.

2.2. Miinimumaktsiakapitali ja maksimumaktsiakapitali piires võib aktsiaseltsi aktsiakapitali suurendada ja vähendada käesolevat põhikirja muutmata.

2.3. Aktsiakapitali võib suurendada uute aktsiate väljalaskmisega või olemasolevate aktsiate nimiväärtuse suurendamisega, täiendavate sissemaksete tegemise või fondiemissiooni teel. Aktsiaseltsil on õigus aktsiaid välja lasta hinnaga, mis ületab nende nimiväärtuse (ülekurss).

2.4. Aktsiate eest võib tasuda nii rahaliste kui ka mitterahaliste sissemaksetega. Mitterahalise sissemakse väärtust hindab nõukogu ja hindamist kontrollib audiitor. Õigusaktides sätestatud juhtudel tuleb mitterahalise sissemakse väärtus lasta hinnata eksperdil.

2.5. Aktsiakapitali võib vähendada aktsiate nimiväärtuse vähendamisega või aktsiate tühistamisega, kuid mitte alla seaduses sätestatud aktsiakapitali minimaalse suuruse.

2.6. Kahjumi katmiseks ja aktsiakapitali suurendamiseks moodustab aktsiaselts reservkapitali, mille suuruseks on 1/10 (üks kümnendik) aktsiakapitalist.

2.7. Aktsiakapitali suurendamisel ilma põhikirja muutmata suurendatakse proportsionaalselt ka aktsiaseltsi reservkapitali.

2.8. Põhikirjas ettenähtud suuruse saavutamisel kantakse reservkapitali igal aastal vähemalt 1/20 (üks kahekümnendik) puhaskasumist.

2.9. Reservkapitali võib üldkoosoleku otsusel kasutada kahjumi katmiseks, kui seda ei ole võimalik katta aktsiaseltsi vabast omakapitalist (eelmiste perioodide jaotamata kasumi ja põhikirjas ettenähtud reservkapitali arvelt), samuti aktsiakapitali suurendamiseks. Reservkapitalist ei või teha aktsionäridele väljamakseid.

3. AKTSIAD

3.1. Aktsiakapital on jaotatud aktsiateks (edaspidi vastavalt „aktsia“ ja „aktsiad“). Iga Aktsia nimiväärtus on 0,2 (null koma kaks) eurot. Iga Aktsia annab aktsionärile ühe (1) hääle.

3.2. Aktsiaseltsil on ühte liiki Aktsiad.

3.3. Aktsiad registreeritakse Eesti Väärtpaberite Keskregistris. Aktsiaseltsi juhatus tagab aktsiaraamatu pidajale seadusega sätestatud ja õigete andmete õigeaegse esitamise.

3.4. Aktsiaselts võib aktsionäride üldkoosoleku otsusel aktsiakapitali tingimuslikuks suurendamiseks lasta välja vahetusvõlakirju, mille omanikul on õigus vahetada võlakiri aktsia vastu. Vahetusvõlakirjade nimiväärtuste summa ei tohi olla suurem kui 1/3 (üks kolmandik) aktsiakapitalist.

3.5. Aktsionär on kohustatud tasuma ettenähtud aja jooksul märgitud aktsiate maksumuse. Aktsionär, kes ei tasu aktsiate eest õigeaegselt, on kohustatud tasuma aktsiaseltsile viivist null koma kaks protsenti (0,2%) tasumata summalt päevas.

3.6. Aktsiad on vabalt võõrandatavad. Aktsiat võib pantida.

4. AKTSIONÄRIDE ÕIGUSED, KOHUSTUSED JA ÜLDKOOSOLEK

4.1. Aktsionärid teostavad oma õigusi Aktsiaseltsi aktsionäride üldkoosolekul, mis on Aktsiaseltsi kõrgeim juhtimisorgan. Aktsionärid on võrdsetel asjaoludel võrdsed. Aktsionäride õigused on ette nähtud seaduse ja aktsiaseltsi põhikirjaga. Aktsionär on kohustatud täitma temale seaduse ja aktsiaseltsi põhikirjaga pandud kohustusi. Aktsionär on kohustatud hoidma saladuses aktsiaseltsi või selle tegevusega seonduvat konfidentsiaalset teavet.

4.2. Korralise üldkoosoleku kutsub kord aastas kokku juhatus mitte hiljem kui kuue kuu jooksul majandusaasta lõppemisest. Erakorraline üldkoosolek kutsutakse kokku äriseadustikus ettenähtud juhtudel ja korras. Erakorralise üldkoosoleku kokkukutsumise taotlus esitatakse aktsiaseltsi juhatusele kirjalikult. Üldkoosoleku toimumisest teatab aktsiaseltsi juhatus aktsionäridele õigusaktides nõutud tähtaja võrra ette.

4.3. Juhatus saadab üldkoosoleku toimumise teate aktsiaraamatusse kantud aadressil või avaldab vastavasisulise teate üleriigilise levikuga päevalehes.

4.4. Üldkoosoleku toimumise teade koostatakse vastavalt äriseadustikule.

4.5. Üldkoosolek viiakse läbi aktsiaseltsi asukohas või muus juhatuse määratud kohas.

4.6. Üldkoosolek võib vastu võtta otsuseid kui kohal on üle poole aktsiatega esindatud häältest. Kui nimetatud hääled ei ole esindatud, kutsub juhatus kolme nädala jooksul, kuid mitte varem kui seitsme päeva pärast, kokku uue koosoleku sama päevakorraga. Uus koosolek on pädev vastu võtma otsuseid, sõltumata koosolekul esindatud häältest.

4.7. Aktsionäride üldkoosolekul osalemiseks õigustatud aktsionäride ring määratakse kindlaks vastavalt õigusaktides sätestatule.

4.8. Üldkoosoleku pädevus:

- 4.8.1. Põhikirja muutmine;
- 4.8.2. Aktsiakapitali suurendamine ja vähendamine;
- 4.8.3. Vahetusvõlakirjade väljalaskmine;
- 4.8.4. Nõukogu liikmete valimine ja tagasikutsumine;
- 4.8.5. Audiitori valimine;
- 4.8.6. Erikontrolli määramine;
- 4.8.7. Majandusaasta aruande kinnitamine ja kasumi jaotamine;
- 4.8.8. Aktsiate liigiga seotud õiguste muutmine;
- 4.8.9. Aktsiaseltsi lõpetamise, ühinemise, jagunemise ja ümberkujundamise otsustamine;
- 4.8.10. Muude seadusega üldkoosoleku pädevusse antud küsimuste otsustamine.

4.9. Üldkoosoleku otsus on vastu võetud, kui selle poolt on antud üle poole üldkoosolekul esindatud häältest, kui käesoleva põhikirjaga või seadusega ei ole ette nähtud suuremat häälteenamuse nõuet.

4.10. Üldkoosoleku otsused protokollitakse. Protokollile kirjutavad alla koosoleku juhataja ja protokollija.

5. NÕUKOGU

5.1. Nõukogu on aktsiaseltsi juhtimisorgan, mis planeerib aktsiaseltsi tegevust, korraldab aktsiaseltsi juhtimist ning teostab järelevalvet juhatuse tegevuse üle. Kontrolli tulemused teeb nõukogu teatavaks aktsionäride üldkoosolekule.

5.2. Nõukogu kinnitab aktsiaseltsi eelarve.

5.3. Aktsiaseltsi nõukogu koosneb vähemalt kolmest (3) liikmest ning maksimaalselt seitsmest (7) liikmest. Nõukogu liikmed valitakse aktsionäride üldkoosoleku poolt kolmeks (3) aastaks. Aktsionäride üldkoosoleku otsusel võib nõukogu liikme sõltumata põhjustest tagasi kutsuda.

5.4. Nõukogu liikmed valivad enda hulgast esimehe, kes korraldab nõukogu tegevust ja juhib nõukogu koosolekuid.

5.5. Nõukogu koosolekud toimuvad vastavalt vajadusele, kuid mitte harvemini kui üks kord kolme (3) kuu jooksul.

5.6. Nõukogu koosoleku toimumisest ja selle päevakorrast teatatakse nõukogu liikmetele ette vähemalt 7 päeva. Nõukogu koosoleku teade ja materjalid saadetakse nõukogu liikmetele e-posti teel.

5.7. Nõukogu koosolek on otsustusvõimeline, kui sellest võtab osa üle poole nõukogu liikmetest. Nõukogu liiget ei või koosolekul ega otsuse tegemisel esindada teine nõukogu liige ega kolmas isik.

5.8. Nõukogul on õigus suurendada Aktsiaseltsi aktsiakapitali kolme (3) aasta jooksul üldkoosoleku otsuse tegemisest.

5.9. Nõukogu teeb oma otsused osalejate lihthäälteenamusega. Nõukogu liikmel on üks (1) hääl. Nõukogu liikmel ei ole õigust hääletamisest keelduda ega jääda erapooletuks. Häälte võrdsel jagunemisel on otsustav nõukogu esimehe hääl.

5.10. Nõukogu koosolek protokollitakse. Protokollile kirjutavad alla kõik koosolekul osalenud nõukogu liikmed ja koosoleku protokollija.

5.11. Nõukogul on õigus otsuseid vastu võtta koosolekut kokku kutsumata. Nimetatud juhul saadab nõukogu esimees kirjaliku otsuse eelnõu kõigile nõukogu liikmetele, määrates tähtaja, mille jooksul nõukogu liige peab esitama oma kirjaliku seisukoha. Juhul, kui nõukogu liige ei teata nimetatud tähtaja jooksul, kas ta on otsuse poolt või vastu, loetakse, et ta hääletab otsuse vastu. Kui otsus tehakse käesolevas punktis sätestatud korras, on otsus vastu võetud, kui selle poolt antakse üle poole nõukogu liikmete häältest v.a. kui õigusaktide või põhikirja kohaselt on nõutud suurem häälteenamus.

5.12. Nõukogu teeb otsuseid seaduses ja põhikirjas sätestatud korras ja pädevuses.

5.13. Nõukogu annab juhatusele korraldusi aktsiaseltsi juhtimise korraldamisel.

5.14. Nõukogu nõusolek on juhatusele vajalik tehingute tegemiseks, mis väljuvad aktsiaseltsi igapäevase majandustegevuse raamest, eelkõige tehingute tegemiseks, millega kaasneb:

- 5.14.1. osaluse omandamine ja lõpetamine teistes ühingutes või;
- 5.14.2. ettevõtte omandamine, võõrandamine või selle tegevuse lõpetamine või;
- 5.14.3. kinnisasjade ja registrisse kantud vallasasjade võõrandamine väärtusega üle 300 000 EUR ja koormamine (sõltumata väärtusest) või;
- 5.14.4. välisfiliaalide asutamine ja sulgemine või ;
- 5.14.5. investeeringute tegemine, mis ületavad selleks majandusaastaks ettenähtud kulutuste summa või;
- 5.14.6. laenude ja võlakohustuste võtmine, mis ületavad selleks majandusaastaks ettenähtud summa (välja arvatud grupisisesed laenud) või;
- 5.14.7. laenude andmine ja võlakohustuste tagamine, (välja arvatud grupisisesed laenud) kui see väljub igapäevase majandustegevuse raamest.

5.15. Aktsionäride üldkoosolek võib anda nõukogule õiguse suurendada aktsiakapitali äriseadustikus ettenähtud ulatuses ja korras.

5.16. Nõukogu liikmetel on keelatud osa võtta hääletamisest juhul kui otsustakse tehingu teostamist aktsiaseltsi ja nõukogu liikme või juriidilise isiku vahel, milles nõukogu liikmel või tema lähikondlasel on oluline osalus.

6. JUHATUS

6.1. Juhatus on aktsiaseltsi juhtimisorgan, mis esindab ja juhib aktsiaseltsi. Juhatus peab aktsiaseltsi juhtimisel kinni pidama põhikirjast ja nõukogu seaduslikest korraldustest.

6.2. Juhatus koosneb ühest (1) kuni viiest (5) liikmest. Juhatuse liikmed valitakse ja kutsutakse tagasi nõukogu otsusega. Juhatuse liikme volituste tähtaeg on kolm (3) aastat, kui nõukogu ei otsusta teisiti. Juhatuse liikme valimiseks peab olema tema kirjalik nõusolek.

6.3. Juhul kui aktsiaseltsi juhatusel on üle kahe (2) liikme, määrab nõukogu juhatusele esimehe. Juhatuse esimees korraldab juhatuse tööd ja juhib aktsiaseltsi igapäevast tegevust.

6.4. Aktsiaseltsi võib kõigis õigustoimingutes esindada iga juhatuse liige ainuisikuliselt.

6.5. Juhatus määrab ametisse ja vabastab ametist aktsiaseltsi direktorid ja raamatupidamise eest vastutava isiku (tegevjuhtkonna). Juhatus kinnitab nimetatud isikute pädevuse.

6.6. Juhatuse liige ei võta osa hääletamisest, kui otsustatakse nõusoleku andmist tehingu tegemiseks aktsiaseltsi ja juhatuse liikme vahel, samuti aktsiaseltsi ja juriidilise isiku vahel, milles juhatuse liikmel või tema lähikondsel on oluline osalus.

7. KAHJUDE HÜVITAMINE

7.1. Aktsionär, juhatuse või nõukogu liige on kohustatud aktsiaseltsile täies ulatuses hüvitama tema süülise tegevuse või tegevusetusega aktsiaseltsile tekitatud kahju.

7.2. Aktsionär, juhatuse või nõukogu liige on kohustatud aktsiaseltsi võlausaldajatele täies ulatuses hüvitama tema süülise tegevuse või tegevusetusega aktsiaseltsi võlausaldajatele tekitatud kahju.

8. AUDIITOR

8.1. Audiitorite arvu määrab ja audiitori(d) nimetab aktsionäride üldkoosolek, kes määrab ka audiitorite tasustamise korra. Audiitor(id) nimetatakse ühekordse audiitorkontrolli tegemiseks või teatud tähtajaks. Audiitori nimetamiseks on vajalik tema kirjalik nõusolek.

9. ARUANDLUS

9.1. Aktsiaseltsi majandusaasta algab 1. jaanuaril ning lõppeb 31. detsembril.

9.2. Pärast majandusaasta lõppu koostab juhatus majandusaasta aruande seaduses sätestatud korras.
9.3. Aruannete kinnitamine ja nende esitamine toimub seaduses ettenähtud korras.
9.4. Kasumi jaotamine toimub üldkoosoleku otsuse alusel.

10. LÕPPSÄTTED

10.1. Aktsiaseltsi likvideerimine, ühinemine, jagunemine ja ümberkujundamine toimub seaduses sätestatud korras.
10.2. Aktsiaseltsi likvideerijad nimetab likvideerimisotsuse vastu võtnud üldkoosolek, kui seadus ei näe ette teisiti. Likvideerijaid võib olla üks või enam.

[allkirjastava juhatuse liikme nimi]
Aktsiaseltsi juhatuse liige

AS PRO KAPITAL GRUPP

Combined Financial Statements
For Financial Years ended
31 December 2011, 2010 and 2009

Parent company of the Group	**AS Pro Kapital Grupp**
Beginning of the financial year End of the financial year	1 January 31 December
Registration code	10278802
Address	21 Põhja Avenue 10414 Tallinn Estonia
Telephone Facsimile E-mail	+372 6 144 920 +372 6 144 929 prokapital@prokapital.ee
Fields of activity	Activities of holding companies Buying and selling of own real estate Renting and operating of own or leased real estate Management of real estate on a fee or contract basis

These combined financial statements of AS Pro Kapital Grupp for the periods ended on 31 December 2011, 2010 and 2009 have been approved by the Management Board and authorized for issue on 08 June 2012.

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Signed for identification purposes:

AS Deloitte Audit Eesti

COMBINED STATEMENT OF FINANCIAL POSITION

(Th. EUR)	Notes	31.12.2011	31.12.2010	31.12.2009	01.01.2009
ASSETS					
Current Assets					
Cash and cash equivalents	8	8 637	1 194	3 159	1 880
Current receivables	9	2 865	9 562	11 304	13 165
Inventories	10	53 186	58 736	67 935	68 914
Non-current assets classified as held for sale	13	0	50 044	0	0
Total Current Assets		64 688	119 536	82 398	83 959
Non-Current Assets					
Non-current receivables	11	152	19 949	12 492	10 086
Deferred tax assets	27	370	0	0	0
Property, plant and equipment	12	21 863	12 049	10 207	14 668
Investment property	13	26 111	26 600	61 785	60 382
Intangible assets		288	307	264	261
Total Non-Current Assets		48 784	58 905	84 748	85 397
TOTAL ASSETS	7	**113 472**	**178 441**	**167 146**	**169 356**

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

Signed for identification purposes:
AS Deloitte Audit Eesti

COMBINED STATEMENT OF FINANCIAL POSITION

(Th. EUR)	Notes	31.12.2011	31.12.2010	31.12.2009	1.01.2009
LIABILITIES AND EQUITY					
Current Liabilities					
Current debt	14	14 002	83 271	16 080	44 181
Customer advances		838	1 352	2 962	4 615
Current payables	15	1 791	3 648	2 825	3 212
Taxes payable		95	178	479	181
Short-term provisions		1 091	4 184	284	3
Total Current Liabilities		17 817	92 633	22 630	52 192
Non-Current Liabilities					
Long-term debt	16	21 462	18 717	67 929	32 246
Non-current payables		0	0	300	300
Deferred income tax liability	27	1 962	419	445	551
Long-term provisions		173	166	97	38
Total Non-Current Liabilities		23 597	19 302	68 771	33 135
Total Liabilities	7	**41 414**	**111 935**	**91 401**	**85 327**
Equity attributable to equity holders of the parent					
Share capital in nominal value	20	10 637	33 992	33 992	33 992
Share premium	20	0	45 089	45 089	45 089
Statutory legal reserve	20	0	2 938	2 938	2 938
Revaluation surplus	20	11 330	0	0	0
Foreign currency differences		-1 130	-1 382	-1 373	-848
Retained earnings					
Accumulated profits (losses)		27 693	106 373	111 925	116 073
Accumulated profits (losses) separated	2	0	-142 761	-142 761	-142 761
Profit (loss) for the financial year		21 931	-7 413	-3 455	1 072
Total equity attributable to equity holders of the parent		70 461	36 836	46 355	55 555
Non-controlling interest	21	1 597	29 670	29 390	28 474
Total equity		72 058	66 506	75 745	84 029
TOTAL LIABILITIES AND EQUITY		**113 472**	**178 441**	**167 146**	**169 356**

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

Signed for identification purposes:
AS Deloitte Audit Eesti

COMBINED STATEMENT OF COMPREHENSIVE INCOME

(Th. EUR)	Notes	2011	2010	2009	2008
Operating income					
Revenue	7, 22	17 449	21 051	21 999	28 818
Cost of goods sold	23	16 407	17 015	17 917	18 901
Gross profit		**1 042**	**4 036**	**4 082**	**9 917**
Marketing expenses	24	352	609	1 103	1 276
Administrative expenses	24	5 237	4 029	4 130	3 558
Other income	25	54 280	219	1 357	4 473
Other expenses	25	1 875	4 600	1 397	2 225
Operating profit (loss)	7	**47 858**	**-4 983**	**-1 191**	**7 331**
Financial income	26	4 770	2 120	2 733	2 811
Financial expense	26	2 877	4 174	2 883	4 297
Profit (loss) before income tax		**49 751**	**-7 037**	**-1 341**	**5 845**
Income tax	27	351	17	26	-897
Profit (loss) for the financial year		**50 102**	**-7 020**	**-1 315**	**4 948**
Net profit (loss) attributable to:					
Equity holders of the parent		21 931	-7 413	-3 455	1 072
Non-controlling interest		28 171	393	2 140	3 876
Other comprehensive profit (loss), net of income tax					
Appropriation to revaluation reserve		11 330	0	0	0
Loss for retranslation of foreign currency		-62	-9	-525	0
Comprehensive profit (loss) for the financial year		**61 370**	**-7 029**	**-1 840**	**4 948**
Comprehensive profit (loss) attributable to:					
Equity holders of the parent		33 199	-7 422	-3 980	1 072
Non-controlling interest		28 171	393	2 140	3 876
Share profit (loss) calculated for equity holders from net profit / (loss) for the financial year:					
Net profit (loss) per share (EUR)	28	0,41	-0,14	-0,06	0,02
Diluted net profit (loss) per share (EUR)	28	0,41	-0,14	-0,06	0,02

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

Signed for identification purposes:

AS Deloitte Audit Eesti

COMBINED STATEMENT OF CASH FLOWS

(Th. EUR)	Notes	2011	2010	2009
Net profit (loss) for the financial year		**50 102**	**-7 020**	**-1 315**
Adjustments:				
Depreciation charge for the period	12	572	605	677
Amortisation charge for the period		19	-43	3
Loss from change in fair value of investment property	13	331	0	0
Profit from sale of investment property	13	-54 057	0	0
Interest income		-1 514	-2 150	-2 097
Profit from disposal of subsidiaries	6	-2 736	0	-635
Interest expenses		3 097	4 046	3 205
Non-monetary transactions		-1 081	-1 613	11 841
Change in:				
Current receivables	9	6 697	1 742	1 861
Inventories	10	5 550	9 200	979
Customer advances		-514	-1 610	-1 653
Current payables	15	-1 857	823	-387
Taxes payable		-83	-301	298
Short-term provisions		-3 093	3 900	282
Other long-term liabilities		0	-300	0
Deferred income tax liability	27	1 543	-26	-105
Long-term provisions		7	69	59
Other changes		-22 377	-6 389	-1 727
Change in cash from (used in) operating activities		**-19 394**	**933**	**11 286**
Additions to fixed assets	12	-40	-43	-95
Additions to investment property	13	-332	-14 832	-1 101
Proceeds from sale of investment property	13	104 997	0	0
Acquisition of subsidiaries	5	-22 825	107	93
Disposal of subsidiaries	6	6 323	0	700
Interests collected		7 641	0	0
Change in cash from (used in) investing activities		**95 764**	**-14 768**	**-403**
Proceeds from convertible bonds	19	1 905	5 714	3 279
Proceeds from loans / debt		2 843	28 183	466
Repayment of loans / debt		-70 578	-17 981	-10 144
Interests paid		-3 097	-4 046	-3 205
Change in cash from (used in) financing activities		**-68 927**	**11 870**	**-9 604**
Net change in cash and cash equivalents		**7 443**	**-1 965**	**1 279**
Opening balance	8	1 194	3 159	1 880
Closing balance	8	8 637	1 194	3 159

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

COMBINED STATEMENT OF CHANGES IN EQUITY

(Th. EUR)	Share capital in nominal value	Share premium	Statutory legal reserve	Revaluation reserve	Foreign currency differences	Retained earnings: Accumulated profits (losses)	Retained earnings: Accumulated profits (losses) separated	Retained earnings: Profit (loss) for the financial year	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
NBV 01.01.2009	**33 992**	**45 089**	**2 938**	**0**	**-848**	**116 073**	**-142 761**	**1 072**	**55 555**	**28 474**	**84 029**
Transfer to retained earnings						1 072		-1 072	0		0
Profit (loss) for the financial year								-3 455	-3 455	2 140	-1 315
Change in interest in subsidiaries						-5 220			-5 220	- 1 224	- 6 444
Foreign currency differences					-525				-525		-525
NBV 31.12.2009	**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						-3 455		3 455	0		0
Profit (loss) for the financial year								-7 413	-7 413	393	-7 020
Change in interest in subsidiaries						-2 097			-2 097	-113	-2 210
Foreign currency differences					-9				-9		-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						-7 413		7 413	0		0
Profit (loss) for the financial year								21 931	21 931	28 171	50 102
Decrease in share capital 30.06.2011	-2 081					2 081			0		0
Decrease in share capital 16.09.2011	-21 274	-45 089	-2 938			69 301			0		0
Impact of separation (Note 2)						-142 761	142 761		0		0
Appropriation to revaluation reserve (Note 12)				11 330					11 330		11 330
Change in interest in subsidiaries						112			112	-56 244	-56 132
Foreign currency differences					252				252		252
NBV 31.12.2011	**10 637**	**0**	**0**	**11 330**	**-1 130**	**27 693**	**0**	**21 931**	**70 461**	**1 597**	**72 058**

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

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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 31.12.2011	Share of ownership 31.12.2010	Share of ownership 31.12.2009	Share of ownership 01.01.2009
Anndare Ltd.	Ireland	41,69%	42,00%	57,79%	57,79%
Svalbork Invest OÜ	Estonia	12,86%	12,86%	12,86%	12,86%
Eurofiduciaria S.r.l.	Italy	11,98%	11,49%	0,59%	0,00%
A.F.I. American Financial Investments Ltd.	Liechtenstein	9,57%	9,57%	9,57%	9,57%

For the purpose of these combined financial statements, 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" or *Baltic Markets*) 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.

These combined financial statements represent the combined 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") enlisted in Note 4 to these financial statements.

NOTE 2. BASIS OF PREPARATION OF COMBINED FINANCIAL STATEMENTS

Basis of preparation

In 2011, PKG initiated and completed a major strategic project involving the demerger of its two core businesses, *Baltic Markets* (AS Pro Kapital Grupp) and *Other Markets* (AS Domina Vacanze Holding). The demerger was approved by Shareholder's Meeting on 16 September 2011.

In order to create a separate, self-managing group, a certain number of assets and liabilities have been transferred between *Baltic Markets* and *Other Markets* prior to PKG being listed. AS Domina Vacanze Holding was thus created by transferring shares between holding companies without modifying PKG's direct or indirect interests in the companies concerned.

In connection with the initial public offering of PKG bonds, to present an economic view of the *Baltic Markets'* business as a whole, historical combined financial statements have been prepared for the years 2010, 2009 and 2008 based on the financial statements historically included in the consolidated financial statements of AS Pro Kapital Grupp.

These combined financial statements are not necessarily indicative of the consolidated financial statements that would have been prepared if *Baltic Markets* had been created at an earlier date than the actual or planned creation date. They provide an indicative vew of the *Baltic Markets* businesses' historical operations within AS Pro Kapital Grupp.

Compliance with International Financial Reporting Standards

International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union do not include any guidance on preparing combined financial statements. This section describes how IFRSs have been applied to prepare the historical combined financial statements.

These historical combined financial statements include the companies owned directly or indirectly by companies in *Baltic Markets*. Following the same logic, companies in *Other Markets* have been excluded from the scope of combination.

These combined financial statements ("financial statements") have been prepared in accordance with IFRSs and in accordance with Estonian Accounting Act, 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 exercices 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 to 31 December 2011, have been

compiled in line with the existance of control over entities as of 31 December 2011 (listed in Note 4 to these financial statements) and in accordance with consolidation principes described in Note 3 below.

Consequently, the comparative financial information provided does not reflect factual legal structure nor presence of control over other entities by the Group in the prior periods. The purpose for such presentation is providing sufficiently comparable historical information about the operations of the group entities retained after legal split (demerger) of AS Pro Kapital Grupp and AS Domina Vacanze Holding resolved upon by the shareholders and executed in 2011, and after sell-out of certain segment operations. The impact of the demerger is measured at 142 761 Th.EUR at each of the comparative balance sheet dates representing retrospectively the net book values of the net assets transferred in 2011 at each of the given date.

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.

Use of judgements, estimates and assumptions

According to IFRS, the preparation of the consolidated financial statements assumes judgements, estimates and assumptions to the Group's assets and liabilities which are not readily apparent from other sources as at the balance sheet date and income earned and expenses covered during the reporting period and madeby the management board of the Ultimate Parent Company. These estimates are based on historical experience and the up-to-date information about the state of the Group and considering the plans and risks as at the date of the preparation of the consolidated financial statements. The final results of these economic transactions may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods.

Estimation and decision of management, which influence information presented in financial statements includes following accounting areas:

Classification of real estate

Decision of real estate classification to inventory, property investment or property, plant and equipment is done based on management's intention over the future use of the object. Property is recognized as inventory, if the objective of purchase is connected with development of environment, it is sale or resale during ordinary course of business. Objects recognized as property investment if purchase objective is gaining profit from rent or rise of market value. Also objects recognized as property investment if it is intended to keep them for long time and which have several purposes of use.

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.

Estimation of net realization value of inventories

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

Real estate that have been acquired and developed for sale is presented on the balance sheet as inventories. In assigning value to such assets, management takes in account market sale transactions of similar type of assets made close to the balance sheet date. Additionally for assigning the value there were used professional valuations made by property specialists. If actual sale prices of real estate objects were below the balance sheet value the assets were written down to their net realization value. In assigning the value to property purchased for development purpose, the Group has used professional valuation reports concluded by certified real estate appraisers.

Fair value of property investments

As of balance sheet date the property investments are valued at their fair value. In determination of the fair value estimations of management were used, and if needed opinion of independent certified real estate appraisers. In determination of the fair value two methods are used: discounted cash flow method and comparative transaction price method. Discounted cash flow method is used for assigning fair value of real estate objects with stable rental income.

Recoverable value of fixed assets

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there are any indications that the assets may be impaired. In determining the recoverable value of an asset, the impairment test is carried out during what 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.

Useful life of property, plant and equipment

In determining useful life of property, plant and equipment, taken into account the Group business conditions and volumes, previous experience in relevant field and future plans. According to management estimation useful life for buildings is 20-50 years. Useful life for machinery and equipment 5 to 12,5 years depending on the purpose of use and for other equipment 2 to 5 years.

Collection risk of receivables

For material financial assets, potential decrease in value is evaluated separately. Receivables overdue for more than 180 days are considered to be non-collectible and are fully written off.

The Group may have overdue receivables that are not provided for. Such receivables are assessed by the management of the Group on individual bases and found them to be collectable.

NOTE 3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been compiled under principles of consistency and comparability, meaning adherence to the principles of the accounting policies and representation are altered in case of the require of new or revised IFRS's or the interpretations of the standards issued or if a change of the policy provides a more objective overview of the financial position, the economic performance and cash flows of the Group.

These combined financial statements are prepared on the accrual basis.

Basis of consolidation

These combined financial statements comprise of the financial statements of the Ultimate Parent Company of the Group and its subsidiaries. Subsidiary is considered to be under the control of the parent company when it has the power to govern the financial and operational policies of an entity, so as to obtain benefits from its activities.

Non-controlling interests of the entities under the control of the Ultimate Parent Company are recorded on a separate line in the combined financial statements equity.

Non-controlling interest consists of the equity attributable to minority shareholders as of the business combination date and a proportion of subsidiaries earnings after that date.

In case the parent company has obtained control over a subsidiary during the accounting period, the financial results of that subsidiary are recorded from the date the control was acquired. If the parent company has sold a subsidiary during the accounting period, the financial results of that subsidiary are included in the consolidated financial statements of the Group up to the date of disposal.

The balances and transactions between Group entities and unrealized profits/losses from intragroup transactions are eliminated in the consolidated financial statements.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

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If the initial accounting for business combination is incomplete by the end of the reporting period in which the combiination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Foreign currency transactions

On 1 January 2011 Estonia became a member of Eurozone and Estonian kroon (EEK) was replaced with euro (EUR). Since that date the Group converted its financial accounting into euros and since 2011 the functional and presentation currency of the Group's Financial Statements is euro. The financial statements of the Group are compiled in thousands of euros (Th. EUR), if not specifically referred to another unit of measurement.

The subsidiaries of the Group prepare their financial statements for consolidation purposes in local currencies. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates, prevailing on the date of the transaction, of the Central Banks of sub-group's country of incorporation. At each balance sheet date the monetary balances are recalculated based on the currency rate prevailing at the balance sheet date, of the Central Banks of sub-group's country of incorporation. Non-monetary items recorded at fair value are recalculated based on the currency rate prevailing on the date of the revaluation. Non-monetary items recorded at acquisition price are not recalculated concerning the changes in the foreign currency rate. Gains and losses arising from exchange rate differences are recognized in the income statement for the accounting period.

In consolidation process, assets and liabilities, including the goodwill formed from the acquisition of foreign subsidiaries and revaluations to fair values are recalculated to the reporting currency based on the currency exchange rates prevailing at the balance sheet date of Central Bank of European Union of the country of incorporation of the consolidating company. Income statement lines are recalculated based on the average annual exchange rates. Gains and losses arising from exchange rate differences appeared during the consolidation process are recorded on a separate line in the consolidated company equity.

Differences of currency translation are recognized as income or expense of the period when the transaction occurred, i.e. in case of disposal or liquidation of a subsidiary.

The main foreign currencies and relevant exchange rates according to European Central Bank as applied in the consolidated financial statements are as follows:

(in euros)	**31.12.2011**	**2011 average**	**31.12.2010**	**2010 average**	**31.12.2009**	**2009 average**
Latvian lat (LVL)	1,42959	1,41583	1,40884	1,41101	1,4093	1,4168
Lithuanian lita (LTL)	0,28962	0,28962	0,28962	0,28962	0,28962	0,28962
Estonian kroon (EEK)	-	-	15,6466	15,6466	15,6466	15,6466

Cash and cash flows

Cash on the balance sheet and statement of cash flows comprises cash on hand, bank accounts, and short-term bank deposits (with time term less than three months).

Cash flows from operating activities are presented using the indirect method, according to which the net profit (loss) for the financial year is adjusted by the effect of transactions of a non-monetary nature, net changes in assets and liabilities related to business operations, and items of income and expense (profits and losses) associated with financing and investing activities. Cash flows from investing and financing activities are reported based on direct method, presenting gross receipts and disbursements of the accounting period.

Inventories

Inventories are recorded at cost, which comprises purchase price, non-refundable taxes and other direct acquisition expenditures, which are necessary to transfer inventories to their current location and condition. Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, then weighted average cost method is used. Inventories are stated on the balance sheet at the lower of cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of making the sale. Revaluation of inventories to net realizable value is recognized as expense for the accounting period.

Real estate held for sale

Real estate's (land and buildings) that have been acquired and developed to be sold, are presented on the balance sheet as inventories on the line "Property held for sale" and recognized at cost that comprises of acquisition cost of the real estate and direct expenses (design, construction and technical supervision) necessary to bring the property to the current condition. Borrowing costs from third party loans accrued during the construction period until the issuance of the certificate of occupancy are included in the cost value. Depending on the estimate of the stage of completion, finished and unfinished property for sale is distinguished.

In case the net realizable value of the real estate object is less than its cost value, the real estate object is written down to its net realizable value and the impairment is charged as expense for the accounting period.

In case the usage purpose of a real estate objects changes, the asset is reclassified and since the reclassification date the accounting principles of the new group are applied.

Property, plant and equipment

Assets used for rendering services or used for administrative purposes and with useful life of over one year are considered to be property, plant and equipment. Property, plant and equipment are recognized at cost, which comprises purchase price, non-refundable taxes and other expenditures directly related to taking the asset into use.

In the balance sheet property, plant and equipment are measured either at fair value (revaluation model for land and buildings) or at cost less accumulated depreciation and impairment losses (cost model for machinery and equipment, other fixtures).

Revaluation model for land and buildings was initially adopted in 2011. Transition from cost model to revaluation model represents a change in accounting policy, which is (exceptionally, under IAS 8.17) dealt with as a revaluation and recognised in the period of initial adoption (prior periods are not adjusted) as follows:

- Valuation uplift is recognised in other comprehensive income and accumulated in the revaluation surplus; and
- Write-down is recognised in profit and loss statement for the period.

Revaluation of land and buildings to fair value are performed with sufficient regularity such that the carrying amounts do not differ materiality from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of property, plant and equipment commences when the assets are taken into use. Depreciation is calculated on the straight-line method. Depreciation rate to each tangible asset item is determined according to its estimated useful life. Depreciation on revalued buildings in recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve os transferred directly to retained earnings.

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.

Investment property

Land and buildings, also equipment related to buildings, that are held to generate rental revenue or with the purpose to increase its market value and which are not used in operations of the Group, are reported on the balance sheet as investment property.

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 group are applied.

Investment property is initially recognized at cost, which comprises of purchase price, non-refundable taxes and other expenditures directly related to taking the investment property into use. Subsequently to initial recognition, investment properties are measured using the fair value method.

Fair value model for investment property was initially adopted in 2011. Transition from cost model to fair value model represents a voluntary change in accounting policy and is applied retrospectively. Change in fair value is recognised in profit and loss statement for each period.

Intangible assets

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and goodwill.

Franchises, patents, licenses, trademarks and usage rights are recorded on the balance sheet at cost less accumulated amortization and impairment losses. Amortization is calculated on the straight-line method using an annual rate of 20%. Usage rights are amortized using the straight-line method and the maximum length of the amortization period is the period where the asset is being used.

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its limited lifetime tangible and intangible assets in order to determine whether there are any indications that the assets have suffered an impairment loss. For this purpose, the recoverable value of an asset is estimated.

The recoverable value of the asset is the higher of the present value of the future cash flows from the asset (i.e. value in use) or the fair value of the asset less costs of disposal. In estimating value of use, the estimated cash flows are discounted with a rate which expresses the trends of current market value and specific risks related to assets.

If the recoverable amount of an assets (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 trated as a revaluation decrease.

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 relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in subsidiaries (in Parent company's unconsolidated financial statements (Note 4)

Investments in subsidiaries that are not held for sale are recognised in the unconsolidated annual accounts of the Parent company at cost.

Financial instruments

Financial instruments held to maturity

Investments are recognized on a transaction date basis and are initially measured at fair value less transaction costs. Subsequently for financial instruments that the entity has expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss by using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts over financial asset's expected life time or a shorter period if appropriate.

Financial instruments available for sale

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as:

- Loans and receivables
- Held-to-maturity investments
- Financial assets at fair value through profit and loss.

Available for sale financial assets that are traded in an active market are stated at fair value at the end of each reporting period. Available for sales equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment at the end of each reporting period.

Interest income calculated using the effective interest method and dividends available for sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available for sale financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is classified to profit or loss.

Loans granted and receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Trade receivables recorded in the balance sheet are evaluated based on collectability expectations. Doubtful receivables are recorded as expense of the accounting period.

Bank borrowings

Interest-bearing loans and overdrafts are initially measured at their fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Financial expenses, including the transaction costs and the settlement costs, are recorded on an accrual basis. Interest expenses are charged to the income statement as an expense of the period, unless the interest expense is related to loans obtained to finance development of property or similar assets, in which case the interests are capitalized as acquisition cost of the asset.

Convertible bonds

Convertible bonds that are convertible into shares at bondholder's request are initially measured in their fair value and are subsequently measured at amortized cost, using the effective interest rate method. Interest expense from convertible bonds is recorded in the income statement for the reporting period based on actual interest rates.

Other financial liabilities

Other financial liabilities are initially recognized at cost which is equal to their fair value at the date of transaction. The cost of a financial liability includes all transactions costs that are directly attributable to its acquisition. After initial recognition, financial liabilities are measured at amortized cost (except for financial liabilities acquired for resale).

Generally the amortized cost of current financial liabilities is equal to their nominal value; therefore, current financial liabilities are stated in the statement of financial position at the amounts payable.

Non-current financial liabilities are initially recognized at the fair value of the consideration received (less the transactions charges). In subsequent periods the amortized cost of non-current financial liabilities are determined using the effective interest rate method.

Equity instruments
Issued equity instruments are recorded at the amount of proceeds received, less direct issuing costs.

Provisions

Provisions are recognized when the Group has an obligation, and it is probable that the Group will be required to settle that obligation in the future. At the balance sheet date, provisions are measured based on the management's best estimate on the expenditure required to settle the obligation. Provisions are discounted to their present value if the effect is material.

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.

Reserves

Statutory legal reserve of the Ultimate Parent Company 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 legal reserve equals at least 1/10 of share capital amount.

Revenue recognition

Net sales
Net sales of the Group consists of revenues from the sale of real estate based on the real right agreements confirmed by the notary, rental income as well as revenues earned from management, administration services and hotel management services.

Revenue from sales is recorded on the accrual basis, when significant risks have been transferred to the buyer, and the sales income and costs incurred in respect of the transaction can be measured reliably.

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

Financial income
Interest income is recorded on the accrual basis and dividend income is recorded when the right for a dividend has occurred.

Expenses

Cost of sales
Cost of sales includes the costs of bringing real estate objects 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 income statement under "Cost of sales".

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

Administrative expenses
Administrative expenses include personnel and office management expenses, research and development expenses, and depreciation and amortization charges.

Other expenses
Expenses, which are not related to the core operations of the Group entities, are recorded as other expenses.

Financial expense
Direct interest costs of acquiring properties constructed over long periods of time are capitalized until the property is taken into use. Other interest and financing costs are recorded on the accrual basis as financial expenses of the reporting period.

Leases

A lease is classified as finance lease when all the risks and rewards incident to ownership are substantially transferred to the lessee. The criteria of contracts, which lead to a lease being classified as finance lease, are the following:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price, which is expected to be sufficiently lower than the expected fair value at the date the option becomes exercisable, and at the inception of the lease it is reasonably certain that the option will be exercised;
- the lease term covers the majority (over 75%) of the economic life of the asset even if the title is
- not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to approximately the fair value (over 90%) of the leased asset;
- the leased assets are of a specialized nature such that only the lessee is able to use them without major modifications being made.

If the above-mentioned conditions are not met, either individually or in combination, the transaction is recorded as operating lease.

The Group as a lessee

An asset held under finance lease is recognized as an asset and a liability of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

If ownership is to be transferred to the lessee, depreciation is calculated on the regular basis taking into account useful lifetime of the asset. If the leased asset is to be returned to the lessor, then the maximum depreciation period is the leasing period, whereas depreciation is not calculated for the guaranteed residual value.

Lease payments are apportioned between finance charges and reduction of the lease obligation. Financial costs are apportioned for the lease period so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income statement on the accrual basis.

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to the income statement as cost on a straight-line basis over the term of the relevant lease, irrespectively from disbursements.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Payments due from lessees are allocated to financial income and principal repayments (to decrease the finance lease receivable). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases. Financial income is recorded in income statement on accrual basis.

In the balance sheet assets leased under the terms of operating lease are reported similarly to other assets. Rental income from operating leases is recognized as revenue on a straight-line basis over the term of the relevant lease despite timing and amounts of actual collection of rentals.

Taxation

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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 21/79 from the taxable amount.

As a result of such taxation principles, the notion of "tax base of assets and liabilities" has lost its economic meaning and deferred income tax and assets cannot be calculated in accordance with IAS 12 "Income Taxes". Contingent income tax liability from the retained earnings, which could otherwise be distributed as dividends, is not recorded in the Statement of Financial Position. 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.

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. 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 applicable on the balance sheet date is used.

Operating segments

The Group discloses its operating segments on basis of internal information used and analysed by the Ultimate Parent Company. The primary decisions are made on country basis. Primary criteria for monitoring of operating segments are the following: Revenue from third parties, EBIT, net profit earned and total assets.

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NOTE 4. ENTITIES OF THE (COMBINED) GROUP

Unconsolidated financial statements of the parent

Statement of Financial Position (Th. EUR)	**31.12.2011**	**31.12.2010**	**31.12.2009**	**01.01.2009**
ASSETS				
Current Assets				
Cash and cash equivalents	419	225	192	177
Current receivables	3 162	6 329	5 597	3 409
Total Current Assets	3 581	6 554	5 789	3 586
Non-Current Assets				
Investments in subsidiaries	28 196	30 544	30 544	30 544
Non-current receivables	59 340	68 949	59 970	54 209
Property, plant and equipment	0	0	1	2
Total Non-Current Assets	87 536	99 493	90 515	84 755
TOTAL ASSETS	**91 117**	**106 047**	**96 304**	**88 341**
LIABILITIES AND EQUITY				
Current Liabilities				
Current debt	0	756	392	0
Current payables	3 732	9 631	7 859	52 598
Taxes payable	0	0	6	25
Short-term provisions	700	0	0	0
Total Current Liabilities	4 432	10 387	8 257	52 623
Non-Current Liabilities				
Long-term debt	11 272	15 054	5 242	374
Non-current payables	104 824	64 447	62 566	55 298
Long-term provisions	36	26	16	6
Total Non-Current Liabilities	116 132	79 527	67 824	55 678
Total Liabilities	**120 564**	**89 914**	**76 081**	**108 301**
Equity attributable to equity holders of the parent				
Share capital in nominal value	10 637	33 992	33 992	33 992
Share premium	0	45 089	45 089	45 089
Statutory legal reserve	0	2 938	2 938	2 955
Retained earnings				
Accumulated profits (losses)	-31 200	42 171	-2 792	1 340
Accumulated profits (losses) separated	0	-106 065	-103 968	-99 203
Profit (loss) for the financial year	-8 884	-1 992	44 964	-4 133
Total equity	-29 447	16 133	20 223	-19 960
TOTAL LIABILITIES AND EQUITY	**91 117**	**106 047**	**96 304**	**88 341**

Statement of Comprehensive Income (Th. EUR)	2011	2010	2009	2008
Operating income				
Revenue	554	353	378	390
Cost of goods sold	0	3	7	17
Gross profit	**554**	**350**	**371**	**373**
Marketing expenses	7	0	8	48
Administrative expenses	2 227	1 199	1 473	1 031
Other income	0	0	0	22
Other expenses	700	0	1	4
Operating profit (loss)	**-2 380**	**-849**	**-1 111**	**-688**
Financial income and expense, net	-6 504	-1 143	46 075	-3 445
Profit (loss) before income tax	**-8 884**	**-1 992**	**44 964**	**-4 133**
Profit (loss) for the financial year	**-8 884**	**-1 992**	**44 964**	**-4 133**
Comprehensive profit (loss) for the financial year	**-8 884**	**-1 992**	**44 964**	**-4 133**

Statement of Adjusted Unconsolidated Equity (Th. EUR)	Share capital in nominal value	Share premium	Statutory legal reserve	Retained earnings / Accumulated losses	Total equity
NBV 01.01.2009	33 992	45 089	2 955	-101 996	**-19 960**
NBV 31.12.2009	33 992	45 089	2 938	-61 796	**20 223**
(Less) cost of shares of subisidaries					-30 544
Investments into subsidiaries calculated in equity method					70 906
Adjusted unconsolidated equity 31.12.2009					**60 585**
NBV 31.12.2010	33 992	45 089	2 938	-65 886	**16 133**
(Less) cost of shares of subisidaries					-30 544
Investments into subsidiaries calculated in equity method					66 226
Adjusted unconsolidated equity 31.12.2010					**51 815**
NBV 31.12.2011	10 637	0	0	-40 084	**-29 447**
(Less) cost of shares of subisidaries					-28 196
Investments into subsidiaries calculated in equity method					128 241
Adjusted unconsolidated equity 31.12.2010					**70 598**

Information about combined subsidiaries	Country of incorporation	Share of ownership 31.12.2011	Share of ownership 31.12.2010	Share of ownership 31.12.2009	Share of ownership 01.01.2009	Field of activity
Pro Kapital Eesti AS	Estonia	100,00%	100,00%	100,00%	100,00%	Real estate development
Ilmarise Kvartal OÜ	Estonia	100,00%	100,00%	100,00%	100,00%	Real estate development
Täismaja AS (Kristiine Kaubanduskeskus AS)	Estonia	99,99%	52,00%	52,00%	52,00%	Real estate development
Tondi Kvartal AS	Estonia	100,00%	100,00%	100,00%	100,00%	Real estate development
Pro Halduse AS	Estonia	100,00%	100,00%	100,00%	100,00%	Real estate management
Tallinna Moekombinaat AS	Estonia	96,00%	96,00%	96,00%	100,00%	Real estate development
Domina Management AS	Estonia	100,00%	100,00%	0%	0%	Hotel management
Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	100,00%	100,00%	Real estate development
PK Invest UAB	Lithuania	100,00%	100,00%	100,00%	100,00%	Real estate development
Domina Management UAB	Lithuania	100,00%	100,00%	100,00%	100,00%	Real estate management
Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
PK Latvia SIA	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība A Centrs SIA[1]	Latvia	0%	0%	51,00%	51,00%	Real estate development
Klīversala RE SIA	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
Investhotel SIA	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
PK Investments SIA	Latvia	0%	67,00%	67,00%	67,00%	Real estate development
Kugu Real Estate SIA[2]	Latvia	0%	0%	70,00%	70,00%	Real estate development
Pasaules tirdzniecības centrs "Rīga" SIA	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Prokurs SIA	Latvia	70,00%	70,00%	70,00%	70,00%	Real estate development
Hotel Management Services SIA	Latvia	100,00%	100,00%	100,00%	0%	Hotel management
OÜ Pro Kapital Germany Holdings	Estonia	100,00%	0%	0%	0%	Real estate development
Pro Kapital Germany GmbH	Germany	100,00%	100,00%	100,00%	100,00%	Real estate development
Domina Tourismus GmbH	Germany	100,00%	100,00%	100,00%	100,00%	Hotel management

[1] Liquidated in 2010
[2] Liquidated in 2010

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(Th. EUR) Subsidiary	FCCY	Cost 31.12.2011	Cost 31.12.2010	Cost 31.12.2009	Cost 01.01.2009	Net assets 31.12.2011	Net assets 31.12.2010	Net assets 31.12.2009	Net assets 01.01.2009
Pro Kapital Eesti AS	EUR/EEK	17 981	17 981	17 981	17 981	109 017	54 997	54 465	47 028
Ilmarise Kvartal OÜ	EUR/EEK	286	286	286	286	2 531	2 907	3 141	3 960
Täismaja AS (Kristiine Kaubanduskeskus AS)	EUR/EEK	65 853	12 007	12 007	12 007	115 338	54 867	51 603	46 990
Tondi Kvartal AS	EUR/EEK	4 362	4 362	4 362	4 362	6 647	6 928	7 285	1 711
Pro Halduse AS	EUR/EEK	27	27	27	27	440	425	416	412
Tallinna Moekombinaat AS	EUR/EEK	12 345	12 345	12 345	12 859	9 315	9 400	9 470	12 790
Domina Management AS	EUR/EEK	520	1	-	-	84	(326)	-	-
Pro Kapital Vilnius Real Estate UAB	LTL	688	688	688	688	(460)	(791)	1 332	2 558
PK Invest UAB	LTL	6 679	942	942	942	827	(2 614)	(516)	751
Domina Management UAB	LTL	43	43	43	3	45	54	41	53
Pro Kapital Latvia PJSC	LVL	10 188	10 188	10 188	10 188	13 893	11 229	15 109	70 287
PK Latvia SIA	LVL	188	188	188	188	10	36	80	111
Nekustamo īpašumu sabiedrība A Centrs SIA	LVL	-	-	53	53	-	-	1	1
Klīversala RE SIA	LVL	9 725	9 725	9 725	9 725	13 303	13 415	13 390	13 510
Tallina Nekustamie Īpašumi SIA	LVL	4 889	4 677	4 261	3 344	(2 274)	690	764	111
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	LVL	1 716	1 550	1 550	847	680	595	762	-
Investhotel SIA	LVL	987	987	987	987	1 739	1 579	1 422	1 035
PK Investments SIA	LVL	-	9 440	9 440	9 440	-	5 428	8 975	13 001
Kugu Real Estate SIA	LVL	-	-	4	10	-	-	1	10
Pasaules tirdzniecības centrs "Rīga" SIA	LVL	9 641	9 641	9 641	3 050	10 262	10 025	9 930	9 645
Nekustamo īpašumu sabiedrība Prokurs SIA	LVL	1 408	1 408	1 408	1 408	2 161	2 012	762	2 452
Hotel Management Services SIA	LVL	801	228	-	-	310	(170)	231	-
Pro Kapital Germany Holding OÜ	EUR	2	-	-	-	137	-	-	-
Domina Tourismus GmbH	EUR	1	-	-	-	137	-	-	-
Pro Kapital Germany GmbH	EUR	25	25	25	25	5 056	(9)	(52)	(75)

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NOTE 5 ACQUISTIONS OF / CHANGE IN OWNERSHIP IN SUBSIDIARIES

(Th. EUR)	AS Täismaja (2011)	Domina Tourismus GmbH (2011)	Domina Management AS (2010)	Domina Management SIA (2009)
Total assets	x	615	724	846
incl. Cash	x	173	107	93
Total liabilities	x	478	724	615
Non-controlling interest	54 454	-	-	-
Net assets	x	137	0	231
Share of ownership before acquisition	52,00%	0,00%	0,00%	0,00%
Share (%) of ownership acquired	47,99%	100,00%	100,00%	100,00%
Share of ownership after acquisition	99,99%	100,00%	100,00%	100,00%
Acquisition cost	53 847	0	0	231
Paid in cash	(22 998)	0	0	0
Net cash flow in acquisition	(22 998)	173	107	93
Goodwill and gain on bargain purchase	-	(137)	-	-
Profit (loss) in acquisition (equity)	(607)	-	-	-

NOTE 6 DISPOSALS OF SUBSIDIARIES

(Th. EUR)	PK Investments SIA (2011)	Tallinna Moekombinaat AS (2009)
Non-controlling interest	x	65
Share of ownership before disposal	67,00%	100,00%
Share (%) of ownership disposed	67,00%	4,00%
Share of ownership after disposal	0%	96,00%
Cash at the moment of disposal	(114)	x
Received in cash	6 437	700
Net cash flow in disposal	6 323	700
Sales price	6 441	700
Profit (loss) at disposal	2 736	635

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NOTE 7. SEGMENT REPORTING

(Th. EUR)	Estonia	Latvia	Lithuania	Germany	Total
2011					
Revenue	10 569	3 038	3 406	436	17 449
Other operating income	54 087	146	0	47	54 280
Segment operating profit (loss)	51 501	(3 916)	(57)	330	47 858
Financial income and expense (net)	(213)	2 626	(520)	0	1 893
Profit (loss) before income tax					**49 751**
Income tax	0	(330)	(24)	3	(351)
Non-controlling interest					28 171
Net profit (loss) for the financial year attributable to equity holders of the parent					**21 931**
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	354	17	1	0	372
Depreciation and amortisation	(194)	(258)	(19)	(120)	(591)
2010					
Revenue	11 779	2 356	6 480	436	21 051
Other operating income	92	81	1	45	219
Segment operating profit (loss)	974	(4 889)	(1 263)	195	(4 983)
Financial income and expense (net)	(1 417)	(19)	(617)	(1)	(2 054)
Profit (loss) before income tax					**(7 037)**
Income tax	0	26	(43)	0	(17)
Non-controlling interest					393
Net profit (loss) for the financial year attributable to equity holders of the parent					**(7 413)**
Assets	123 039	31 797	20 821	2 784	178 441
Liabilities	90 173	11 272	10 462	28	111 935
Acquisition of non-current assets	14 804	43	28	0	14 875
Depreciation and amortisation	(67)	(325)	(50)	(120)	(562)
2009					
Revenue	13 534	5 759	2 269	437	21 999
Other operating income	384	890	38	45	1 357
Segment operating profit (loss)	657	(892)	(1 143)	187	(1 191)
Financial income and expense (net)	6 838	(6 902)	(86)	0	(150)
Profit (loss) before income tax					**(1 341)**
Income tax	0	147	(173)	0	(26)
Non-controlling interest					2 140
Net profit (loss) for the financial year attributable to equity holders of the parent					**(3 455)**
Assets	103 537	32 742	27 993	2 874	167 146
Liabilities	65 414	8 138	17 821	28	91 401
Acquisition of non-current assets	1 165	1	26	4	1 196
Depreciation and amortisation	(151)	(366)	(43)	(120)	(680)

NOTE 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents recorded in the combined statement of financial position and statement of cash flows, comprise cash at hand and bank deposits as of the end of each reporting period. Foreign currency accounts have been retranslated into EUR at the European Central Bank currency exchange rates prevailing on the balance sheet date.

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Cash at hand	63	47	38	46
Bank accounts	8 574	1 147	2 162	1 834
Short-term deposits	0	0	959	0
Total	**8 637**	**1 194**	**3 159**	**1 880**

NOTE 9 CURRENT RECEIVABLES

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Trade receivables	669	1 774	2 295	1 151
Receivables from related parties (Note 29)	516	0	639	251
Other receivables	1 358	6 684	6 534	7 597
Accrued income	55	305	777	660
Prepaid expenses	267	799	1 059	3 506
Total	**2 865**	**9 562**	**11 304**	**13 165**

NOTE 10 INVENTORIES

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Property held for resale	17 947	21 192	30 982	5 692
WIP (property under construction)	35 107	37 479	36 892	62 890
Goods held for resale	132	65	61	41
Prepayments	0	0	0	291
Total	**53 186**	**58 736**	**67 935**	**68 914**
Impairment loss recognized (reversed)	3 028	(280)	1 639	-

The reversal of inventory impairment losses in 2010 relate to profitable sales of inventories for which impairment loss was previously recognized.

NOTE 11 NON-CURRENT RECEIVABLES

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Receivables from related parties (Note 29)	0	19 895	12 057	10 086
Other	152	54	435	0
Total	**152**	**19 949**	**12 492**	**10 086**

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Land and buildings are measured at their revalued amounts (initial adoption of the revaluation model in 2011 with prospective application; effective date of the revaluation was 31 December 2011). The carrying amount that would have been recognized had those assets been carried under the cost model amounts to 9 739 Th. EUR as of 31 December 2011.

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 confirms to International Valuation Standards, was performed by indpenendent 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 perfomed) 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 before revaluation 31.12.2011	Fair value 31.12.2011
Pulkvieza Brieza 11, Riga	1 795	6 070
Põhja pst. 21, 21a, 21b-1, Tallinn	3 602	6 100
Põhja pst.21c, Tallinn	198	268
Kurhausstrasse 28, Bad Kreuznach	3 793	8 280

Revaluation reserve (accounted for under equity) was formed to account for revaluation differences (refer to Note 20).

(Th. EUR)	**31.12.2011**	**31.12.2010**	**31.12.2009**	**01.01.2009**
Land and buildings	21 069	11 285	9 311	12 256
Machinery and equipment	548	642	725	828
Other property, plant and equipment	246	122	159	229
Construction in progress	0	0	0	1 350
Prepayments	0	0	12	5
Total	**21 863**	**12 049**	**10 207**	**14 668**

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(Th. EUR)	Land and buildings	Machinery and equipment	Other property, plant and equipment	Construction in progress	Prepay-ments	Total
Cost 01.01.2009	**15 025**	**1 159**	**1 958**	**1 350**	**5**	**19 497**
Additions:						
Acquired	4	6	50	35	0	95
Disposals:						
Sold	0	0	-1	0	0	-1
Written off	0	0	-30	0	-5	-35
Other changes:						
Reclassified	0	-15	15	-12	12	0
Reclassified to/from inventories	-3 446	0	-77	0	0	-3 523
Reclassified to/from investment property	0	0	0	-1 373	0	-1 373
Foreign currency differences	-8	-2	-1	0	0	-11
Cost 31.12.2009	**11 575**	**1 148**	**1 914**	**0**	**12**	**14 649**
Additions:						
Acquired	0	1	42	0	0	43
Acquired in business combination	0	166	384	0	0	550
Disposals:						
Sold	0	-19	-27	0	0	-46
Written off	0	-7	-40	0	0	-47
Other changes:						
Reclassified to/from inventories	2 398	26	-79	0	0	2 345
Reclassified to/from investment property	-242	0	0	0	-12	-254
Cost 31.12.2010	**13 731**	**1 315**	**2 194**	**0**	**0**	**17 240**
Additions:						
Acquired	0	12	28	0	0	40
Acquired in business combination	0	0	398	0	0	398
Disposals:						
Sold	0	-6	-3	0	0	-9
Written off	0	-9	-231	0	0	-240
Application of revaluation model:						
Fair value gain	12 878	0	0	0	0	12 878
Reversal of accumulated depreciation	-1 955	0	0	0	0	-1 955
Other changes:						
Reclassified to/from inventories	-2 807	0	0	0	0	-2 807
Reclassified to/from non-current assets held for sale	0	0	-14	0	0	-14
Foreign currency differences	50	12	17	0	0	79
Cost 31.12.2011	**21 897**	**1 324**	**2 389**	**0**	**0**	**25 610**

(Th. EUR)	Land and buildings	Machinery and equipment	Other property, plant and equipment	Total
Accumulated depreciation 01.01.2009	**2 769**	**331**	**1 729**	**4 829**

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Additions:				
Depreciation charge for the period	451	99	127	677
Disposals:				
Written off	0	0	-29	-29
Other changes:				
Reclassified	0	-7	7	0
Reclassified to/from inventories	-952	0	-77	-1 029
Foreign currency differences	-4	0	-2	-6
Accumulated depreciation 31.12.2009	**2 264**	**423**	**1 755**	**4 442**
Additions:				
Depreciation charge for the period	408	106	91	605
Acquired in business combination	0	143	354	497
Disposals:				
Sold	0	-18	-16	-34
Written off	0	-7	-47	-54
Other changes:				
Reclassified	0	26	-26	0
Reclassified to/from inventories	0	0	-39	-39
Reclassified to/from investment property	-226	0	0	-226
Accumulated depreciation 31.12.2010	**2 446**	**673**	**2 072**	**5 191**
Additions:				
Depreciation charge for the period	415	108	49	572
Acquired in business combination	0	0	235	235
Disposals:				
Sold	0	-2	-2	-4
Written off	0	-9	-206	-215
Application of revaluation model:				
Reversal of accumulated depreciation	-1 955	0	0	-1 955
Other changes:				
Reclassified to/from inventories	-100	0	0	-100
Reclassified to/from non-current assets held for sale	0	0	-9	-9
Foreign currency differences	22	6	4	32
Accumulated depreciation 31.12.2011	**828**	**776**	**2 143**	**3 747**

Information about property, plant and equipment pledged as collaterals is disclosed in note 18 to these combined financial statements.

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NOTE 13 INVESTMENT PROPERTY

(Th. EUR)	**31.12.2011**	**31.12.2010**	**31.12.2009**	**01.01.2009**
Investment property held for increase in value	26 023	26 132	25 697	26 120
Investment property held for earning rentals	88	468	36 088	34 262
Total	**26 111**	**26 600**	**61 785**	**60 382**

Investment property is measured at its fair value (initial adoption of the fair value model in 2011 with retrospective application). The principles of fair value considerations are disclosed in Note 2 and 30 to these combined financial statements.

(Th. EUR)	**Investment property held for increase in value**	**Investment property held for earning rentals**	**Total**
NBV 01.01.2009	**26 120**	**34 262**	**60 382**
Additions:			
Acquired	37	1 064	1 101
Disposals:			
Written off	-460	0	-460
Other changes:			
Reclassified to/from inventories	0	304	304
Reclassified to/from property, plant and equipment	0	458	458
NBV 31.12.2009	**25 697**	**36 088**	**61 785**
Additions:			
Acquired	443	14 389	14 832
Disposals:			
Written off	0	-1	-1
Other changes:			
Reclassified	-8	8	0
Reclassified to/from property, plant and equipment	0	28	28
Reclassified to/from non-current assets held for sale	0	-50 044	-50 044
NBV 31.12.2010	**26 132**	**468**	**26 600**
Additions:			
Acquired	332	0	332
Disposals:			
Written off	-110	-380	-490
Changes in fair value:			
Loss from change in fair value of IP	-331	0	-331
NBV 31.12.2011	**26 023**	**88**	**26 111**

A shopping centre owned by the entity (Kristiine Kaubanduskeskuse AS) belonging into Pro Kapital Eesti subsidiary group, is the most significant investment property leased out under the terms of an operating lease of the Group.

On 17 March 2011, Täismaja AS signed a contract for selling of its shopping center for 104 997 Th.EUR. The contract was executed on 2 May 2011. As of 31 December 2010 the book value of the property, which is part of disposed operations amounted to 50 044 Th.EUR, and it is presented on the balance sheet as of 31 December 2010 as *Non-current assets held for sale*. At the moment of sales, the book value of relevant property amounted to 50 940 Th.EUR, resulting in gain from the sales transaction 54 057 Th.EUR.

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

(Th. EUR)	2011	2010	2009	2008
Rental income	6	5 921	6 139	6 961
Direct operating costs				
Maintenance	44	1 012	916	1 070
Other direct costs	0	1 065	713	674

Information about investment property pledged as collaterals is disclosed in note 18 to these combined financial statements.

NOTE 14 CURRENT DEBT

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Bank loans and overdrafts (Note 17)	4 402	74 058	8 538	39 171
Convertible debt (Note 19)	0	0	392	0
Lease liabilities	0	0	0	2
Payables to related parties (Note 29)	9 520	0	0	0
Other	80	9 213	7 150	5 008
Total	**14 002**	**83 271**	**16 080**	**44 181**

NOTE 15 CURRENT PAYABLES

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Trade payables	724	2 679	1 868	2 602
Payables to related parties (Note 29)	0	91	1	13
Accrued expenses	1 063	877	956	584
Deferred income	4	1	0	13
Total	**1 791**	**3 648**	**2 825**	**3 212**

NOTE 16 NON-CURRENT DEBT

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Bank loans and overdrafts (Note 17)	10 190	9 350	64 668	31 872
Convertible debt (Note 19)	11 272	9 367	3 261	374
Total	**21 462**	**18 717**	**67 929**	**32 246**

NOTE 17 BANK LOANS AND OVERDRAFT

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Current debt (Note 14)	4 379	74 058	8 538	39 171
Non-current debt (Note 16)	10 190	9 350	64 668	31 872
Total	**14 569**	**83 408**	**73 206**	**71 043**

Creditor	**31.12.2011**	**31.12.2010**	**31.12.2009**	**CCY**	**Interest %**
Swedbank AS (EE)	2 746	5 280	6 090	EUR	2,0% + 6m Euribor
Swedbank AS (EE)	0	62 699	46 169	EUR	2,5% + 6m Euribor
AS Swedbank (LV)	4 623	5 842	6 126	EUR	3,0% + 6m Euribor
"Swedbank" AB (LT)	7 200	9 587	14 821	EUR	2,4% + 6m Euribor
Volksbank Bad Kreusnach	23	0	0	EUR	5,1%
Total	**14 569**	**83 408**	**73 206**		

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Due within 1 year	4 379	74 058	8 538	39 171
Due between 2 to 5 years	10 190	9 350	64 668	19 631
Due after 5 years	0	0	0	12 241
Total	**14 569**	**83 408**	**73 206**	**71 043**

The collaterals and pledged assets are disclosed in Note 18 to these combined financial statements.

NOTE 18 COLLATERALS AND PLEDGED ASSETS

Debt disclosed in Note 17 to these combined financial statements is pledged with the following properties:

(Th. EUR)		Carryng value of the pledged assets		
Beneficiary	**Collateral description**	**31.12.2011**	**31.12.2010**	**31.12.2009**
Swedbank AS (Estonia)	Kalaranna 1, Tallinn	-	314	314
Swedbank AS (Estonia)	Ülemiste Road 5, Tallinn	-	1 700	1 700
Swedbank AS (Estonia)	Seebi 24a/ Tondi 53b, Tondi tn 49a, 51d, 51f, 53, 53a, 53c, 55b, 57, Tammsaare Road 56/58, Tallinn	-	528	528
Swedbank AS (Estonia)	Põhja Avenue. 23, Tallinn	1 116	76	243
Swedbank AS (Estonia)	Peterburi Road 2, Tallinn	-	24 300	24 300
Swedbank AS (Estonia)	Endla 45,Tulika 35, 33a/37a, Kotkapoja 7, 9, 11, Tallinn	-	50 044	50 044
Swedbank AS (Estonia)	Tondi 51, Tallinn	1 781	166	206
Swedbank AS (Estonia)	Põhja Avenue 21a, 21b, 21 (703/6962), Tallinn	6 100	236	241
Swedbank AS (Estonia)	Põhja Avenue 21 (6259/6962), Tallinn	89	89	89
AS Swedbanka (Latvia)	Pulkveza Brieza Str. 11, Riga	10 891	122	149
AS Swedbanka (Latvia)	Trijadibas str.5, Riga	8 911	-	-
Swedbank AB (Lithuania)	Aguonu str.10, Vilnius	17 385	1 689	1 279
Total		**46 273**	**79 264**	**79 093**

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 (31.12.2011; 31.12.2010);
- To Swedbank AS (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" (31.12.2011; 31.12.2010).
- To Swedbank AS (Latvia) in the amount of 5 778 Th. EUR.
- AS Pro Kapital Grupp and AS Pro Kapital Eesti issued a guarantee letter to Kristiine Keskus OÜ of which they assure in solitary the monetary liabilities of Täismaja AS. In case Täismaja AS violates the confirmations given in the contract of sales of the shopping centre, Kristiine Keskus OÜ can lodge a claim with Täismaja AS. The guarantee is conditional and the guarantors are responsible only if Täismaja AS is unable to settle the claim. The guaranteed amount is five million euros and it is effective for 18 months from the enforcement of the sales contract, i.e. until 02 November 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 AS Pro Kapital Eesti and Täismaja AS on 09 March 2004. The guarantee letter is limited to the maximum amount of potential claim. The guarantee is effective for 72 months from concluding the sales-purchace agreement, i.e. until 02 May 2017.
- To AS Swedbank (Estonia) to assure loan liabilities of AS Tondi Kvartal, which amounted to 605 Th. EUR as of 31 December 2011 (31.12.2010: 1 188 Th. EUR).
- To Swedbank AB (Lithuania) to assure loan liabilities of UAB PK Invest in the amount of 7 479 th. EUR.

NOTE 19 CONVERTIBLE BONDS

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Current debt (Note 14)	0	0	392	0
Non-current debt (Note 16)	11 272	9 367	3 261	392
Total	**11 272**	**9 367**	**3 653**	**392**

On 3 April 2009, AS Pro Kapital Grupp shareholders' extraordinary meeting decided to issue up to 10 000 000 convertible bonds of the Ultimate Parent Company in nominal value of 0.6 EUR (10 EEK) (per convertible bond, and increase conditionally the Ultimate Parent Company's share capital by up to 10 000 000 shares in nominal value of 0.6 EUR (10 EEK) per share in order to exchange convertible bonds for shares of the Ultimate Parent Company. Management of the Ultimate Parent Company had the right to offer the above mentioned number of convertible bonds under several subscription periods. The offers of bonds were carried out so that offers were neither jointly nor separately deemed as public offering of securities under the terms of the directive 2003/71/EC and applicable laws. The issue price of convertible bond in each separate subscription period was determined by management of the Ultimate Parent Company not to be less than 4 EUR per convertible bond. Convertible bonds were offered for subscription in the quantity that was limited to the minimum total sum payable based on the issue price 50 Th.EUR. The interest rate of convertible bond was 7% per annum from its issue price. On 24 April 2009 the conditional increase of the Ultimate Parent Company's share capital was registered in the Commercial Register.

In accordance with the decision of extraordinary meeting of shareholders of AS Pro Kapital Grupp on 13 April 2009, the Ultimate Parent Company's management offered for subscription 1 500 000 convertible bonds on 27 April 2010 (third subscription period), 900 000 convertible bonds on 9 July 2010 (fourth subscription period), 700 000 convertible bonds on 15 September 2010 (fifth subscription period) and 600 000 convertible bonds on 3 December 2010 (sixth subscription period), with an issue price of 4.5 EUR per convertible bond.

In the third subscription period 840 184 convertible bonds were subscribed, for which the Ultimate Parent Company received 3 781 Th.EUR in the reporting period. On 10 August 2010, the issued convertible bonds were registered in the Estonian Central Register of Securities.

In the fourth subscription period 536 012 convertible bonds were subscribed, for which the Ultimate Parent Company received 2 412 Th.EUR in the reporting period. On 16 September 2010, the issued convertible bonds were registered in the Estonian Central Register of Securities.

In the fifth subscription period 422 067 convertible bonds were subscribed, for which the Ultimate Parent Company received 1 899 Th.EUR in the reporting period. On 29 November 2010, the issued convertible bonds were registered in the Estonian Central Register of Securities.

In the sixth subscription period 569 273 convertible bonds were subscribed, for which the Ultimate Parent Company received 2 562 Th.EUR at the beginning of 2011. On 8 March 2011, the issued convertible bonds were registered in the Estonian Central Register of Securities.

The issuance of convertible bonds of AS Pro Kapital Grupp in 1999 were redeemed in accordance with the terms of issue, for the issue price, on 20 January 2010. Redemption fees were paid to the owners in cash because the owners did not exercise the right to exchange the convertible bonds for the Ultimate Parent Company share 1:1.

According to the terms of the emission convertible bonds of AS Pro Kapital Grupp issued during the period 2009-2010 can be converted to shares of the Ultimate Parent Company until and 31 December 2012 with the exchange rate one convertible bond per share.

Registration date of bonds issued	13.05.1999	13.08.2009	20.01.2010	10.08.2010	16.08.2010	29.11.2010	25.05.2011
Issuance CCY	EEK	EUR	EUR	EUR	EUR	EUR	EUR
Issue price of bond	3.20 EUR	2.80 EUR	2.80 EUR	2.80 EUR	2.80 EUR	2.80 EUR	2.80 EUR
Bond return per annum (% from issue price)	6%	7%	7%	7%	7%	7%	7%
Bond interest payment frequency	Once a year	Twice a year	Twice a year	Twice a year	Twice a year	Twice a year	Twice a year
Latest date for the repurchase of bonds	20.01.2010	13.08.2013	20.01.2014	10.08.2014	16.08.2014	29.11.2014	25.05.2015
Latest date for the exchange of bonds to shares	10.01.2010	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Discount rate (%)	11%	7%	7%	7%	7%	7%	7%

(Pcs.)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Number of convertible bonds at the beginning of period	**3 345 374**	**1 287 344**	**122 537**	-
Number of convertible bonds issued	680 384	2 180 567	1 164 807	-
Number of repurchased bonds	-	-122 537	-	-
Number of convertible bonds at the end of period	**4 025 758**	**3 345 374**	**1 287 344**	**122 537**

(Th. EUR)	2011	2010	2009	2008
Value of convertible bonds at the beginning of period	9 366	3 654	392	-
Principal of convertible bonds issued	1 905	9 812	5 242	392
Principal of convertible bonds transferred through separation	-	-3 708	-1 980	-
Repurchased bonds in repurchase price	-	-392	-	-
Principal of the bonds issued at the end of the period	11 271	9 366	3 654	392
Short-term portion of liabilities on the balance sheet at the end of the period	**-**	**-**	**392**	**-**
Long-term portion of liabilities on the balance sheet at the end of the period	**11 271**	**9 366**	**3 261**	**392**

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 Entity has not issued any preference shares.

As of 31 December 2011, the share capital in the amount of 10 637 Th.EUR (2010; 2009; 2008: 33 992 Th.EUR) consists of 53 185 422 (2010; 2009; 2008: 53 185 422) ordinary shares at a nominal value of 0,2 euros (2010; 2009; 2008: 0,64 euros (10 EEK)) per share. All shares have been paid for in full.

According to the articles of association effective on 31 December 2011, the minimum share capital amounts to 6 000 Th.EUR, wheras maximum share capital amounts to 24 000 Th.EUR.

Due to euro introduction in Republic of Estonia on 01 January 2011 and the requirements of the Commercial Code, the nominal value of a share must be rounded to one decimal. Therefore, on 30 June 2011 the shareholders meeting decided to decrease the share capital by reduction of the nominal value of shares. The decrease in share capital down to 31 911 Th.EUR (53 185 422 shares at 0,6 euros per share) was registered in Commercial Registry on 08 August 2011.

On 16 September 2011, shareholders resolved further to decrease the share capital by 21 274 Th.EUR down to 10 637 Th.EUR by decreasing the nominal value of a share from 0,6 euros to 0,2 euros. As a part of this change, share premium in the amount of 45 089 Th.EUR and accumulated statutory legal reserve in the amount of 2 938 Th.EUR was released to retained earnings.

As described in Note 19 to these financial statements, AS Pro Kapital Grupp has issued convertible bonds. The owners of the convertible bonds have not exercised their option to convert the bonds into shares of the Group.

Reserves

Statutory legal reserve of the Ultimate Parent Company is recorded based on the requirements of the Estonian Commercial Code § 336 and is comprised of the provisions made from the net profit. The statutory legal reserve as of 31 December 2011 amount nil, as it has been released against retained earnings based on the shareholders resolution of 16 September 2011. In comparative balance sheet dates (31 December 2010, 2009 and 2008), the respective reserve amounted to 2 938 euros.

Revaluation surplus in the amount of 11 330 Th.EUR results from adoption revaluation model to property, plant and equipment (specifically land and buildings) under IAS 16 "Property, Plant and Equipment" in 2011. In accordance with IAS 8.17, revaluation model is implemented prospectively and revaluation surplus is recognized in other comprehensive income.

The right to repurchase own shares

On 30 October 2008, the shareholders' meeting of AS Pro Kapital Grupp decided to allow the entity to acquire 1 000 000 own shares with repurchase price of 3.83 EUR (60 EEK) per share during the period of five years. Under the terms and conditions of such resolution, the Management Board had the right to repurchase own shares in several offer rounds and the Management Board was obligated to dispose the reacquired shares or make a proposal on the shareholders' meeting to decrease the share capital, during the three years' time after the acquiring of own shares.

On 13 April 2012 the shareholder's meeting decided to recall the shareholders's resolution from 30 October 2008 that established the terms and conditions of the right to repurchase up to 1 000 000 own shares. The Group did not exercise the repurchase option during the period from 30 October 2008 to 13 April 2012.

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NOTE 21 NON-CONTROLLING INTEREST

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Arising from Pro Kapital Estonia	949	27 279	25 715	23 440
Arising from Pro Kapital Latvia	648	2 391	3 675	5 034
Total	**1 597**	**29 670**	**29 390**	**28 474**

NOTE 22 REVENUE

(Th. EUR)	2011	2010	2009	2008
Revenue from sales of real estate	7 490	7 310	5 958	11 148
Rental revenue	4 138	7 472	9 005	10 023
Hotel operating revenue	4 719	5 355	6 655	7 070
Other services	1 102	914	381	577
Total	**17 449**	**21 051**	**21 999**	**28 818**

NOTE 23 COST OF GOODS SOLD

(Th. EUR)	2011	2010	2009	2008
Cost of real estate sold	9 685	7 733	8 212	8 096
Cost of providing rental services	1 928	2 977	2 748	3 520
Cost of hotel operations	4 333	5 902	6 930	7 248
Cost of other services	461	403	27	37
Total	**16 407**	**17 015**	**17 917**	**18 901**

(Th. EUR)	2011	2010	2009	2008
Staff costs	736	763	639	626
Depreciation charge	510	526	487	643
Impairment of tangible and intangible assets	1	0	0	583
Inventory write-offs	3 028	-283	1 639	0
Other	12 132	16 009	15 152	17 049
Total	**16 407**	**17 015**	**17 917**	**18 901**

NOTE 24 MARKETING AND ADMINISTRATIVE EXPENSES

(Th. EUR)	2011	2010	2009	2008
Staff costs	38	15	0	0
Other	314	594	1 103	1 276
Total	**352**	**609**	**1 103**	**1 276**

(Th. EUR)	2011	2010	2009	2008
Staff costs	2 399	1 656	1 704	1 495
Depreciation charge	62	79	190	197
Amortisation charge	7	2	3	3
Gain on bargain purchase	-137	0	0	0
Inventory write-offs	0	2	0	370
Other	2 906	2 290	2 233	1 493
Total	**5 237**	**4 029**	**4 130**	**3 558**

NOTE 25 OTHER INCOME AND OTHER EXPENSES

Other income

(Th. EUR)	**2011**	**2010**	**2009**	**2008**
Fines collected	21	72	420	230
Gain from sales of property, plant and equipment	4	11	0	3 323
Gain from sales of non-current assets classified as held for sale	54 057	0	0	0
Release of allowance for bad debt	7	136	937	1
Other	191	0	0	919
Total	**54 280**	**219**	**1 357**	**4 473**

Other expenses

(Th. EUR)	**2011**	**2010**	**2009**	**2008**
Local taxes	420	461	376	330
Fines paid	18	451	9	69
Loss from sales of investment property	0	1	0	0
Loss from sales of property, plant and equipment	0	4	6	0
Loss from sales of intangible assets	0	2	0	0
Write-off of property, plant and equipment	0	0	1	0
Fair value measurement of investment property	332	0	0	0
Maintenance / repair expenses	0	0	264	1 105
Provisions recognised	700	3 585	283	0
Allowance for bad debt	349	38	313	206
Other	56	58	145	515
Total	**1 875**	**4 600**	**1 397**	**2 225**

NOTE 26 FINANCIAL INCOME AND EXPENSES

Financial income

(Th. EUR)	**2011**	**2010**	**2009**	**2008**
Interest income	1 514	2 150	2 097	2 776
Income arising from transactions with particiaptions in subsidiaries	2 736	0	635	0
Gain from foreign currency translation	520	-30	0	24
Other	0	0	1	11
Total	**4 770**	**2 120**	**2 733**	**2 811**

Financial expenses

(Th. EUR)	**2011**	**2010**	**2009**	**2008**
Interest expenses	2 853	4 046	3 205	3 980
Loss from foreign currency translation	0	0	-533	248
Other	24	128	211	69
Total	**2 877**	**4 174**	**2 883**	**4 297**

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NOTE 27 INCOME TAX

Statutory corporate income tax (on earnings) rates:	2011	2010	2009	2008
Estonia	0%	0%	0%	0%
Latvia	15%	15%	15%	15%
Lithuania	15%	15%	20%	15%
Germany	15%	15%	15%	25%

(Th. EUR)	2011	2010	2009	2008
Profit (loss) before income tax (combined)	55 797	-7 037	-1 341	5 845
Estimated income tax respective to the tax rates	129	-1 366	-266	9 007
Adjustments to estimated income tax:				
Non-deductible expenses (+)	152	1 004	661	209
Non-taxable income and tax incentive	-924	-164	-466	-8 608
Deductions (-)	-20	-20	-74	-150
Reversal loss carry forward (+)	686	555	224	240
Income tax expense	**23**	**9**	**79**	**698**
Effective tax rate	0,05%	X	X	11,94%
Deferred income tax expense	0	18	70	199
Deferred income tax returns	-374	-44	-175	0
Effect on income statement	**-351**	**-17**	**-26**	**897**
Income tax paid	0	0	0	-14 977

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	01.01.2009
Deferred income tax liability (+)	1 962	419	445	551
Deferred income tax assets (-)	-370	0	0	0
Total	**1 592**	**419**	**445**	**551**

Contingent income tax

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. Due to the difference in the income tax concept, the term "taxation base of assets and liabilities" has no economic meaning, and therefore deferred income tax liabilities and assets cannot be accounted for in accordance with IAS 12 "Income Taxes".

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

(Th. EUR)	31.12.2011	31.12.2010	31.12.2009	1.01.2009
Combined retained earnings (attributable to parent and non-controlling interest)	51 221	-14 131	-4 901	2 858
Statutory tax rate applicable	21%	21%	21%	21%
Contingent CIT obligation	10 756	0	0	600

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NOTE 28 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 01.01.2011 - 31.12.2011	(53 185 422 x 12/12) = 53 185 422
In period 01.01.2010 - 31.12.2010	(53 185 422 x 12/12) = 53 185 422
In period 01.01.2009 - 31.12.2009	(53 185 422 x 12/12) = 53 185 422
In period 01.01.2008 - 31.12.2008	(53 185 422 x 12/12) = 53 185 422

Indicative net profit/loss per share (in EUR) attributable to the equity holders of the parent:

2011	21 931 000 / 53 185 422 = 0,41
2010	(7 413 000) / 53 185 422 = (0,14)
2009	(3 455 000) / 53 185 422 = (0,06)
2008	1 072 000 / 53 185 422 = 0,02

The convertible bonds issued did not have a dilutive effect on earnings in 2011, 2010, 2009 or 2008, and therefore they have not been included in the calculation of the diluted net loss per share and the diluted loss per share equals the net loss per share indicator.

NOTE 29 TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties (Th. EUR)	**2011**	**2010**	**2009**	**2008**
Significant owners and owner related companies				
Goods and services sold	5	1 502	2 185	2 286
Goods and services purchased	2 615	0	45	6
Interest income earned	148	202	217	729
Received interest (-)	-764	0	0	0
Issued loans	477	0	1 118	6 359
Repaid loans issued (-)	-5 222	-19	0	0
Granted claims	23 412	0	0	0
Acquisition of shares in subsidiaries	42 811	0	231	0
Interest expense incurred	945	480	0	0
Paid interest (-)	-764	-240	0	0
Received claims	0	169	0	0
Issued convertible bonds	3 062	5 577	3 502	0
Repurchased convertible bonds (-)	0	-392	0	0
Short-term employee benefits to key management	1 155	1 106	1 214	1 323

There were no post-employment benefit, long-term benefit, termination benefit of share based payment arrangements concluded benefiting key management personnel.

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Receivables from related parties

(Th. EUR)	**31.12.2011**	**31.12.2010**	**31.12.2009**	**01.01.2009**
Significant owners and owner related companies				
Current receivables from related parties	516	0	639	251
Non-current receivables from related parties	0	19 895	12 057	10 086
Total	**516**	**19 895**	**12 696**	**10 337**

The non-current receivables relate to former Russian operations of AS Pro Kapital Grupp that were carved out for the purpose of compilation of these combined financial statements. By the last balance sheet date, such outstanding receivables were settled in full.

Payables to related parties

(Th. EUR)	**31.12.2011**	**31.12.2010**	**31.12.2009**	**01.01.2009**
Significant owners and owner related companies				
Outstanding convertible bonds (incl. interest)	9 265	12 028	-	-
Payables to related parties	9 520	91	1	13
Total	**18 785**	**12 119**	**1**	**13**

The outstanding balance as of 31 December 2011 in the amount of 9 520 Th. EUR represents the balance outstanding from acquisition of non-controlling interest in AS Täismaja (disclosed in Note 5). After the balance sheet date, the due date for full repayment was set to 31 December 2013 with interest rate of 5% p.a.

Holdings in the Ultimate Parent Company

(Th. EUR)	**31.12.2011**	**31.12.2010**	**31.12.2009**	**01.01.2009**
Members of the Council and individuals related to them	8.61%	2.31%	2.31%	2.31%

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 provided loans to related parties at rates comparable to the average commercial rate of interest. The loans to related parties are not collaterised.

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NOTE 30 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.

Business risk

The business risk of the Group depends on the development of the real estate markets in the Baltic States and Germany.

The global financial crisis and the accompanying economic crisis in the recent years have been affecting negatively development of the real estate as well as tourism sector. Although at the end of 2009 the global economy showed some signs of economic growth, the positive impact of the real estate development sector is usually occurs with a delay.

Significant risk which would occur with the crisis, the decrease of the substantial purchasing capability of the permanent residence, the increase of the interest rates for mortgage loans and other factors which could decrease the demand for real estate and hotel services and have a negative impact to the Group operating activities, decreasing the sales and rent income as well the gain from development activities, property management services and operating hotels. Changes in financial markets could reduce the Group's business opportunities to involve foreign capital to finance business and to refinance existing financial liabilities.

The Group's Management believes it is not possible to reliably assess the effects of the ongoing economic crisis, however the management believes that all necessary measurement have been adopted to provide a sustainable development.

Interest risk

Main interest risk rises from long-term liabilities of the Group. In general the interest rates of loans raised by the entities belonging to 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. Minimum amount of financial instruments is used to diversify the interest risk. According to Group's management estimate the expenses related to interest diversification (fixed interest rate) are exceeding the possible losses from the change of interest rate. The estimate based on the Group's financing strategy in the short-term.

Currency risk

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 predominantly in euro and majority of Group's income comes from euro based contracts, the Group's management estimates the currency risk to be insignificant.

Credit risk

The Credit risk expresses potential loss that occurs, when customers do not fulfill their contractual obligations to the Group. For mitigating the credit risk the payment discipline of the customers is consistently followed.

In general the sales of real estate are financed with clients' prepayments. In case of sales of the real estate under the installment, 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. It may sometimes happen that the ownership is transferred to the buyer but a mortgage is set in favor of the Group entity.

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 constantly monitors proportion of short-term liabilities and current assets.

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, due to accounting policies used in Group.

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.

	31.12.2011	**31.12.2010**	**31.12.2009**	**01.01.2009**
Equity to total assets	63.5%	37.3%	45.3%	49.6%
Debt to total assets	31.3%	57.2%	50.3%	45.1%
Long term debt level	18.9%	10.5%	40.6%	19.0%

Pro Kapital Group persues conservative financing policy, targeting for high ratio of equity in its projects, as compared to the industry stadards. Company's goal is to use external financing so as to avoid interest and loan covernant 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.

Long term financing is planned and obtained on project- by- project basis. Prior to application for external finance 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 covernants, 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.), the 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 for the company. 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 the company are carried out.

Estonian Commercial Code §301 establishes 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 ultimate parent. The adjusted unconsolidated equity equals unconsolidated equity of the parent 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 4 to these combined financial statements, the Company has been in compliance with such an equity restriction as of 31 December 2011, 2010 and 2009.

NOTE 31 LAWSUITS

Ultimate parent company

As of 31 December 2011 the AS Pro Kapital Grupp had one pending court case.

On 27 May 2010 Aprisco B.V filed a case to Rotterdam court against AS Pro Kapital Grupp related to the issued guarantee letter with what AS Pro Kapital Grupp assures the rental liabilities of the Serval S.r.l arising from the rental agreement of the Rotterdam hotel, concluded on 4 August 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 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. 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 August 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 1776 thousand euros with accumulated interest for default or in the amount of 1 409 thousand euros with accumulated interest for default.

The Management Board of AS Pro Kapital Grupp does not recognize the claim and states that the guarantee was given to Hotel Blijdorp B.V and not to Aprisco B.V and AS Pro Kapital Grupp was not informed for the transfer of the guarantee letter and therefore Aprisco B.V cannot file the claim related to the guarantee letter. The Management Board of AS Pro Kapital Grupp claims alternatively that according to the guarantee letter Aprisco B.V can claim only unpaid rental payments in amount of 406 thousand euros with accumulated interest for default and which could increase by 282 thousand euros in case the rental lowering agreement between Serval S.r.l. and Aprisco B.V. is found to be unbinding.

As of 31 December 2011 the Group's consolidated statement included potential liabilities related to the court case in the amount of 700 thousand euros.

As of 31 December 2010 the Group had the same court case in process.

As of 31 December 2009 AS Pro Kapital Grupp had no on-going legal proceedings.

Pro Kapital Estonia sub-group

As of 31 December 2011 the subsidiary has three pending court cases.

AS Täismaja (formerly AS Kristiine Kaubanduskeskus) filed a case to Harju District court in order to receive rental debts from the following entities:

- OÜ Donum Trading – in the amount of 15 thousand euros, with accumulated interest for default (settlement agreed subsequently to the balance sheet date).
- OÜ Nordwell – in the amount of 15 thousand euros, with accumulated interest for default (enforced subsequently to the balance sheet date).
- OÜ Trendmaker - in the amount of 46 thousand euros, with accumulated interest for default (settlement agreed subsequently to the balance sheet date).
- OÜ Lossi Arenduse – in the amount of 33 thousand euros, with accumulated interest for default (enforced subsequently to the balance sheet date).

On 28 November 2011 the court ruled against OÜ Lossi Arenduse. The demand is on compulsory execution.

On 16 January 2012 the court ruled against OÜ Donum Trading. Negotiation regarding the payments is in process.

AS Täismaja is involved in one law suit as a third party.

The Management Board of AS Pro Kapital Grupp does not recognize the claims to have any material impact on the business activity of the companies in the Pro Kapital Estonia sub-group.

As of 31 December 2010 AS Pro Kapital Estonia sub-group had no pending court cases.

Pro Kapital Latvia sub-group

As of 31 December 2011 the Pro Kapital Latvia sub-group has three pending court cases.

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 entity's loss should be 60 thousand Latvian latts smaller (approx. 86 thousand euros). Pro Kapital Latvia PJSC disputed the decision. The trial court left the claim unsatisfied. The entity appealed and the hearing is set on 1 March 2012.

SIA Hotel Management has one pending court case regarding recalling prior member of the Board, Inese Tomase, and compensating her average pay. On 25 October 2011 the entity filed a counterclaim based on Notes 1.3 and 4 of the emplyment contract which Inese Tomase used to file her claim and demands leaving Ms Tomase's claim left unsatisfied and returning her income received without legal basis in the amount of 19 thousand Latvian latts (approx. 27 thousand euros). On 22 March 2012 the Parties have entered into a settlement providing that the Company pays approximately two thousand euros plus respective resident income tax, and the Parties withdraw from the other claims. On 27 March 2012 the court confirmed the settlement and decided to terminate court proceedings.

SIA Pasaules tirdzniecības centrs "Rīga" filed a court case against PJSC „Poligons" regarding the compensation for rental payments, contract fee and legal fees. On 11 May 2006 the court satisfied the claim and ruled for the debtor to pay 5 thousand Latvian latts (approx. 7 thousand euros). On 30 May 2006 the court declared the debtor's bankruptcy as of 31 December 2004. On 20 January 2011 the court reset the appeal date for verdict made on 11 May 2006 and the trustee in bankruptcy filed for appeal.

On 9 March 2009 PJSC „Poligons" trustee in bankruptcy filed a case against SIA Pasaules tirdzniecības centrs "Rīga" demanding that the debt in the amount of 0.8 thousand Latvian latts (approx. 1.1 thousand euros) and the contract fine in the amount of 15.3 thousand Latvian latts (approx. 22 thousand euros) resulting from the contract between the entities be settled. On 30 August 2010 the court left the case against the entity unsatisfied. On 1 October 2011 the trustee in bankruptcy appealed. On 9 November 2011 the court decided to join both appeals into one case.

As of 31 December 2010 a subsidiary of Pro Kapital Latvia, PK Investments SIA has one pending legal arbitration proceeding. The pending arbitrage dispute between PK Investments SIA and KanAM Grund Kapitalanlagegesellschaft GmbH has no significance from the point of view of Pro Kapital Latvia sub-group as PK Investments SIA is no longer part of the sub-group as of 31 December 2011. Pro Kapital Latvia PJSC has completed all monetary liabilities to PK Investments SIA and transferred the company to a third party.

The Management Board of AS Pro Kapital Grupp does not recognize the claims to have any material impact on the business activity of the companies in the Pro Kapital Latvia sub-group.

Pro Kapital Vilnius sub-group

As of 31 December 2011 the entities of Pro Kapital Vilnius sub-group have two pending court cases.

UAB „Apskaitos ir mokesčių konsultacijos" has filed a claim in the amount of 70 thousand Lithuanian litas (approx. 20 thousand euros), plus interest 6%, to the Vilnius court to be returned prepayment for an apartment sale contract. PK Invest UAB filed a counter claim for the withdrawal from the contract to be annulled. On 2 March 2011 the court ruled in favour of UAB „Apskaitos ir mokesčių konsultacijos "and left the claim of PK Invest UAB unsatisfied. PK Invest UAB logded the appeal but the hearing has not been announced yet in the Court of Appeal of Lithuania.

UAB "Natalex" filed a claim to the Vilnius court to be returned prepayment for an apartment sale contract in the amount of 166 thousand Lithuanian litas (approx. 48 thousand euros), plus interest 6%. PK Invest UAB found that UAB "Natalex" had breached the contract and the prepayment has been netted with the fine held against UAB "Natalex". The first instance court rejected the claim on in April 2011 but the Plaintiff lodged the appeal.

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

The Management Board of AS Pro Kapital Grupp does not recognize the claims to have any material impact on the business activity of the companies in the Pro Kapital Vilnius sub-group.

Domina Tourismus GmbH

As of 31 December 2011 Domina Tourismus GmbH had one pending court case regarding labour dispute, which the Group management estimates that has no material impact on the business operations.

INDEPENDENT CERTIFIED AUDITOR´S REPORT ON COMBINED FINANCIAL STATEMENTS

Deloitte.

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Reg.no. 10687819

INDEPENDENT CERTIFIED AUDITOR'S REPORT ON COMBINED FINANCIAL STATEMENTS

To the shareholders of AS Pro Kapital Grupp:

For the purpose of the Prospectus prepared in connection with the planned listing of AS Pro Kapital Grupp and pursuant to Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (Official Journal, EC L 149 of 30 April 2004), we have audited the accompanying combined financial statements of AS Pro Kapital Grupp which comprise the statement of financial position as at 31 December 2011, 31 December 2010, 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Combined Financial Statements

Management Board of AS Pro Kapital Grupp is responsible for the preparation and fair presentation of these combined financial statements in accordance with the International Financial Reporting Standards and the related Interpretations issued in the form of EC Regulations and applied in the manner as described in Basis of Preparation as disclosed in Note 2 to these combined financial statements, and for such internal control as the Management Board determines is necessary to enable the preparation of annual account that are free from material misstatement, whether due to fraud or error.

Certified Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the certified auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the certified auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, for the purpose of the Prospectus described above, the combined financial statements of AS Pro Kapital Grupp present fairly in all material respects the financial position as at 31 December 2011, 31 December 2010, 31 December 2009 and its financial performance and its cash flows for the years then ended in accordance with the accounting principles presented in Basis of Preparation specifying the manner in which the International Financial Reporting Standards as adopted in the European Union were applied in the preparation of the combined financial statements.

Emphasis of Matter

In connection with the planned listing of AS Pro Kapital Grupp, the historical financial statements described above have been prepared based on the structure of AS Pro Kapital Grupp as at 31 December 2011, as described on Note 2. These combined financial statements are not necessarily indicative of the consolidated financial position or results of operations that would have existed had the group existed in this way for all periods presented. Our opinion is not qualified in respect of this matter.

27 June 2012

Veiko Hintsov
Certified Auditor, No. 328
AS Deloitte Audit Eesti
Licence No. 27

AS Pro Kapital Grupp

Interim Report 01.01. – 30.06.2012

PROKAPITAL

AS Pro Kapital Grupp
Interim Report 01.01. – 30.06.2012

Company name	AS Pro Kapital Grupp
Beginning of the financial year	1 January
End of the financial year	31 December
Reporting period	01.01.2012 – 30.06.2012
Registration code	10278802
Address	21 Põhja Avenue 10414 Tallinn Estonia
Telephone	+372 6 144 920
Facsimile	+372 6 144 929
Email	prokapital@prokapital.ee
Business activities	Holding company operations Buying and selling of owned real estate Rental and operation of owned or leased real estate Management of real estate on a fee or contract basis
Supervisory Board	Emanuele Bozzone - Chairman Giuseppe Prevosti Renato Bullani Sari Aitokallio Pertti Huuskonen Petri Olkinuora
Management Board	Paolo Michelozzi - Chairman and CEO Allan Remmelkoor

AS Pro Kapital Grupp

Interim Report 01.01. – 30.06.2012

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Management report

PKG 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 180.2 million euros: 63% residential developments, 24% commercial premises and 13% hotels. (Newsec, April 2012).

Key financial figures

	2012 1st half	2011 1st half
Revenue, th. EUR	9 932	8 016
Gross profit, th. EUR	1 862	2 260
Gross profit, %	18.8%	28,2%
Operating profit, th. EUR	-2 236	53 536
Operating profit, %	-22.5%	667.9%
Net profit, th. EUR	-2 889	52 047
Net profit, %	-29.1%	649.3%
Total Assets, th. EUR	102 702	113 472
Total Liabilities, th. EUR	33 570	41 414
Total Equity, th. EUR	69 132	72 058
Debt/Equity	0.49	0.57
Return on Assets, %	-2.7%	35.7%
Return on Equity, %	-4.1%	75.1%

CEO review

The first half of 2012 has been very intensive for the Company defining its long-term strategies and continuing preparations for the new real estate developments planned for the coming years and initial public offering scheduled for the 2nd half of the year. In April the shareholders elected 3 new independent Supervisory Council members - Ms. Sari Aitokallio, Mr. Pertti Huuskonen and Mr. Petri Olkinuora - as persons with wide experience in administrating of public companies and relationship with international institutional investors. Starting from 16th of April Ms. Ruta Juzulenaite started to work as Chief Financial Officer of the company. Her experience in the financial sector has contributed to introduce strong and focused financial and administrative structures of Pro Kapital in order to strengthen the Company's position in the market.

During the reporting period the Company continued with projecting works of 3 new development projects, Peterburg road shopping centre and first part of new stage in Tondi Quarter in Tallinn and Tallinnas Residential Complex in Riga for obtaining building licences. In connection with the shopping centre project we have signed the agreements for preprojecting of tram line Majaka str. – Peterburi road 2, projecting of rainwater sewage line on Kivimurru street and connection agreement with AS Eesti Gaas. In June we received the building licence for the entrance crossroad from the Peterburi road to the eastern side of the projected shopping centre.The Company has also started successfully the leasing activities for the shopping centre premises with first lease agreements signed at the end of the reporting period.

Alongside with the real estate development activities the Company continued with preparation works for the initial public offering of its new shares, scheduled to take place in September 2012 at Tallinn Stock Exchange with Porta Finance UAB and AS LHV Pank respectively as advisor and global coordinator.

At the end of the reporting period the Company recorded net revenue 9,93 mln EUR, +23,9% compared to the same period in 2011. Recorded net loss 2,89 mln EUR include non-recurring costs related to IPO preparations in amount of 0,37 mln EUR and additional provision regarding legal dispute in Netherland (see Legal overview and developments) in amount of 0,71 mln EUR.

In Tallinn the sale of residential recorded 2 flats and 3 parking places as well 6 lease agreements signed for parking places and 4 agreements for offices. In total in Tallinn there are at the moment for sale 16 flats (11 in Ilmarise Quarter and 5 in Tondi), 11 office premises (Tondi), 4 basement premises (3 in Narva str. 13 and 1 in Vene 19) and several underground parking places in Ilmarine Quarter.

Domina Inn Ilmarine Hotel showed results well above expectations, with occupancy rate growth by 4,1% the gross operating profit was 223 484 EUR, recording the increase more than 2 times.

In Riga 1 flat has been sold and in total 20 lease agreements were signed for World Trade Centre office premises. There are 3 flats in Riga for sale at the end of the reporting period. We are pleased with the results of Domina Inn Riga Hotel, with occupancy rate growth by 26,4% compared to last year and the gross operating profit being 282 529 EUR, increased by 7,8%.

In Vilnius the sale of residential properties recorded 31 flats and commercial premises and 13 parking places. Major part (27 flats and all parking places) was part of a bulk deal. In total the are 55 apartments and 113 parking places for sale in Vilnius.
Bad Kreuznach Domina Parkhotel Kurhaus, Germany, occupancy rate dropped by ca 13%, with gross operating profit decreasing by 2% to 255 th EUR. Bad Kreuznach hotel operating company was acquired in November 2011 and currently is undergoing the process of cost review and efficiency means.

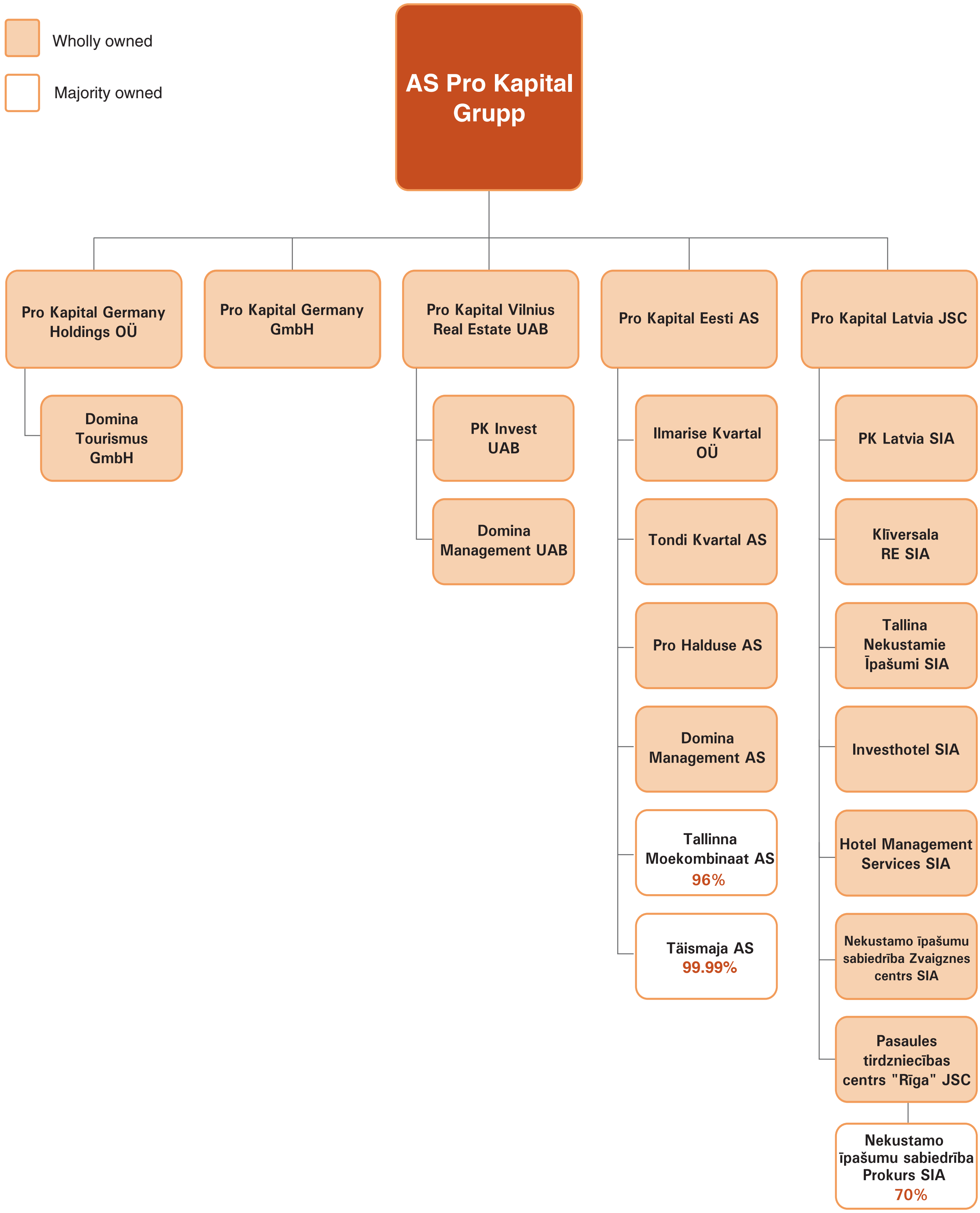
The Company's outstanding bank loan at the end of the period was 12,3 mln EUR, which has decreased by 15,7% during the reporting period. The Company will introduce additional overdraft agreement of 3,0 mln EUR shortly after the end of the reporting period.
The Company as of June 30, 2012 had 11,272 mln EUR worth convertible bonds, no changes since the start of reporting period.

As of June 30, 2012 there were 142 employees working in the Company, 102 of them were employed in hotel and property maintenance business.

Paolo Michelozzi
CEO
Pro Kapital Grupp AS

July 24, 2012

Group structure as of 30.06.2012



Overview of development projects

Project name	Type	Location	Ownership	Planned Volume	Status	Classification
Peterburi road Shopping Centre	Retail	Tallinn	96%	GLA 55 000 m²	Application submitted for a building licence	Investment property
Ülemiste	Office	Tallinn	100%	GLA 22 880 m²	Detail plan approved. Project not started	Investment property
Tondi	Residential	Tallinn	100%	NSA 83 462 m² *71 280 m² residential* *12 182 m² commercial*	Application submitted for a building licence for stage two	Inventories
Kalaranna	Residential	Tallinn	100%	NSA 33 013 m² *27 600 m² residential* *5 413 m² commercial*	Detail plan approval in process	Inventories
Tallinas	Residential	Riga	100%	NSA 18 845 m² *17 650 m² residential* *1 195 m² commercial*	Project work in process for building licence application	Inventories
Kliversala	Residential	Riga	100%	NSA 49 920 m² *31 600 m² residential* *7 920 m² commercial* *10 400 m² hotel*	Detail plan approval in process	Inventories
Zvaigznes	Residential	Riga	100%	NSA 17 949 m² *11 277 m² residential* *6 672 m² commercial*	Building licence for reconstruction of the existing building issued	Inventories
Saltiniu Namai	Residential	Vilnius	100%	NSA 23 056 m² *20 343 m² residential* *2 713 m² commercial*	First stage completed and on sale except for two buildings, which already have building licences. Stage two is being designed ready for the building licence application	Inventories

*NSA – Net Saleable Area
GLA – Gross Leasable Area

Segments and Key Performance Indicators

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

The Company's operations in **Estonia** mainly consist of the development and sales of apartments in premium 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 17,3% compared to 70,1% of the comparable period last year, when major part of the revenue was created by Kristiine Shopping Centre, that was sold in May 2011.

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 13,7% compared to 14,9% of the comparable period last year.

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 53,5% compared to 12,2% of the comparable period last year. The reason of such increase was a bulk sale of 27 flats and 13 parking places.

The Company's operations in **Germany** consist of the development and management of Domina Kurhaus hotel 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 15,5% compared to 2,7% of the comparable period last year. The reason of such increase was the acquisition of the Bad Kreuznach hotel operating company in November 2011.

In addition to geographical segmentation described above Group's revenues can also be divided along four business lines - sales of real estate, rental income, real estate management, and other operations. 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.

Revenue structure, th. EUR

	EST 2012 H1	EST 2011 H1	LV 2012 H1	LV 2011 H1	LT 2012 H1	LT 2011 H1	GER 2012 H1	GER 2011 H1	TOTAL 2012 H1	TOTAL 2011 H1
Sale of Real Estate	290	463	105	-	5256	938	-	-	5 651	1 401
Rent	47	2 865	418	344	35	22	-	217	500	3 448
Hotels	681	423	590	533	-	-	1 538	-	2 809	956
Maintenance	692	1 779	11	23	25	20	-	-	728	1 822
Other	5	93	238	296	1	-	-	-	244	389
TOTAL	**1 715**	**5 623**	**1 362**	**1 196**	**5 317**	**980**	**1 538**	**217**	**9 932**	**8 016**

Other selected data

	EST 2012 H1	EST 2011 H1	LV 2012 H1	LV 2011 H1	LT 2012 H1	LT 2011 H1	GER 2012 H1	GER 2011 H1	TOTAL 2012 H1	TOTAL 2011 H1
m² sold	117	320	60	0	2 356	523	-	-	2 533	843
Average price/m², EUR	1 363	1 429	1 583	-	2 151	2 191	-	-	2 101	1 902
m² under maintenance management	42 685	50 363	15 013	15 013	7 826	7 826	-	-	65 524	73 202
Occupancy rate, hotels, %	66.1	63.5	78.2	61.9	-	-	48.4	55.6	62.7	60.1

Financing sources and policies

Pro Kapital Group persues conservative financing policy, targeting for high ratio of equity in its projects, as compared to the industry stadards. Company's goal is to use external financing in a manner to avoid interest and loan covernant 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 first half of 2012 the Company has repaid 2,37 mln EUR of its bank loans. The Company is about to sign bank overdraft agreement of 3,0 mln EUR, to enhance its working capital flexibility.

Shares and shareholders

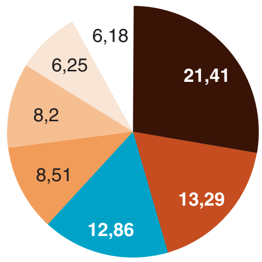
As of 30.06.2012 AS Pro Kapital Grupp has issued total 53 185 422 shares with the nominal value 0,2 euros. The registered share capital of the company is 10 637 084.40 EUR.

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 increase conditionally by 805 151.60 EUR in connection with possible conversion of the issued convertible bonds to the shares of the Company.

As of 30.06.2012 there are 51 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 30.06.2012:

	Shareholders	Number of shares	Percentage of shares
1	Clearstream Banking Luxembourg S.A. Clients	11 387 230	21.41
2	Eurofiduciaria S.R.L.	7 067 431	13.29
3	Svalbork Invest OÜ	6 839 938	12.86
4	Sueno Latino AG	4 528 531	8.51
5	A.F.I. American Financial Investments Ltd.	4 359 935	8.20
6	Anndare Ltd.	3 323 202	6.25
7	Unicredit Bank Austria AG	3 287 801	6.18



Participation of Member of the Management Board and the Council Members as of 30.06.2012:

Name	Position	Number of shares	Percentage of shares	Number of convertible bonds
Paolo 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	Supervisory Board Member	0	0.00	0
Petri Olkinuora	Supervisory Board Member	0	0.00	0
Pertti Huuskonen	Supervisory Board Member	0	0.00	0
Giuseppe Prevosti	Supervisory Board Member	4 447 597*	8.36	0
Renato Bullani	Supervisory Board 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*

Legal overview and developments

As of 30.06.2012 AS Pro Kapital Grupp companies had 6 pending court cases (as of 31.12.2011 there were 10 pending court cases). During the reporting period AS Pro Kapital Grupp companies won or settled 5 court cases and one additional court case was filed against AS Pro Kapital Grupp company.

The most material ongoing court case is between the AS Pro Kapital Grupp as the ultimate parent company and Aprisco B.V.

On May 27, 2010 Aprisco B.V filed a case to Rotterdam court against AS Pro Kapital Grupp related to the issued guarantee letter with what AS Pro Kapital Grupp assures the rental liabilities of the Serval S.r.l arising from the rental agreement of the Rotterdam hotel.

On July 4, 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 part of the claim in the amount of 786 434.7 EUR has to be paid without delay, while the payment of the remaining part of 622 830.52 EUR is dependent on the outcome of Aprisco B.V court case against Serval S.r.l in regards to the rent reduction agreement validity.

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 and states that the guarantee was given to Hotel Blijdorp B.V and not to Aprisco B.V and AS Pro Kapital Grupp was not informed for the transfer of the guarantee letter and therefore Aprisco B.V cannot file the claim related to the guarantee letter. The Management Board of AS Pro Kapital Grupp claims alternatively that according to the guarantee letter Aprisco B.V can claim only unpaid rental payments in amount of 406 thousand euros with accumulated interest for default and which could increase by 282 thousand euros in case the rental lowering agreement between Serval S.r.l. and Aprisco B.V. is found to be unbinding. In addition the Management Board of AS Pro Kapital Grupp is of opinion that the Rotterdam City Court has incorrectly considered the period for which the rent payments are due. The court acknowledged in the decision that AS Pro Kapital Grupp is liable just for rent payments and not the damages. Serval S.r.l was ordered by Aprisco B.V. do vacate the premises and did so on 17.06.2010. Despite this the court ruled that AS Pro Kapital Grupp is liable for rent difference between the new tenant and Aprisco B.V. until 29.07.2011. The Management Board of AS Pro Kapital Grupp is of opinion that the difference in rent is not to be considered as rent payments, but should be considered as damaged, which are not secured by the letter of guarantee issued by AS Pro Kapital Grupp.

The Management Board of AS Pro Kapital Grupp is planning to appeal the court decision. For further details on legal disputes please see Note 31 of the Interim Report.

People

At the end of first half of 2012 the Company employed 142 people compared to 153 at the end of first half of 2011. 102 of them were engaged in hotel and property maintenance services (115 at the end of first half of 2011). The total remuneration expenses for the Company at the end of first half of 2012 were 1 920 777 EUR compared to 2 618 930 EUR for corresponding period of 2011 (included one-time premiums in amount of 559 486 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 sucessfully 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 liqudity risk.

Asset risks are covered by effective insurance contracts.

Interim Financial Statements

Consolidated statement of financial position

(Th. EUR)	Notes	30.06.2012	31.12.2011
ASSETS			
Current Assets			
Cash and cash equivalents	8	2 142	8 637
Current receivables	9	2 857	2 865
Inventory	10	49 395	53 186
Total Current Assets		54 394	64 688
Non-Current Assets			
Non-current receivables	11	152	152
Deferred tax assets	27	368	370
Property, plant and equipment	12	21 393	21 863
Investment property	13	26 111	26 111
Intangible assets		284	288
Total Non-Current Assets		48 308	48 784
TOTAL ASSETS		**102 702**	**113 472**

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

Consolidated statement of financial position

(Th. EUR)	Notes	30.06.2012	31.12.2011
LIABILITIES AND EQUITY			
Current Liabilities			
Current debt	14	6 898	14 002
Customer advances		579	838
Current payables	15	1 497	1 791
Taxes payable		106	95
Short-term provisions	31	1 755	1 091
Total Current Liabilities		10 835	17 817
Non-Current Liabilities			
Long-term debt	16	20 673	21 462
Other long-term liabilities		132	0
Deferred income tax liability	27	1 878	1 962
Long-term provisions		52	173
Total Non-Current Liabilities		**22 735**	**23 597**
Total Liabilities		**33 570**	**41 414**
Equity attributable to equity holders of the parent			
Share capital in nominal value	20	10 637	10 637
Revaluation reserve	20	11 337	11 330
Foreign currency differences		-1 130	-1 130
Retained earnings			
Accumulated profits		49 624	27 693
Profit (loss) for the period		-2 889	21 931
Total equity attributable to equity holders of the parent		**67 579**	**70 461**
Non-controlling interest	21	**1 553**	**1 597**
Total equity and liabilities		**102 702**	**113 472**

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

Consolidated statement of comprehensive income

(Th. EUR)	Notes	2012 1st half.	2011 1st half.
Operating income			
Revenue	7, 22	9 932	8 016
Cost of goods sold	23	-8 070	-5 756
Gross profit		**1 862**	**2 260**
Marketing expenses	24	-289	-169
Administrative expenses	24	-2 707	-2 776
Other income	25	118	54 692
Other expenses	25	-1 220	-471
Operating profit (loss)		**-2 236**	**53 536**
Financial income	26	16	659
Financial expense	26	-679	-2 155
Profit (loss) before income tax		**-2 899**	**52 040**
Income tax	7, 27	-42	7
Deferred tax	7	56	0
Net profit (loss) for the period		**-2 885**	**52 047**
Net profit (loss) attributable to:			
Equity holders of the parent		**-2 889**	**23 909**
Non-controlling interest		**4**	**28 138**
Other comprehensive income (loss), net of income tax			
Comprehensive income (loss) for the period		-2 885	52 047
Equity holders of the parent		**-2 889**	**23 909**
Non-controlling interest		**4**	**28 138**
Earnings per share (EUR)	28	-0.05	0.45
Diluted earnings per share (EUR)	28	-0.05	0.45

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

Consolidated statement of cash flows

(Th. EUR)	Notes	2012 1st half.	2011 1st half.
Profit (loss) for the period		-2 885	52 047
Adjustments:			
Depreciation charge for the period	7, 12	650	297
Amortisation charge for the period		4	4
Loss from change in fair value of investment property	13	230	0
Profit from sale of investment property		0	-54 057
Interest income	26	-16	-659
Interest expenses	26	679	2 155
Non-monetary transactions		614	334
Change in:			
Current receivables	9	8	-277
Inventory	10	3 791	-277
Customer advances		-259	1 065
Current payables	15	-294	-3 883
Taxes payable		11	
Short-term provisions		664	0
Other long-term liabilities		132	0
Deferred income tax liability	27	-84	0
Long-term provisions		-121	0
Other changes		-6 282	-8 327
Change in cash from (used in) operating activities		**-3 158**	**-11 578**
Additions to fixed assets	7, 12	-66	-822
Additions to investment property	13	-230	0
Proceeds from sale of investment property	13	0	104 997
Proceeds from sale of tangible assets	5	0	5
Acquisition of subsidiaries	5	-9	-8 866
Interests collected		16	47
Change in cash from (used in) investing activities		**-289**	**95 361**
Proceeds from convertible bonds	19	0	3 062
Proceeds from loans / debt		0	1 642
Repayment of loans / debt		-2 369	-67 286
Interests paid		-679	-2 151
Change in cash from (used in) financing activities		**-3 048**	**-64 733**
Net change in cash and cash equivalents		**-6 495**	**19 050**
Opening balance	8	8 637	1 194
Closing balance	8	2 142	20 243

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

Consolidated statement of changes in equity

						Retained earnings					
(Th. EUR)	Nominal value of share capital	Share premium	Statutory legal reserve	Revaluation reserve	Foreign currency differences	Accumulated profits (losses)	Accumulated profits (losses) separated	Profit (loss) for the financial period	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
NBV 01.01.2010	**33 992**	**45 089**	**2 938**	**0**	**-1 373**	**111 925**	**-142 761**	**-3 455**	**46 354**	**29 390**	**75 745**
Transfer to retained earnings	0	0	0	0	0	-3 455	0	-3 455	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	- 112	- 2 209
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**	**66 507**
Transfer to retained earnings	0	0	0	0	0	-7 413	0	7 413	0	0	0
Decrease in share capital 30.06.2012	-2 081	0	0	0	0	2 081	0	0	0	0	0
Impact of separation	0	0	0	0	0	-142 761	142 761	0	0	0	0
Profit (loss) for the financial period	0	0	0	0	0	0	0	23 905	23 905	28 138	52 043
Change in interest in subsidiaries	0	0	0	0	0	-22 105	0	0	-22 105	-9 855	-31 960
Foreign currency differences	0	0	0	0	4	0	0	0	4	0	4
NBV 30.06.2011	**31 911**	**45 089**	**2 938**	**0**	**-1 378**	**-63 825**	**0**	**23 905**	**38 641**	**47 953**	**86 594**
Decrease in share capital 16.09.2011	-21 274	-45 089	-2938	0	0	69 301	0	0	0	0	0
Appropriation to revaluation reserve	0	0	0	11 330	0	0	0	0	11 330	0	11 330
Profit (loss) for the financial period	0	0	0	0	0	0	0	-1 974	-1 974	33	-1 941
Change in interest in subsidiaries	0	0	0	0	0	22 217	0	0	22 217	-46 389	-24 172
Foreign currency differences	0	0	0	0	247	0	0	0	247	0	247
NBV 31.12.2011	**10 637**	**0**	**0**	**11 330**	**-1 130**	**27 693**	**0**	**21 931**	**70 461**	**1 597**	**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	-2 889	-2 889	4	-2 885
Change in interest in subsidiaries	0	0	0	0	0	0	0	0	0	-48	-48
Foreign currency differences	0	0	0	7	0	0	0	0	7	0	7
NBV 30.06.2012	**10 637**	**0**	**0**	**11 337**	**-1 130**	**49 624**	**0**	**-2 889**	**67 579**	**1 553**	**69 132**

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 30.06.2012	Share of ownership 31.12.2011
Clearstream Banking Luxembourg S.A. Clients	Luxembourg	21.41%	0.00%
Eurofiduciaria S.r.l.	Italy	13.29%	11.98%
Svalbork Invest OÜ	Estonia	12.86%	12.86%
Sueno Latino AG	Liechenstein	8.51%	8.51%
A.F.I. American Financial Investments Ltd.	Liechtenstein	8.20%	9.57%
Anndare Ltd.	Ireland	6.25%	41.69%

For the purpose of comparative financial figures of these interim financial statements as at 30 June 2011, 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 6-months 2011, 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”) enlisted in Note 4 to these financial statements.

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 initial public offering of PKG bonds, to present an economic view of the Group business as a whole, historical financial statements for the period 1 January – 30 June 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 Pro Kapital Ukraine 3AT and Pro Kapital Rus OOO.

These comparative financial statements for the period 1 January – 30 June 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.

Compliance with International Financial Reporting Standards

International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union do not include any guidance on preparing comparative combined financials. This section describes how IFRSs have been applied to prepare the comparative financial statements for the six-month period ended 30 June 2011.

Comparative historical financial statements for the six-month period ended 30 June 2011 include the companies owned directly or indirectly by the Group. Following the same logic, subsidiaris in Ukraine and Russia have been excluded from the scope.

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 Principes:

> 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 exercices 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 six-month periood ended 30 June 2011, have been compiled in line with the existance of control over entities as of 31 December 2011 (listed in Note 4 to these financial statements) and in accordance with consolidation principes described in Note 3 below.
>
> Consequently, the comparative financial information provided does not reflect factual legal structure nor presence of control over other entities by the Group as at 30 June 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 second half 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.

Use of judgements, estimates and assumptions

According to IFRS, the preparation of the consolidated financial statements assumes judgements, estimates and assumptions to the Group's assets and liabilities which are not readily apparent from other sources as at the balance sheet date and income earned and expenses covered during the reporting period and made by the management board of the Ultimate Parent Company. These estimates are based on historical experience and the up-to-date information about the state of the Group and considering the plans and risks as at the date of the preparation of the consolidated financial statements. The final results of these economic transactions may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods.

Estimation and decision of management, which influence information presented in financial statements includes following accounting areas:

Classification of real estate

Decision of real estate classification to inventory, property investment or property, plant and equipment is done based on management's intention over the future use of the object. Property is recognized as inventory, if the objective of purchase is connected with development of environment, it is sale or resale during ordinary course of business. Objects recognized as property investment if purchase objective is gaining profit from rent or rise of market value. Also objects recognized as property investment if it is intended to keep them for long time and which have several purposes of use.

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.

Estimation of net realization value of inventory

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

Real estate that have been acquired and developed for sale is presented on the balance sheet as inventories. In assigning value to such assets, management takes into account market sale transactions of similar type of assets made close to the balance sheet date. Additionally for assigning the value there were used professional valuations made by property specialists. If actual sale prices of real estate objects were below the balance sheet value the assets were written down to their net realization value. In assigning the value to property purchased for development purpose, the Group has used professional valuation reports concluded by certified real estate appraisers.

Fair value of property investment

As of balance sheet date the property investments are valued at their fair value. In determination of the fair value estimations of management were used, and if needed opinion of independent certified real estate appraisers. In determination of the fair value two methods are used: discounted cash flow method and comparative transaction price method. Discounted cash flow method is used for assigning fair value of real estate objects with stable rental income.

Recoverable value of fixed assets

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there are any indications that the assets may be impaired. In determining the recoverable value of an asset, the impairment test is carried out during what 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.

Useful life of property, plant and equipment

In determining useful life of property, plant and equipment, taken into account the Group business conditions and volumes, previous experience in relevant field and future plans. According to management estimation useful life for buildings is 20-50 years. Useful life for machinery and equipment 5 to 12,5 years depending on the purpose of use and for other equipment 2 to 5 years.

Collection risk of receivables

For material financial assets, potential decrease in value is evaluated separately. Receivable overdue for more than 180 days, are considered to be non-collectible and are fully written-off.

The Group may have overdue receivables that are not provided for. Such receivables are assessed by the management of the Group on individual bases and found them to be collectable.

Application of new and revised IFRS

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 30 June 2012:

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),

IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013),

IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013),

IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after 1 January 2013),

IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013),

IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013),

IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013),

Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),

Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans (effective for annual periods beginning on or after 1 January 2013),

Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),

Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures,

Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),

Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),

Amendments to various standards "Improvements to IFRSs (2012)" resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013),

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013). The Entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Fiancial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

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

NOTE 3. Principal accounting policies

The financial statements have been compiled under principles of consistency and comparability, meaning adherence to the principles of the accounting policies and representation are altered in case of the require of new or revised IFRS's or the interpretations of the standards issued or if a change of the policy provides a more objective overview of the financial position, the economic performance and cash flows of the Group.

These interim financial statements are prepared on the accrual basis.

Basis of consolidation

These interim financial statements comprise of the financial statements of the Ultimate Parent Company of the Group and its subsidiaries. Subsidiary is considered to be under the control of the parent company when it has the power to govern the financial and operational policies of an entity, so as to obtain benefits from its activities.

Non-controlling interests of the entities under the control of the Ultimate Parent Company are recorded on a separate line in the consolidated financial statements equity.

Non-controlling interest consists of the equity attributable to minority shareholders as of the business combination date and a proportion of subsidiaries earnings after that date.

In case the parent company has obtained control over a subsidiary during the accounting period, the financial results of that subsidiary are recorded from the date the control was acquired. If the parent company has sold a subsidiary during the accounting period, the financial results of that subsidiary are included in the consolidated financial statements of the Group up to the date of disposal.

The balances and transactions between Group entities and unrealized profits/losses from intragroup transactions are eliminated in the consolidated financial statements.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Foreign currency transactions

The subsidiaries of the Group prepare their financial statements for consolidation purposes in local currencies. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates, prevailing on the date of the transaction, of the Central Banks of sub-group's country of incorporation. At each balance sheet date the monetary balances are recalculated based on the currency rate prevailing at the balance sheet date, of the Central Banks of sub-group's country of incorporation. Non-monetary items recorded at fair value are recalculated based on the currency rate prevailing on the date of the revaluation. Non-monetary items recorded at acquisition price are not recalculated concerning the changes in the foreign currency rate. Gains and losses arising from exchange rate differences are recognized in the income statement for the accounting period.

In consolidation process, assets and liabilities, including the goodwill formed from the acquisition of foreign subsidiaries and revaluations to fair values are recalculated to the reporting currency based on the currency exchange rates prevailing at the balance sheet date of Central Bank of European Union of the country of incorporation of the consolidating company. Income statement lines are recalculated based on the average annual exchange rates. Gains and losses arising from exchange rate differences appeared during the consolidation process are recorded on a separate line in the consolidated company equity.

Differences of currency translation are recognized as income or expense of the period when the transaction occurred, i.e. in case of disposal or liquidation of a subsidiary.

The main foreign currencies and relevant exchange rates according to European Central Bank as applied in the consolidated financial statements are as follows:

(in euros)	**30.06.2012**	**2012 1st** half average	**31.12.2011**	**2011 1st** half average
Latvian lat (LVL)	1.42287	1.42287	1.42959	1.41583
Lithuanian lita (LTL)	0.28962	0.28962	0.28962	0.28962

Cash and cash flows

Cash on the balance sheet and cash flow statement comprises cash on hand, bank accounts, and short-term bank deposits (with time term less than three months).

Cash flows from operating activities are presented using the indirect method, according to which the net profit for the financial year is adjusted by the effect of non-monetary transactions, and supplemented by net changes in assets and liabilities related to business operations, and profits and losses from financing and investing activities. Cash flows from investing and financing activities are reported based on direct method, presenting gross receipts and disbursements of the accounting period.

Inventories

Inventories are recorded at cost, which comprises purchase price, non-refundable taxes and other direct acquisition expenditures, which are necessary to transfer inventories to their current location and condition. Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, then weighted average cost method is used. Inventories are stated on the balance sheet at the lower of cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of making the sale. Revaluation of inventories to net realizable value is recognized as expense for the accounting period.

Real estate held for sale

Real estate's (land and buildings) that have been acquired and developed to be sold, are presented on the balance sheet as inventories on the line “Property held for sale” and recognized at cost that comprises of acquisition cost of the real estate and direct expenses (design, construction and technical supervision) necessary to bring the property to the current condition. Borrowing costs from third party loans accrued during the construction period until the issuance of the certificate of occupancy are included in the cost value. Depending on the estimate of the stage of completion, finished and unfinished property for sale is distinguished.

In case the net realizable value of the real estate object is less than its cost value, the real estate object is written down to its net realizable value and the impairment is charged as expense for the accounting period.

In case the usage purpose of a real estate objects changes, the asset is reclassified and since the reclassification date the accounting principles of the new group are applied.

Property, plant and equipment

Assets used for rendering services or used for administrative purposes and with useful life of over one year are considered to be property, plant and equipment. Property, plant and equipment are recognized at cost, which comprises purchase price, non-refundable taxes and other expenditures directly related to taking the asset into use.

In the balance sheet property, plant and equipment are measured either at fair value (land and buildings) or at cost less accumulated depreciation and impairment losses (machinery and equipment, other fixtures).

Revaluation of land and buildings to fair value are performed with sufficient regularity such that the carrying amounts do not differ signifivantly from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of property, plant and equipment commences when the assets are taken into use. Depreciation is calculated on the straight-line method. Depreciation rate to each tangible asset item is determined according to its estimated useful life. Depreciation on revalued buildings in recognised 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.

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.

Investment property

Land and buildings, also equipment related to buildings, that are held to generate rental revenue or with the purpose to increase its market value and which are not used in operations of the Group, are reported on the balance sheet as investment property.

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.

Investment property is initially recognized at cost, which comprises of purchase price, non-refundable taxes and other expenditures directly related to taking the investment property into use. Subsequently to initial recognition, investment properties are measured using the fair value method.

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 group are applied.

Intangible assets

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and goodwill.

Franchises, patents, licenses, trademarks and usage rights are recorded on the balance sheet at cost less accumulated amortization and impairment losses. Amortization is calculated on the straight-line method using an annual rate of 20%. Usage rights are amortized using the straight-line method and the maximum length of the amortization period is the period where the asset is being used.

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its limited lifetime tangible and intangible assets in order to determine whether there are any indications that the assets have suffered an impairment loss. For this purpose, the recoverable value of an asset is estimated.

The recoverable value of the asset is the higher of the present value of the future cash flows from the asset (i.e. value in use) or the fair value of the asset less costs of disposal. In estimating value of use, the estimated cash flows are discounted with a rate which expresses the trends of current market value and specific risks related to assets.

If the recoverable amount of an assets (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.

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 relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in subsidiaries
(in Parent company's unconsolidated financial statements (Note 4))

Investments in subsidiaries that are not held for sale are recognised in the unconsolidated annual accounts of the Parent company at cost.

Financial instruments

Financial instruments held to maturity

Investments are recognized on a transaction date basis and are initially measured at fair value less transaction costs. Subsequently for financial instruments that the entity has expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss by using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts over financial asset's expected life time or a shorter period if appropriate.

Financial instruments available for sale

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as:

- Loans and receivables
- Held-to-maturity investments
- Financial assets at fair value through profit and loss.

Available for sale financial assets that are traded in an active market are stated at fair value at the end of each reporting period. Available for sales equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment at the end of each reporting period.

Interest income calculated using the effective interest method and dividends available for sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available for sale financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is classified to profit or loss.

Loans granted and receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Trade receivables recorded in the balance sheet are evaluated based on collectability expectations. Doubtful receivables are recorded as expense of the accounting period.

Bank borrowings

Interest-bearing loans and overdrafts are initially measured at their fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Financial expenses, including the transaction costs and the settlement costs, are recorded on an accrual basis. Interest expenses are charged to the income statement as an expense of the period, unless the interest expense is related to loans obtained to finance development of property or similar assets, in which case the interests are capitalized as acquisition cost of the asset.

Convertible bonds

Convertible bonds that are convertible into shares at bondholder's request are initially measured in their fair value and are subsequently measured at amortized cost, using the effective interest rate method. Interest expense from convertible bonds is recorded in the income statement for the reporting period based on actual interest rates.

Other financial liabilities

Other financial liabilities are initially recognized at cost which is equal to their fair value at the date of transaction. The cost of a financial liability includes all transactions costs that are directly attributable to its acquisition. After initial recognition, financial liabilities are measured at amortized cost (except for financial liabilities acquired for resale).

Generally the amortized cost of current financial liabilities is equal to their nominal value; therefore, current financial liabilities are stated in the statement of financial position at the amounts payable.

Non-current financial liabilities are initially recognized at the fair value of the consideration received (less the transactions charges). In subsequent periods the amortized cost of non-current financial liabilities are determined using the effective interest rate method.

Equity instruments

Issued equity instruments are recorded at the amount of proceeds received, less direct issuing costs.

Provisions

Provisions are recognized when the Group has an obligation, and it is probable that the Group will be required to settle that obligation in the future. At the balance sheet date, provisions are measured based on the management's best estimate on the expenditure required to settle the obligation. Provisions are discounted to their present value if the effect is material.

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.

Reserves

Statutory legal reserve of the Ultimate Parent Company 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 legal reserve equals at least 1/10 of share capital amount.

Revenue recognition

Net sales

Net sales of the Group consists of revenues from the sale of real estate based on the real right agreements confirmed by the notary, rental income as well as revenues earned from management, administration services and hotel management services.

Revenue from sales is recorded on the accrual basis, when significant risks have been transferred to the buyer, and the sales income and costs incurred in respect of the transaction can be measured reliably.

Other income

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

Financial income

Interest income is recorded on the accrual basis and dividend income is recorded when the right for a dividend has occurred.

Expenses

Cost of sales

Cost of sales includes the costs of bringing real estate objects 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 income statement under "Cost of sales".

Marketing expenses

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

Administrative expenses

Administrative expenses include personnel and office management expenses, research and development expenses, and depreciation and amortization charges.

Other expenses

Expenses, which are not related to the core operations of the Group entities, are recorded as other expenses.

Financial expense

Direct interest costs of acquiring properties constructed over long periods of time are capitalized until the property is taken into use. Other interest and financing costs are recorded on the accrual basis as financial expenses of the reporting period.

Leases

A lease is classified as finance lease when all the risks and rewards incident to ownership are substantially transferred to the lessee. The criteria of contracts, which lead to a lease being classified as finance lease, are the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price, which is expected to be sufficiently lower than the expected fair value at the date the option becomes exercisable, and at the inception of the lease it is reasonably certain that the option will be exercised;
- the lease term covers the majority (over 75%) of the economic life of the asset even if the title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to approximately the fair value (over 90%) of the leased asset;
- the leased assets are of a specialized nature such that only the lessee is able to use them without major modifications being made.

If the above-mentioned conditions are not met, either individually or in combination, the transaction is recorded as operating lease.

The Group as a lessee

An asset held under finance lease is recognized as an asset and a liability of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

If ownership is to be transferred to the lessee, depreciation is calculated on the regular basis taking into account useful lifetime of the asset. If the leased asset is to be returned to the lessor, then the maximum depreciation period is the leasing period, whereas depreciation is not calculated for the guaranteed residual value.

Lease payments are apportioned between finance charges and reduction of the lease obligation. Financial costs are apportioned for the lease period so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income statement on the accrual basis.

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to the income statement as cost on a straight-line basis over the term of the relevant lease, irrespectively from disbursements.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Payments due from lessees are allocated to financial income and principal repayments (to decrease the finance lease receivable). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases. Financial income is recorded in income statement on accrual basis.

In the balance sheet assets leased under the terms of operating lease are reported similarly to other assets. Rental income from operating leases is recognized as revenue on a straight-line basis over the term of the relevant lease despite timing and amounts of actual collection of rentals.

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 21/79 from the taxable amount.

As a result of such taxation principles, the notion of “tax base of assets and liabilities” has lost its economic meaning and deferred income tax and assets cannot be calculated in accordance with IAS 12 “Income Taxes”. Contingent income tax liability from the retained earnings, which could otherwise be distributed as dividends, is not recorded in the Statement of Financial Position. 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.

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. 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 applicable on the balance sheet date is used.

Operating segments

The Group discloses its operating segments on basis of internal information used and analysed by the Ultimate Parent Company. The primary decisions are made on country basis. Primary criteria for monitoring of operating segments are the following: revenue from third parties, EBIT, net profit earned and total assets.

NOTE 4. Entities of the group

Unconsolidated financial statements of the parent

Statement of Financial Position

(Th. EUR)	30.06.2012	31.12.2011
ASSETS		
Current Assets		
Cash and cash equivalents	466	419
Current receivables	3 049	3 162
Inventory	49	0
Total Current Assets	3 564	3 581
Non-Current Assets		
Investments in subsidiaries	30 571	28 196
Non-current receivables	64 862	59 340
Property, plant and equipment	1	0
Total Non-Current Assets	95 434	87 536
TOTAL ASSETS	**98 998**	**91 117**
LIABILITIES AND EQUITY		
Current Liabilities		
Current debt	4 000	0
Current payables	6 176	3 732
Taxes payable	1	0
Short-term provisions	1 409	700
Total Current Liabilities	**11 586**	**4 432**
Non-Current Liabilities		
Long-term debt	11 272	11 272
Non-current payables	105 167	104 824
Long-term provisions	0	36
Total Non-Current Liabilities	**116 439**	**116 132**
Total Liabilities	**128 025**	**120 564**
Equity attributable to equity holders of the parent		
Nominal value of share capital	10 637	10 637
Retained earnings		
Accumulated profits (losses)	-36 046	-31 200
Profit (loss) for the financial year	-3 618	-8 884
Total equity	**-29 027**	**-29 447**
TOTAL LIABILITIES AND EQUITY	**98 998**	**91 117**

Statement of comprehensive income

(Th. EUR)	2012 1st half.	2011 1st half.
Operating income		
Revenue	0	71
Gross profit	**0**	**71**
Marketing expenses	-130	-1
Administrative expenses	-1 163	-1 135
Other expenses	-716	0
Operating profit (loss)	**-2 008**	**-1 065**
Financial income and expense, net	-1 610	-960
Profit (loss) for the financial period	**-3 618**	**-2 025**
Comprehensive profit (loss) for the financial period	**-3 618**	**-2 025**

Statement of adjusted unconsolidated equity

(Th. EUR)	Share capital in nominal value	Retained earnings / Accumulated losses	Total equity
NBV 31.12.2011	10 637	-40 084	-29 447
(Less) cost of shares of subsidiaries			-28 196
Investments in subsidiaries calculated using equity method			128 240
Adjusted unconsolidated equity 31.12.2011			**70 597**
NBV 30.06.2012	10 637	-39 664	-29 027
(Less) cost of shares of subsidiaries			-28 205
Investments in subsidiaries calculated using equity method			125 402
Adjusted unconsolidated equity 30.06.2012			**68 170**

Information about consolidated subsidiaries

	Country of incorporation	Share of ownership 30.06.2012	Share of ownership 31.12.2011	Field of activity
Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Ilmarise Kvartal OÜ	Estonia	100,00%	100,00%	Real estate development
Täismaja AS (Kristiine Kaubanduskeskus AS)	Estonia	99,99%	99,99%	Real estate development
Tondi Kvartal AS	Estonia	100,00%	100,00%	Real estate development
Pro Halduse AS	Estonia	100,00%	100,00%	Real estate management
Tallinna Moekombinaat AS	Estonia	96,00%	96,00%	Real estate development
Domina Management AS	Estonia	100,00%	100,00%	Hotel management
Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	Real estate development
PK Invest UAB	Lithuania	100,00%	100,00%	Real estate development
Domina Management UAB	Lithuania	100,00%	100,00%	Real estate management
Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Real estate development
PK Latvia SIA	Latvia	100,00%	100,00%	Real estate development
Klīversala RE 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%	Real estate development
Investhotel SIA	Latvia	100,00%	100,00%	Real estate development
Pasaules tirdzniecības centrs "Rīga" SIA	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Prokurs SIA	Latvia	70,00%	70,00%	Real estate development
Hotel Management Services SIA (formerly Domina Management SIA)	Latvia	100,00%	100,00%	Hotel management
Pro Kapital Germany Holding OÜ	Estonia	100,00%	100,00%	Real estate development
Pro Kapital Germany GmbH	Germany	100,00%	100,00%	Real estate development
Domina Tourismus GmbH	Germany	100,00%	100,00%	Hotel management

(Th. EUR) Subsidiary	FCCY	Cost 30.06.2012	Cost 31.12.2011	Net assets 30.06.2012	Net assets 31.12.2011
Pro Kapital Eesti AS	EUR	17 981	17 981	109 016	109 017
Ilmarise Kvartal OÜ	EUR	286	286	2 533	2 531
Täismaja AS (Kristiine Kaubanduskeskus AS)	EUR	65853	65 853	118 133	115 338
Tondi Kvartal AS	EUR	4 364	4 364	6 583	6 647
Pro Halduse AS	EUR	27	27	469	440
Tallinna Moekombinaat AS	EUR	12 345	12 345	9 212	9 315
Domina Management AS	EUR	520	520	104	84
Pro Kapital Vilnius Real Estate UAB	LTL	688	688	-934	-460
PK Invest UAB	LTL	6 679	6 679	1 079	827
Domina Management UAB	LTL	43	43	46	45
Pro Kapital Latvia PJSC	LVL	10 188	10 188	13 092	13 893
PK Latvia SIA	LVL	188	188	4	10
Klīversala RE SIA	LVL	9 819	9 819	13 135	13 241
Tallina Nekustamie Īpašumi SIA	LVL	4 866	4 866	661	-460
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	LVL	1707	1 707	624	677
Investhotel SIA	LVL	996	996	1 869	1 731
Pasaules tirdzniecības centrs "Rīga" SIA	LVL	9 733	9 733	10 373	10 213
Nekustamo īpašumu sabiedrība Prokurs SIA	LVL	1 422	1 422	2 054	2 151
Hotel Management Services SIA (formerly Domina Management SIA)	LVL	797	797	785	309
Pro Kapital Germany Holding OÜ	EUR	2	2	137	137
Pro Kapital Germany GmbH	EUR	1	1	83	137
Domina Tourismus GmbH	EUR	25	25	5 019	5 056

NOTE 5. Acquisitions of / change in ownership of subsidiaries

(Th. EUR)	AS Täismaja (2012)	AS Täismaja (2011)	Domina Tourismus GmbH (2011)
Total assets	X	X	615
of which Cash	X	X	173
Total liabilities	X	X	478
Non-controlling interest		54 454	-
Net assets	X	X	137
Share of ownership before acquisition	99.99%	52.00%	0.00%
Share (%) of ownership acquired	0.00784%	47.99%	100.00%
Share of ownership after acquisition	99.99%	99.99%	100.00%
Acquisition cost	9	53 847	0
Paid in cash	(9)	(22 998)	0
Net cash flow in acquisition	(9)	(22 998)	173
Goodwill and gain on bargain purchase	-	-	(137)
Profit (loss) in acquisition (equity)	-	(607)	-

NOTE 6. Disposals of subsidiaries

(Th. EUR)	PK Investments SIA (2011)
Non-controlling interest	x
Share of ownership before disposal	67,00%
Share (%) of ownership disposed of	67,00%
Share of ownership after disposal	0%
Cash at the moment of disposal	(114)
Received in cash	6 437
Net cash flow in disposal	6 323
Sales price	6 441
Profit (loss) at disposal	2 736

There have been no disposals of the shares of subsidiaries during the first half of year 2012.

NOTE 7. Segment reporting

(Th. EUR)	Estonia	Latvia	Lithuania	Germany	Total
2012 1st half					
Revenue	1 715	1 362	5 317	1 538	9 932
Other operating income	14	24	2	79	119
Segment operating profit (loss)	-2 511	-622	948	-51	-2 236
Financial income and expense (net)	-212	-101	-285	-65	-663
Profit (loss) before income tax	-2 723	-723	663	-116	-2 899
Income tax	0	22	-8	0	14
Non-controlling interest	3	7	0	0	-4
Net profit (loss) for the financial year attributable to equity holders of the parent	**-2 720**	**-708**	**655**	**-116**	**-2 889**
30.06.2012					
Assets	53 485	25 745	15 039	8 433	102 702
Liabilities	20 552	5 761	5 958	1 299	33 570
Acquisition of non-current assets	53	7	4	2	66
Depreciation and amortisation	(160)	(291)	(13)	(186)	(650)
2011 1st half					
Revenue	5 623	1 195	980	218	8 016
Other operating income	54 503	50	0	139	54 692
Segment operating profit (loss)	54 135	(592)	(103)	96	53 536
Financial income and expense (net)	(765)	(17)	-714	0	-1 496
Profit (loss) before income tax	53 370	(609)	-817	96	**52 040**
Income tax			7		7
Non-controlling interest	28 127	11	0	0	28 138
Net profit (loss) for the financial year attributable to equity holders of the parent					**23 909**
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 first half 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 in bulk deal related party information is further disclosed in Note 29.

NOTE 8. Cash and cash equivalents

Cash and cash equivalents recorded in the consolidated statement of financial position and statement of cash flows, comprise cash at hand and bank deposits as of the end of each reporting period. Foreign currency accounts have been retranslated into EUR at the European Central Bank currency exchange rates prevailing on the balance sheet date.

(Th. EUR)	30.06.2012	31.12.2011
Cash at hand	71	63
Bank accounts	2 071	8 574
Total	**2 142**	**8 637**

NOTE 9. Current receivables

(Th. EUR)	30.06.2012	31.12.2011
Trade receivables	779	669
Receivables from related parties (Note 29)	483	516
Other receivables	1 361	1 358
Accrued income	17	55
Prepaid expenses	217	267
Total	**2 857**	**2 865**

NOTE 10. Inventory

(Th. EUR)	30.06.2012	31.12.2011
Property held for resale	14 229	17 947
WIP (property under construction)	35 044	35 107
Goods held for resale	121	132
Prepayments	1	0
Total	**49 395**	**53 186**

As of June 30, 2012, inventories in value of 39 527 th. EUR are pledged as security for loan liabilities.

NOTE 11. Non-current receivables

(Th. EUR)	30.06.2012	31.12.2011
Other	152	152
Total	**152**	**152**

NOTE 12. Property, plant and equipment

As at 31 December 2011 the Group's land and buildings were valued at their fair value from the valuation of an independent expert. The valuation, which conforms to International Valuation Standards, was performed by the independent real estate appraiser SIA Newsec Valuation LV and was arrived at by the 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, the 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 30.06.2012
Pulkvieza Brieza 11, Riga	1 795	6 070	5 837
Põhja pst. 21, 21a, 21b-1, Tallinn	3 602	6 100	6 037
Põhja pst.21c, Tallinn	198	268	265

The revaluation reserve (accounted for under equity) was set up to account for revaluation differences.

No additional adjustments were considered relevant as at 30 June 2012.

(Th. EUR)	Land and buildings	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost 01.01.2011	**13 731**	**1 315**	**2 194**	**0**	**17 240**
Additions:					
Acquired	0	12	15	0	**27**
Disposals:					
Sold	0	-6	-3	0	**-9**
Written off	0	0	-21	0	**-21**
Other changes:					
Reclassified to/from inventory	-41	0	0	0	**-41**
Reclassified to/from investment property	0	0	-14	0	**-14**
Cost 30.06.2011	**13 690**	**1 321**	**2 171**	**0**	**17 182**
Additions:					
Acquired	0	0	12	0	**12**
Acquired in business combination	0	0	399	0	**399**
Disposals:					
Written off	0	-9	-203	0	**-212**
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 inventory	-2 766	0	0	0	**-2 766**
Foreign currency differences	57	15	15	0	**87**
Cost 31.12.2011	**21 904**	**1 327**	**2 394**	**0**	**25 625**
Additions:					
Acquired	0	9	51	6	**66**
Disposals:					
Written off	0	-15	-62	0	**-77**
Other changes:					
Reclassified to/from inventory	-2 553	0	0	0	**-2 553**
Reclassified to/from investment property					
Change in value, total amount	2 569	0	0	0	**2 569**
Change in value, acc. Depr.	-607	0	0	0	**-607**
Cost 30.06.2012	**-21 313**	**1 321**	**2 383**	**6**	**25 023**

(Th. EUR)	Land and buildings	Machinery and equipment	Other tangible assets	Total
Accumulated depreciation 01.01.2011	**2 446**	**673**	**2 072**	**5 191**
Additions:				
Depreciation charge for the period	214	56	26	**297**
Disposals:				
Sold	0	-2	-2	**-4**
Written off	0	0	-14	**-14**
Other changes:				
Reclassified to/from non- current assets held for sale	0	0	-9	**-9**
Accumulated depreciation 30.06.2011	**2 660**	**726**	**2 075**	**5 461**
Additions:				
Depreciation charge for the period	201	53	27	**281**
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	0	-2	**-2**
Written off	0	-9	-195	**-204**
Other changes:				
Reclassified				
Reclassified to/from inventories	-100	0	0	**-100**
Reclassified to/from investment property	0	0	0	**0**
Foreign currency differences	29	8	9	**46**
Accumulated depreciation 31.12.2011	**835**	**779**	**2 148**	**3 762**
Additions:				
Depreciation charge for the period	541	80	29	**650**
Acquired in business combination	0	0	0	**0**
Disposals:				
Written off	0	-15	-61	**-76**
Other changes:				
Reclassified				
Reclassified to/from inventories	-99	0	0	**-99**
Change in value, fair value	-607	0	0	**-607**
Accumulated depreciation 30.06.2012	**670**	**844**	**2 116**	**3 630**

NOTE 13. Investment property

(Th. EUR)	30.06.2012	31.12.2011
Investment property held for increase in value	26 023	26 023
Iinvestment property held to earn rent	88	88
Total	**26 111**	**26 111**

(Th. EUR)	Investment property held for increase in value	Investment property held to earn rent	Total
NBV 01.01.2011	**26 132**	**468**	**26 600**
Additions:			
Acquired	40	767	807
Other charges:			
Reclassified to/from inventory	0		0
Reclassified to/from assets held for sale			
NBV 30.06.2011	**26 172**	**1 235**	**27 407**
Additions:			
Acquired	292	-767	-475
Disposals:			
Written off	-110	-380	-490
Changes in fair value:			
Loss from change in fair value of IP	-331	0	-331
NBV 31.12.2011	**26 023**	**88**	**26 111**
Additions:			
Acquired	**230**	0	**230**
Fair value adjustments	-230	0	**-230**
NBV 30.06.2012	**26 023**	**88**	**26 111**

As of 31 December 2011 the assessment of the fair value of investment property by the management of the Group was based on valuation reports from independent real estate appraisers. The valuation, which conforms to International Valuation Standards, was in mostly arrived at by reference to recent market transactions under arm's length terms. In a few instances where appropriate, the discounted cash flow method was also used to determine the fair value of the Group's investment property.

As at 30 June 2012 the management of the Group had revisited the assumptions used for the valuations made by independent real estate appraisals before 31 December 2011 and found no need to make any adjustments in the assumptions used or the inputs. Consequently, the fair value of investment property as at 30 June 2012 was found to be unchanged since 31 December 2011. Fair value adjustment of 230 th. EUR comes from change in methology.

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

(Th. EUR)	2012 1st half.	2011 1st half.
Rental income	5	6
Direct operating costs		
Maintenance	45	44

NOTE 14. Current debt

(Th. EUR)	30.06.2012	31.12.2011
Bank loans and overdrafts (Note 17)	2 822	4 402
Payables to related parties (Note 29)	4 076	9 520
Other	0	80
Total	**6 898**	**14 002**

NOTE 15. Current payables

(Th. EUR)	30.06.2012	31.12.2011
Trade payables	593	724
Payables to related parties (Note 29)	6	0
Accrued expenses	898	1 063
Deferred income	0	4
Total	**1 497**	**1 791**

NOTE 16. Non-current debt

(Th. EUR)	30.06.2012	31.12.2011
Bank loans and overdrafts (Note 17)	9 401	10 189
Convertible debt (Note 19)	11 272	11 272
Total	**20 673**	**21 461**

NOTE 17. Bank loans and overdraft

(Th. EUR)	30.06.2012	31.12.2011
Current debt (Note 14)	2 822	4 402
Non-current debt (Note 16)	9 401	10 190
Total	**12 223**	**14 592**

Creditor	30.06.2012	31.12.2011	CCY	Interest %
Swedbank AS (EE)	2 001	2 141	EUR	2% + 6m Euribor
Swedbank AS (EE)	605	605	EUR	2,5% + 6m Euribor
AS Swedbank (LV)	4 445	4 623	EUR	3,0% + 3m Euribor
Swedbank AB (LT)	5 156	7 200	EUR	2,4% + 6m Euribor
Volksbank Bad Kreusnach	16	23	EUR	5,1%
Total	**12 223**	**14 592**		

(Th. EUR)	30.06.2012	31.12.2011
Due within 1 year	2 822	4 402
Due between 2 to 5 years	9 401	10 190
Due after 5 years	0	0
Total	**12 223**	**14 592**

Collateral and pledged assets are disclosed in Note 18 to these financial statements.

NOTE 18. Collaterals and pledged assets

(Th. EUR) Beneficiary	Collateral description	Carrying value of the pledged assets 30.06.2012	 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	1 113	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	6 100	6 037
AS Swedbanka (Latvia)	Pulkveza Brieza St. 11, Riga	5 837	6 070
AS Swedbanka (Latvia)	Trijadibas St.5, Riga	8 869	8 869
Swedbank AB (Lithuania)	Aguonu str.10, Vilnius	14 412	17 772
Total		**77 464**	**81 071**

As at June 30, 2012, all the obligations connected to the collateral at 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 which are located in Tallinn, have been fully repaid.

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

- ☐ To Hotel Blijdorp BV to assure the rental liabilities of Serval SRL for the hotel in Rotterdam under the rental agreement between Serval SRL and Hotel Blijdorp BV. The guarantee letter only assures the rental payments up to 2 300 Th. EUR (30.06.2012);

- ☐ 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" (30.06.2012).

- ☐ To Swedbank AS (Latvia) to assure loan liabilities of SIA Investhotel in the amount of 4 521 th. EUR as of June 30, 2012.

- ☐ AS Pro Kapital Grupp and AS Pro Kapital Eesti issued a guarantee letter to Kristiine Keskus OÜ of which they assure in solitary the monetary liabilities of Täismaja AS. In case Täismaja AS violates the confirmation given in the contract of sales of the shopping centre, Kristiine Keskus OÜ can lodge a claim with Täismaja AS. The guarantee is conditional and guarantors are responsible only if Täismaja AS is unable to settle the claim. The guaranteed amount is 5 000 th. EUR and it is effective for 18 months after enforcement of the sales contract, i.e. until November 2, 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 March 9, 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 May 2, 2017.

- ☐ As AS Swedbank (Estonia) to assure loan liabilities of AS Tondi Kvartal that amounted to 605 th. EUR as of June 30, 2012

- ☐ To Swedbank AB (Lithuania) to assure loan liabilities of UAB PK Invest in the amount of 5 156 th. EUR as of June 30, 2012.

NOTE 19. Convertible bonds

(Th. EUR)	30.06.2012	31.12.2011
Non-current debt (Note 16)	11 272	11 272
Total	**11 272**	**11 272**

Convertible bond can be exchanged for share of the Ultimate Parent Company on 31.12.2010, 31.12.2011 and 31.12.2012. The Ultimate Parent Company's shareholders' pre-emptive right to submit for the convertible bonds and shares issued upon conversion of these bonds are excluded with decision.

The issuance of convertible bonds of AS Pro Kapital Grupp in 1999 is redeemed in accordance with the terms of issue, for the issue price, on 20 January 2010. Redemption fees are paid to the owners in cash because the owners did not exercised the right to exchange the convertible bonds for the Ultimate Parent Company share 1:1. According to the terms of the emission convertible bonds of AS Pro Kapital Grupp issued during the period 2009-2010 can be converted to shares of the Ultimate Parent Company on 31 December 2010, 31 December 2011 and 31 December 2012 with the rate one convertible bond per share.

Registration date of bonds issued	13.05.1999	13.08.2009	20.01.2010	10.08.2010	16.08.2010	29.11.2010	25.05.2011
Issuance CCY	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Issue price of bond	3.20 EUR	2.80 EUR	2.80 EUR	2.80 EUR	2.80 EUR	2.80 EUR	2.80 EUR
Bond return per annum (% of issue price)	6%	7%	7%	7%	7%	7%	7%
Bond interest payment frequency	Once a year	Twice a year	Twice a year	Twice a year	Twice a year	Twice a year	Twice a year
Latest date for the repurchase of bonds	20.01.2010	13.08.2013	20.01.2014	10.08.2014	16.08.2014	29.11.2014	25.05.2015
Latest date for the exchange of bonds to shares	10.01.2010	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Discount rate (%)	11%	7%	7%	7%	7%	7%	7%

(Pcs.)	30.06.2012	31.12.2011	31.12.2010
Number of convertible bonds at the beginning of the period	**4 025 758**	**3 345 374**	**1 287 344**
Number of convertible bonds issued	0	680 384	2 180 567
Number of repurchased bonds	0	-	-122 537
Number of convertible bonds at the end of the period	**4 025 758**	**4 025 758**	**3 345 374**

(Th. EUR)	30.06.2012	31.12.2011	31.12.2010
Value of convertible bonds at the beginning of the period	11 272	9 367	3 654
Principal of convertible bonds issued	-	1 905	9 813
Principal of convertible bonds transferred through separation	-	-	-3 708
Bonds repurchased at repurchase price	-	-	-392
Principal of the bonds issued at the end of the period	11 272	11 272	11 272
Short-term portion of liabilities on the balance sheet	-	-	9 367
Long-term portion of liabilities on the balance sheet	**11 272**	**11 272**	**9 367**

NOTE 20. Share capital and reserves

Share capital

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

As at 30 June 2012, the share capital of 10 637 thousand EUR (31 December 2011: 10 637 Th. EUR) consisted of 53 185 422 ordinary shares with a nominal value of 0.2 euros per share. All shares have been paid for in full.

The articles of association applicable on 30 June 2012 state that the minimum share capital must be 6 000 th. EUR and the maximum share capital may be 24 000 th. EUR.

Following the introduction of the euro in the Republic of Estonia on 01 January 2011 and under the requirements of the Commercial Code, the nominal value of a share must be rounded to one decimal place. Therefore, on 30 June 2011 the shareholders meeting decided to decrease the share capital by reducing the nominal value of the shares. The decrease in share capital to 31 911 thousand EUR (53 185 422 shares at 0.6 euros per share) was registered in the Commercial Registry on 08 August 2011.

On 16 September 2011, the shareholders resolved to decrease the share capital further by 21 274 thousand EUR to 10 637 thousand EUR by decreasing the nominal value of each share from 0.6 euros to 0.2 euros. As a part of this change, a share premium of 45 089 thousand EUR and an accumulated statutory legal reserve of 2 938 thousand EUR were released to retained earnings.

As described in Note 19 to these financial statements, AS Pro Kapital Grupp has issued convertible bonds. The owners of the convertible bonds have not exercised their option to convert the bonds into shares of the Group.

Reserves

The statutory legal reserve of the Ultimate Parent Company is recorded under the requirements of the Estonian Commercial Code § 336 and is comprised of the provisions made from the net profit. The statutory legal reserve as at 30 June 2012 was nil, as it has been released against retained earnings following the shareholders' resolution of 16 September 2011. As at 31 December 2011 the statutory legal reserve was nil.

A revaluation reserve of 11 337 thousand EUR was set up after adoption of the revaluation model for property, plant and equipment (specifically land and buildings) under IAS 16 "Property, Plant and Equipment" in 2011.

The right to repurchase the Group's own shares

On 30 October 2008, the shareholders' meeting of AS Pro Kapital Grupp decided to allow the Group to acquire 1,000,000 of its own shares at a repurchase price of 3.83 EUR (60 EEK) per share over five years. The Management Board had the right to repurchase the Group's own shares in several rounds and the Management Board was obliged to dispose of the shares or make a proposal to the shareholders' meeting to decrease the share capital, during the three years after the acquisition of the shares.

On 13 April 2012 the shareholders' meeting decided to rescind the shareholders' resolution of 30 October 2008 that set the terms and conditions of the right to repurchase up to 1,000,000 of the Group's own shares. The Group did not exercise the repurchase option during the period of 30 October 2008 to 13 April 2012.

NOTE 21. Non-controlling interest

(Th. EUR)	30.06.2012	31.12.2011
Arising from Pro Kapital Estonia	937	949
Arising from Pro Kapital Latvia	616	648
Total	**1 553**	**1 597**

NOTE 22. Revenue

(Th. EUR)	2012 1st half.	2011 1st half.
Revenue from sales of real estate	5 661	1 401
Rental revenue	500	3 449
Hotel operating revenue	2 808	2 734
Other services	963	432
Total	**9 932**	**8 016**

NOTE 23. Cost of goods sold

(Th. EUR)	2012 1st half.	2011 1st half.
Cost of real estate sold	4 419	1 309
Cost of providing rental services	490	1 416
Cost of hotel operations	2 076	2 827
Cost of other services	1 085	204
Total	**8 070**	**5 756**

(Th. EUR)	2012 1st half.	2011 1st half.
Staff costs	881	527
Depreciation charge	516	551
Impairment of tangible and intangible assets	0	0
Inventory write-offs	0	0
Other	6 673	4 678
Total	**8 070**	**5 756**

NOTE 24. Marketing and administrative expenses

Marketing expenses

(Th. EUR)	2012 1st half.	2011 1st half.
Staff costs	77	21
Other	212	148
Total	**289**	**169**

Administrative expenses

(Th. EUR)	2012 1st half.	2011 1st half.
Staff costs	995	1 348
Depreciation charge	53	95
Amortisation charge	4	4
Gain on bargain purchase	0	-137
Other	1 655	1 329
Total	**2 707**	**2 776**

NOTE 25. Other income and other expenses

Financial income

(Th. EUR)	2012 1st half.	2011 1st half.
Fines collected	7	5
Gain from sales of non-current assets classified as held for sale	0	54 497
Release of allowance for bad debt	5	0
Other	106	190
Total	**118**	**54 692**

Other expenses

(Th. EUR)	2012 1st half.	2011 1st half.
Local taxes	205	223
Fines paid	25	6
Write-off of property, plant and equipment	1	0
Fair value measurement of investment property	230	0
Provisions recognised	709	0
Allowance for bad debt	8	108
Other	42	134
Total	**1 220**	**471**

NOTE 26. Financial income and expenses

Financial income

(Th. EUR)	2012 1st half.	2011 1st half.
Interest income	15	655
Income arising from transactions with participations in subsidiaries	0	0
Gain from foreign currency translation	1	4
Total	**16**	**659**

Financial expenses

(Th. EUR)	2012 1st half.	2011 1st half.
Interest expenses	670	2 129
Loss from foreign currency translation	9	0
Other	0	26
Total	**679**	**2 155**

NOTE 27. Income tax

(Th. EUR)	2012 1st half.	2011 1st half.
Statutory corporate income tax (on earnings) rates:		
Estonia	0%	0%
Latvia	15%	15%
Lithuania	15%	15%
Germany	15%	15%

(Th. EUR)	2012 1st half.	2011 1st half.
Profit (loss) before income tax	-21 299	52 487
Estimated income tax at the given tax rates	195	-152
Adjustments to estimated income tax:		
Non-deductible expenses (+)	23	53
Non-taxable income and tax incentive	-22	-22
Deductions (-)	0	-23
Reversal loss carried forward (+)	-154	143
Income tax expense	**42**	**0**
Effective tax rate	-0.20%	0.00%
Deferred income tax expense	0	0
Deferred income tax returns	-368	370
Effect on income statement	**-54**	**7**
Income tax paid	0	0

(Th. EUR)	30.06.2012	31.12.2011
Deferred income tax liability (+)	1 878	1 962
Deferred income tax assets (-)	-368	-370
Total	**1 510**	**1 592**

Contingent income tax

Under the Estonian Income Tax Act, the accrued profit of a resident legal entity is not subject to corporate income tax but the tax is instead due on the distribution of dividends. Due to the difference in the income tax concept, the term “taxation base of assets and liabilities” has no economic meaning, and therefore deferred income tax liabilities and assets cannot be accounted for in accordance with IAS 12 “Income Taxes”.

The consolidated retained earnings of the Group and the maximum possible corporate income tax (CIT) obligation were as follows:

(Th. EUR)	30.06.2012	31.12.2011
Consolidated retained earnings (Attributable to parent and non-controlling interest)	-21 280	51 221
Statutory tax rate applicable	21%	21%
Contingent CIT obligation	-	10 756

NOTE 28. Earnings per share

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

Average number of shares:

In the period 01.01.2012 – 30.06.2012 (53 185 422 x 6/6) = 53 185 422
In the period 01.01.2011 – 30.06.2011 (53 185 422 x 6/6) = 53 185 422

Indicative earnings per share (in EUR):
In the period 01.01 – 30.06.2012 (2 885 thousand)/53 185 422 = (0.05)
In the period 01.01 – 30.06.2011 23 909 thousand/53 185 422 = 0.45

The convertible bonds that had been 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.

NOTE 29. 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 a majority interest or have significant influence.

Transactions with related parties

(Th. EUR)	2012 1st half.	2011 1st half.
Significant owners and owner related companies		
Goods and services sold	4 634	0
Interest income earned	7	651
Interest received (-)	0	-47
Loans issued	330	477
Claims granted	23 412	23 412
Acquisition of shares in subsidiaries	9	9
Convertible bonds issued	0	3 062
Salaries and bonuses paid to management	442	937

Receivables from related parties (Th. EUR)	**30.06.2012**	**31.12.2011**
Significant owners and companies related to owners		
Current receivables from related parties	483	516
Total	483	516

Payables to related parties (Th. EUR)	**30.06.2012**	**31.12.2011**
Significant owners and companies related to owners		
Payables to related parties	4 077	9 520
Total	**4 077**	**9 520**

Holdings in the Company	**30.06.2012**	**31.12.2011**
Members of the Supervisory Board and individuals related to them	8,61%	8,61%

Furthermore, 22,224 convertible bonds are held by members of the Supervisory Board.

The amounts outstanding are unsecured and will be settled in cash.

No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts for 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 30. 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. The Group uses risk management to minimise the negative impact of these risks on its financial results. The main purpose of risk management is to assure the retention of the Group's equity and to carry Group activities as a going concern.

Business risk

The business risk of the Group depends on events in the real estate markets in the Baltic States and Germany.

The global financial crisis and the ensuing economic problems in recent years have negatively affected the development of both the real estate and tourism sectors. Although the global economy showed some signs of growth at the end of 2009, any positive impact on the real estate development sector will only be felt with a delay.

Significant risks posed by the crisis are a substantial fall in the purchasing capacity for permanent residences; an increase in the interest rates for mortgages; and other factors which could lower the demand for real estate and hotel services and have a negative impact on the Group's operating activities by lowering sales and rent income and the profit from development work, property management services and hotel operations. Changes in financial markets could reduce the opportunities for the Group to involve foreign capital for financing business and for refinancing existing financial liabilities.

The Group's Management believes it is not possible to assess reliably the effects of the ongoing economic crisis, but the management believes that all necessary measures have been taken to ensure sustainable development.

Interest risk

The main interest risk rises from the long-term liabilities of the Group. In general the interest rates on 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. It has been estimated that a 100-basis-point change in the interest rate would result in a change of approximately 9.7 thousand EUR in the Company's interest expenses. A minimal amount of financial instruments are used to diversify the interest risk, as the management estimate the expenses related to interest diversification through a fixed interest rate exceed the possible losses from the change of interest rate. The estimate is based on the Group's medium term financing strategy.

Currency risk

Entities belonging to the Group perform transactions in the currency used in the country where they are resident, so currency risk arises from currency exchange transactions which are performed with currencies not directly linked to the euro. To hedge the currency risk, all the contracts affected in the Group are signed in euros or in currencies linked to the euro. Thus the main currency risk comes from the devaluation of currencies linked to euro, and the Group is not protected against this. The management, however, considers currency risk as insignificant, as most of its foreign assets are of tangible nature and foreign liabilities are denominated mainly in the Group's reporting currency (EUR).

Because the Group's liabilities are predominantly in euros and the majority of the Group's income comes from euro based contracts, the Group's management estimates the currency risk to be insignificant.

Credit risk

Credit risk expresses the potential loss that could occur if customers do not fulfil their contractual obligations to the Group. In order to limit the credit risk, the payment discipline of customers is observed constantly.

In general sales of real estate are financed by prepayments from clients. If the real estate is sold under an instalment plan, the creditworthiness of each client is analysed separately. The ownership of the property sold remains with the Group's entities until the client has settled all debts. It may sometimes happen that the ownership is transferred to the buyer but a mortgage is set in favour of the Group entity.

Liquidity risk

Liquidity risk expresses the danger that the Group's ability to settle its liabilities on time will degrade if its financial condition changes. The Company constantly monitors the proportions of short-term liabilities and current assets. To smooth fluctuations in working capital the Company plans to start using bank overdrafts. The Company has introduced thorough roll-on based cash planning procedures and the active use of intergroup funds among its subsidiaries.

Fair value

The Group's management estimates that the book value of the financial assets and liabilities does not differ significantly from their fair value, due to the accounting policies used in Group.

The 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 underpin the Group's sustainability and to ensure profit for the shareholders through the optimal structure of capital.

The Company finances its activities from internal and external sources of capital.

The Company uses proactive management of its working capital (defined as current assets excluding cash and non-current assets held for sale, minus current liabilities excluding short-term debt) on a regular basis as a tool for achieving its overall capital strategies. The Company regularly inspects its receivables and actively reviews customer policies, if needed.

Retained earnings are a substantial source of internal financing.

The Company has repeatedly issued convertible bonds in order to finance its activities.

Though long term bank loans are used as a source of external financing, the Company is very cautious when it comes to debt financing and strives to keep debt financing at less than 50% of total capital. The Company monitors its interest coverage, gearing and debt/equity indicators on a regular basis. As debt financing implies stricter restrictions on the Company's ownership structure, lending and asset transfer procedures, debt financing has to be approved by the Company's Council.

NOTE 31. Lawsuits

The company

As at 30 June 2012 the AS Pro Kapital Grupp had one court case pending.

On 27 May 2010 Aprisco BV filed a case in the Rotterdam court against AS Pro Kapital Grupp over a guarantee letter that AS Pro Kapital Grupp had issued to assure the rental liabilities of Serval SRL under the rental agreement for a Rotterdam hotel, signed on 4 August 2006 between Serval SRL and Hotel Blijdorp BV. In 2007 Aprisco BV acquired the hotel, which was managed by a subsidiary of Serval and the rental agreement with Serval SRL was transferred to Aprisco BV. Serval SRL has not fulfilled the rental obligations to Aprisco BV and so Aprisco BV is claiming payment in accordance with the guarantee letter. Aprisco has filed alternative claims with the court. Firstly, Aprisco BV is demanding payment for damages caused of 2,300 thousand euros or the amount decided by the court.

As an alternative claim, Aprisco BV is claiming overdue rental payments of 904 thousand euros including accumulated interest for default, or 504 thousand euros plus accumulated interest for default.

On 31 August 2011 Aprisco BV changed its claim and demanded payment for losses caused of 2,300 thousand euros with accumulated interest for default, or the amount stated by the court. As an alternative claim, Aprisco BV is claiming overdue rental payments of 1776 thousand euros including accumulated interest for default or 1 409 thousand euros plus accumulated interest for default.

On 4 July 2012 the Rotterdam City Court decided the case and awarded Aprisco BV 1,409,265.2 EUR, of which 786,434.7 EUR was to be paid without delay and the remaining 622,830.52 EUR was to be dependent on the outcome of the case of Aprisco BV against Serval SRL over the validity of the rent reduction agreement.

The Management Board of AS Pro Kapital Grupp disputes the court decision. The Management Board of AS Pro Kapital Grupp does not accept the claim and states that the guarantee was given to Hotel Blijdorp BV and not to Aprisco BV. AS Pro Kapital Grupp was not informed of the transfer of the guarantee letter and therefore Aprisco BV cannot file any claim relating to the guarantee letter. The Management Board of AS Pro Kapital Grupp believes that, conversely, Aprisco B.V can claim only unpaid rent of 406 thousand euros under the guarantee letter with accumulated interest for default. This sum could be increased by 282 thousand euros if the agreement for lowering the rent between Serval SRL and Aprisco BV is found to be unbinding. In addition the Management Board of AS Pro Kapital Grupp is of the opinion that the Rotterdam City Court has incorrectly calculated the period for which the rent payments are due. The court acknowledged in the decision that AS Pro Kapital Grupp is liable only for rent payments and not for damages. Serval SRL was ordered by Aprisco BV to vacate the premises and did so on 17.06.2010. Despite this the court ruled that AS Pro Kapital Grupp is liable for the difference in the rent paid by the new tenant to Aprisco BV until 29.07.2011. The Management Board of AS Pro Kapital Grupp is of the opinion that the difference in rent should not be considered as rent payments but as damages, which are not secured by the letter of guarantee issued by AS Pro Kapital Grupp.

The Management Board of AS Pro Kapital Grupp is planning to appeal against the court's decision.

Nevertheless, in line with the Company's conservative policies, a provision has been set up for the maximum amount of the claim (700,000 EUR provisioned in 2011 and 709,265,2 EUR in 2012).

As at 31 December 2011 the Group's consolidated statement included potential liabilities of 700 thousand euros related to the court case. As at 30 June 2012, this provision was increased to 1,409 thousand euros.

Pro Kapital Estonia sub-group

As at 30 June 2012 the parent company of the Pro Kapital Estonia sub-group and its subsidiaries did not have any court cases pending. AS Täismaja is involved in one law suit as a third party.

As at 31 December 2011 the Pro Kapital Estonia sub-group subsidiary AS Täismaja had three court cases pending to collect unpaid rent debts from former tenants of Kristiine Shopping Centre. All of the court cases were either settled with a payment schedule or a favourable decision was made by the court in favour of AS Täismaja.

Pro Kapital Latvia sub-group

As at 30 June 2012 the Pro Kapital Latvia sub-group had one court case pending.

Between August and October 2007 the Tax Board audited the VAT accounts of Pro Kapital Latvia PJSC for the period from January 2005 to December 2006. The Tax Board found from this that the entity's loss should have been 60 thousand Latvian lats smaller (approximately 86 thousand euros). Pro Kapital Latvia PJSC disputed the decision but the trial court rejected the claim. The entity appealed and the hearing is set for 22 August 2012.

As at 31 December 2011 the Pro Kapital Latvia sub-group had three court cases pending. Two of them have now been settled and compromise agreements have been signed.

SIA Hotel Management had one court case pending concerning the recall of former board member Inese Tomase and compensation of her average pay. On 25 October 2011 the entity filed a counter-claim based on sections 1.3 and 1.4 of the employment contract, which Inese Tomase had used to file her claim and demands, leaving Ms Tomase's claim unsatisfied and returning to her the income received without legal basis of 19 thousand Latvian lats (approximately 27 thousand euros). On 22 March 2012 the Parties entered into a settlement under which the Company pays approximately two thousand euros and the related resident income tax, and the Parties withdraw all other claims. On 27 March 2012 the court confirmed the settlement and decided to terminate court proceedings.

SIA Pasaules tirdzniecības centrs “Rīga” had filed a court case against PJSC Poligons claiming compensation for rental payments, contract fee and legal fees. On 11 May 2006 the court satisfied the claim and ruled that the debtor should pay five thousand Latvian lats (approximately seven thousand euros). On 30 May 2006 the court declared the debtor bankrupt as of 31 December 2004. On 20 January 2011 the court set an appeal date for the verdict of 11 May 2006 and the bankruptcy trustee filed an appeal. On 9 March 2009 the PJSC Poligons bankruptcy trustee filed a case against SIA Pasaules tirdzniecības centrs “Rīga” demanding that the debt of 0.8 thousand Latvian lats (approximately 1.1 thousand euros) and the contract fine of 15.3 thousand Latvian lats (approximately 22 thousand euros) resulting from the contract between the entities be settled. On 30 August 2010 the court left the case against the entity unsatisfied and on 1 October 2011 the bankruptcy trustee appealed. On 9 November 2011 the court decided to join both appeals into one case and on 9 May 2012 the Parties signed a mutually agreed settlement under which JSC Poligons paid 830.6 LVL and the case was closed.

The Management Board of AS Pro Kapital Grupp does not consider the claims as having any material impact on the business activities of the companies in the Pro Kapital Latvia sub-group.

Pro Kapital Vilnius sub-group

As at 30 June 2012 the entities of Pro Kapital Vilnius sub-group had three court cases pending.

UAB Apskaitos ir mokesčių konsultacijos has filed a claim for 70 thousand Lithuanian litas (approximately 20 thousand euros) plus interest at 6% with the Vilnius court for the return of a prepayment for an apartment sale contract. PK Invest UAB filed a counter claim for the withdrawal from the contract to be annulled. On 2 March 2011 the court ruled in favour of UAB Apskaitos ir mokesčių konsultacijos and rejected the claim of PK Invest UAB. PK Invest UAB lodged an appeal but the date for the hearing has not yet been announced by the Court of Appeal of Lithuania.

UAB Natalex filed a claim with the Vilnius court for the return of a prepayment of 166 thousand Lithuanian litas (approximately 48 thousand euros) plus interest at 6% for an apartment sale contract. PK Invest UAB found that UAB Natalex had breached its contract and the prepayment has been netted with the fine due from UAB Natalex. On April 2012, the court rejected the claim by UAB Natalex. UAB Natalex has appealed against the court's decision.

In February 2012, UAB Gatvių statyba submitted a claim with the Vilnius district court for LTL 197 thousand Lithuanian litas (approximately 57 thousand euros) plus interest at 8.06 % for work done in Saltiniu Namai. PK Invest did not accept the claim because the work was done incorrectly and the deficiencies were recorded by the parties in writing.

As at 31 December 2011 the Pro Kapital Vilnius sub-group had two court cases pending.

The Management Board of AS Pro Kapital Grupp does not consider that the claims have any material impact on the business activities of the companies in the Pro Kapital Vilnius sub-group.

Domina Tourismus GmbH

As at 30 June 2012 Domina Tourismus GmbH had one labour court case pending.

As at 31 December 2011 Domina Tourismus GmbH had the same labour court case pending.

Statement by the members of the management board

The Management Board of AS Pro Kapital Grupp confirms to the best of its knowledge that the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards and that the Group Management Report gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties the Company faces.

Paolo Michelozzi
Chairman of the Board
AS Pro Kapital Grupp

Allan Remmelkoor
Member of the Board
AS Pro Kapital Grupp

July 24, 2012

Auditor's review

Deloitte.

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CERTIFIED AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the shareholders of AS Pro Kapital Grupp:

We have reviewed the accompanying consolidated balance sheet of AS Pro Kapital Grupp as of 30 June 2012 and the related statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the International Financial Reporting Standards as adopted in the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not present fairly, in all material respects, the financial position of AS Pro Kapital Grupp as at 30 June 2012, and of its financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards as adopted in the European Union.

Emphasis of Matter

In connection with the planned listing of AS Pro Kapital Grupp, the comparative information in statements of income and cash flows for the six-month period ended 30 June 2011 have been prepared based on the structure of AS Pro Kapital Grupp as at 31 December 2011, as described on Note 2. Comparative information in these financial statements are not necessarily indicative of the consolidated financial results of operations that would have existed had the group existed in this way for the six-month period ended 30 June 2011. Our opinion is not qualified in respect of this matter.

23 July 2012

Veiko Hintsov
Certified Auditor, No. 328
AS Deloitte Audit Eesti
Licence No. 27

AS PRO KAPITAL GRUPP

Consolidated Annual Report
for the Year Ended 31 December 2011

Parent company of the Group	**AS Pro Kapital Grupp**
Beginning of the financial year End of the financial year	1 January 2011 31 December 2011
Registration code	10278802
Address	Põhja Avenue 21 10414 Tallinn
Telephone Facsimile E-mail	+372 6 144 920 +372 6 144 929 prokapital@prokapital.ee
Fields of business activity	Activities of holding companies (EMTAK 64200) Buying and selling of own real estate (EMTAK 68100) Renting and operating of own or leased real estate (EMTAK 68200) Management of real estate on a fee or contract basis (EMTAK 68320)
Auditor	AS Deloitte Audit Eesti
Date of preparation of the financial statements	8 March 2012
Documents enclosed with the annual report	Independent certified auditor's report Proposal for profit distribution Revenue allocation by Estonian Classification of Economic Activities 2008

TABLE OF CONTENT

AS Pro Kapital Grupp (hereinafter also referred to as "the Ultimate Parent Company") is a holding company. As of 31 December 2011 Ultimate Parent Company holds sub-group in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), and other subsidiaries not belonging into aforementioned sub-groups in Germany (Pro Kapital Germany GmbH and Domina Tourismus GmbH) (hereafter also referred to as "the Group") and whose main fields of activity are coordination and control the development and implementation of the subsidiaries' business strategies, Group financial management, business reporting and investor relations.

In 2011 on average 118 full-time employees were engaged in the Group (2010: 600). Total salaries and wages amounted to 3.3 million euros (2010: 18.6 million euros), including payments to the members of the Group entities' Management Boards and local managements as salaries and bonuses in the amount of 1.1 million euros (2010: 1.1 million euros).

For the Group the most relevant events of the financial year were as follows.

The Ultimate Parent Company

In connection with euro introduction in Estonia, shareholders meeting of the Ultimate Parent Company decided to decrease share capital by reducing the nominal value of share, after which the AS Pro Kapital Grupp share capital amounted to 31 911 thousand euros consisting of 53 185 422 ordinary shares with a nominal value of 0.6 euros per share.

Demerger by separation

Following the proposal of the Management Board of the Ultimate Parent Company and the approval of the Council and the largest shareholders, it was decided to divide the Ultimate Parent Company by separation. Purpose of the decision was to separate different target markets and business strategies, as business activity in Baltics was focused on residential, business and commercial property developments and in Italy on sale of time sharing and development of projects related to hotel operations business.

On 30 June 2011 the Management Board of the Ultimate Parent Company signed the demerger plan which foresaw the demerger by separation. The company being divided is AS Pro Kapital Grupp and the recipient company is AS Domina Vacanze Holding, which is established in the process of demerger and which receives all investments, receivables and liabilities of AS Pro Kapital Grupp which are related to the Italian subsidiaries and 9 500 thousand euros in cash.

The demerger plan was signed and the assets subject to transferral were evaluated based on the audited 2010 annual financial statements as of 31 December 2010. Accordingly AS Pro Kapital Grupp is required to transfer its net assets to AS Domina Vacanze Holding (assets less liabilities) in the amount equivalent to 74 741thousand euros (including cash in the amount of 9 500 thousand euros).

It was stated in the demerger plan that the investments transferred is evaluated according to the net book value as of 31 December 2010 using the equity method and changes in the values of the investments that occur between 1 January 2011 and transition date is recognized as profit or loss in the Income Statement of AS Domina Vacanze Holding. Changes in the values of receivables or liabilities taken place between 1 January 2011 and demerger moment is taken into account when calculating the amount of cash to be transferred (when such liabilities decrease the amount of cash transferred decreases, when such receivables inverse the amount of cash increases etc.)

It was agreed upon in the demerger plan that the recipient company will partially receive contributed equity as according to the Income Tax Law § 50 p.2. According to the demerger plan the equity contributions made by the shareholders to AS Pro Kapital Grupp and share premium in the amount of

102 271 thousand euros is divided as follows: 71 590 thousand euros remain as the share capital of AS Pro Kapital Grupp and 30 681 thousand euros is the share capital of AS Domina Vacanze Holding.

At the extraordinary shareholders' meeting on 16 September 2011 the shareholders of AS Pro Kapital Grupp approved the demerger plan. Due to the decrease in net assets as a result of the demerger by acquisition, in the amount of 74 741 thousand euros the shareholders decided to cover the loss in the amount of 2 938 thousand euros using the mandatory legal reserve and in the amount of 45 089 thousand euros using the share premium and to decrease the share capital by 21 274 thousand euros, until it reached 10 637 thousand euros by lowering the nominal value of shares from 0.6 to 0.2 euros.

The demerger by acquisition and the decreasing of the share capital were registered in the Commercial Register on 23 November 2011. On the same date also AS Domina Vacanze Holding - the company established to manage the Italian assets was registered in the Commercial Register. As a result of the demerger each of the shareholders of acquired shares of AS Domina Vacanze Holding in the amount equivalent to the amount of shares they held in AS Pro Kapital Grupp.

AS Pro Kapital Grupp transferred net assets (assets less liabilities) in the amount of 74 741 thousand euros, of which 3 198 thousand euros was in cash to AS Domina Vacanze Holding on the day of demerger.

In the process of demerger shares in the following associations were also transferred: Domina Vacanze S.p.A., Serval S.r.l., Immobiliare Novate S.p.A. and P.K.Sicily S.p.A. Additionally receivables from and liabilities to the noted associations were transferred. In the process of demerger the liabilities associated with the convertible bonds were divided so that the liability of AS Pro Kapital Grupp remains 11 272 thousand euros and the liability of and AS Domina Vacanze Holding remains 6 844 thousand euros.

Post-demerger AS Pro Kapital Grupp remains active on Estonian, Latvian, Lithuanian and German markets through its subsidiaries and is focused on residential, business and commercial property development. Three hotels (in Riga, Tallinn and in Bad Kreuznach in Germany) which operate under the Domina brand and are situated on Group property remains as part of the Group. Operating the hotels is not of high importance in the Group's strategy.

As a side business the Group offers real estate development and management to third parties.

Convertible bonds

In accordance with the decision of extraordinary meeting of shareholders of AS Pro Kapital Grupp on 13 April 2009, the Ultimate Parent Company's management offered for subscription up to 10 000 000 convertible bonds of Ultimate Parent Company and conditionally increase share capital of the Ultimate Parent Company up to 10 000 000 shares by swapping convertible bonds for Ultimate Parent Company shares.

Subscription for convertible bonds was available till 1 January 2012. During subscription period, the Management Board of the Ultimate Parent Company has the right to arrange multiply subscription rounds. Offer had to be arranged in a way that it would not qualify either jointly or separately as public offering of securities, according to directive 2003/71/EU and applicable laws. Issuing price of convertible bonds was decided separately for every bidding round, with a restriction of minimum price at 4 euro per bond. Minimum subscription amount was 50 000 euros and annual interest rate 7% of issuing price.

Form the above mentioned, the Management Board of the Ultimate Parent Company offered for subscription 600 000 convertible bonds on 3 December 2010 (sixth bidding round) and 1 000 000 convertible bonds on 8 March 2011 (seventh bidding round) with an issue price of 4,5 euros. During sixth and seventh bidding rounds was subscribed 569 273 and 111 111 convertible bonds from which the Ultimate Parent Company received 2 562 thousand and 500 thousand euros accordingly.

Convertible bonds subscribed during the sixth bidding period were registered in the Estonian Central Register of Securities on 8 March 2011 and subscribed during the seventh round on 25 May 2011.

During the emissions the Ultimate Parent Company has issued convertible bonds in the amount of 4 025 758 euros. Every convertible bond is exchangeable with the share of the Ultimate Parent Company. In accordance with that, the Ultimate Parent Company will issue maximum 4 025 758 shares on a due date. Exact amount of share capital increased will be identified by 31 December 2012, when the last chance to exchange convertible bonds for shares of the Ultimate Parent Company expires.

In connection with the demerger of the Ultimate Parent Company also the split of convertible bonds was arranged. Every subscriber of the convertible bond of the Ultimate Parent Company additionally received a convertible bond (nominal value 0,1 euro) of AS Domina Vacanze Holding, which is exchangeable for one share of AS Domina Vacanze Holding share (nominal value is 0,1 euro). Maturity date of AS Domina Vacanze Holding convertible bond is the same as maturity date of the Ultimate Parent Company bond.

For every convertible bond the Ultimate Parent Company received 4.5 euros (issuing price). As a result of the split every convertible bond of the Ultimate Parent Company carries interest on the par of 2.8 euros and AS Domina Vacanze Holding on 1.7 euros.

The price of 1.7 euros for the convertable bond of AS Domina Vacanze Holding was considered settled as a part of the price received from the initial convertible bond of AS Pro Kapital Grupp. During the demerger AS Domina Vacanze Holding has given total assets, according to demerger plan, corresponding to the issuing price of convertible bond of AS Domina Vacanze Holding.

Every owner of convertible bond of the Ultimate Parent Company has a right, (after the split of the Ultimate Parent Company and convertible bonds) to exchange it for the shares of the Ultimate Parent Company or redemption at 2.8 euros, according to deadlines stipulated in conditions.

Other events

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 15 September 2011 the Ultimate Parent Company established a subsidiary Pro Kapital Germany Holdings OÜ (holding) with the share capital of 2 500 euros.

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 euros). Profit from sale of ownership amounted to 6 589 thousand euros. In regard of this, business activity of the Group ended in Russia.

Pro Kapital Eesti sub-group

On 17 March 2011 Pro Kapital Eesti signed a sale agreement of AS Kristiine Kaubanduskeskus business activity witht the initial price of 105 000 euros. Final proceeding according to the conditions stipulated in the agreement amounted to 104 997 thousand euros. Agreement became effective on 2 May 2011. Profit from the sale of the business activity amounted to 54 057 euros.

On 17 March 2011 AS Pro Kapital Grupp and AS Pro Kapital Eesti issued a guarantee letter to Kristiine Keskus OÜ with what they assure in solitary the monetary liabilities of Kristiine Kaubanduskeskus AS, entity belongs to Pro Kapital Eesti sub-group, to Kristiine Keskus OÜ in case Kristiine Kaubanduskeskus AS has violated the confirmations of the sales contract of the shopping centre and if Kristiine Keskus OÜ can justify its claim against Kristiine Kaubanduskeskus AS according to the contract. The guarantee is conditional and the guarantors are responsible in case Kristiine Kaubanduskeskus AS is not able to settle the claim. The guaranteed amount is 5 000 000 euros. The guarantee is effective for 18 months from the enforcement of the sales contract, i.e. until 2 November 2012.

On 17 March 2011 AS Pro Kapital Grupp and AS Pro Kapital Eesti issued a guarantee letter to Kristiine Keskus OÜ, to assure solitary potential claims related to the loan agreement concluded on 9 March 2004 between Kristiine Kaubanduskeskus AS and AS Pro Kapital Eesti. The maximum amount of the liability is equal with the amount of potential claim. The guarantee is valid for 72 months from the enforcement of the sales contract, i.e. until 2 May 2017.

On 2 May 2011 Kristiine Kaubakeskus AS, a subsidiary of AS Pro Kapital Eesti, repaid all its bank loans in the amount of 63.4 million euros. The mortgages with pledged loans of Kristiine Kaubanduskeskus AS were removed.

On 27 May 2011 the shareholders' meeting of AS Kristiine Kauabdnuskeskus decided to change the business name of the subsidiary. The new name of the company is AS Täismaja. The change of the name was registered in the Commercial Register on 30 May 2011.

On 22 November 2011 a subsidiary of the Ultimate Parent Group called AS Tondi Kvartal and AS Swedbank signed appendix to loan agreement (loan agreement is effective since 16 January 2011), which stipulates new maturity date as 16 January 2013 and an annual interest rate of 6 month Euribor + 2.5%.

Pro Kapital Latvia sub-group

In 2011, Pro Kapital sub-group in Latvia continued the development and management of existing real estate projects.

On 6 May 2011 a subsidiary of Pro Kapital Latvia PJSC called Investhotel SIA and AS Swedbank signed an appendix to loan agreement (loan agreement is effective since 9 October 2002), which stipulates new maturity date 1 May 2015. Other loan conditions remained unchanged.

On 22 July 2011 Pro Kapital Latvia PJSC sold 67% of ownership in subsidiary PK Investments SIA at the price 6 437 euros. Profit from the sale of ownership amounted to 2 736 thousand euros.

A subsidiary of Pro Kapital Latvia called Pasaules tirdzniecības centrs "Rīga" SIA continued management and rental of offices at the address Elizabetes 2, Riga.

A subsidiary of Pro Kapital Latvia called Nekustamo īpašumu sabiedrība Prokurs SIA continued sale of renovated apartment at the address Kugu 26, Riga. By the end of 2011 four apartments remained unsold but all of them were rented out.

Klīversala RE SIA, an entity belonging to the Pro Kapital Latvia sub-group continued the activities related to getting confirmation to detailed plan of the project in the Trijādības region in Riga. The detailed plan is expected to be confirmed in 2012. 86 500 m^2 of dwelling areas and 67 200 m^2 of commercial areas are planned onto the 56 000 m^2 territory.

To the subsidiary of Pro Kapital Latvia called Zvaigznes Centrs SIA belongs 19 000 property in Brivibas area. It is planned to build or renovate 23 600 m^2 residential and commercial propert there but no decision to start construction activities has been made during the reporting period.

In 2011 Tallina Nekustamie Īpašumi SIA, an entity belonging to the Pro Kapital Latvia sub-group continued preparations in developing the downtown area in Riga, a building permit is expected to be received in 2012 after which the construction can begin. It is planned to renovate 25 000 m^2 of dwelling and commercial areas on the territory owned by the entity.

MANAGEMENT REPORT

A subsidiary of Pro Kapital Latvia called Investhotel SIA continued to rent out hotel "Domina Inn Riga" at the address Pulkveza Brieza 11, Riga to operator called Hotel Management Services SIA, which is also a subsidiary of Pro Kapital Latvia.

Pro Kapital Vilnius sub-group

In 2011, Pro Kapital sub-group in Lithuania continued the development, sale and management of existing real estate projects.

PK Invest UAB, an entity belonging to the Pro Kapital Vilnius sub-group continued to sell the first stage of 2009 completed commercial and dwelling areas in Aguonu, at the border of the old town of Vilnius. During the reporting period 1 610 m^2 of the area was sold, by the end of 2011 the unsold area was 7 990 m^2. The second stage of the project, which comprises 13 000 m^2 of commercial and residential areas, is expected to started in 2012.

On 14 November 2011 a subsidiary of Pro Kapital Vilnius Real Estate UAB called PK Invest UAB and AB Swedbank signed an appendix to loan agreement, which stipulates new maturity date as 7 December 2013 and annual interest rate of 6 month Euribor + 2.4%.

Pro Kapital Germany Holdings OÜ

On 10 November 2011 Pro Kapital Germany Holdings Purchased 100% of ownership in the company Domina Tourismus GmbH for 1 euro. The company is an operator of hotel "Kurhaus & Conference Park" located Bad Kreuznach, Germany.

Pro Kapital Germany GmbH

Pro Kapital Germany GmbH continued to rent out the hotel named "Kurhaus & Conference Park" located in Germany, Bad Kreuznach to Domina Tourismus GmbH. - a subsidiary of Pro Kapital Germany Holdings OÜ.

....
Paolo Vittorio Michelozzi

AS Pro Kapital Grupp
Member of the Management Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands euros)	Notes	31. 12.2011	Adjusted 31.12.2010	Adjusted 01.01.2010
Current assets				
Cash and bank accounts	2	8 637	4 303	7 040
Shares and securities	8	0	0	9
Receivables				
Trade receivables		669	14 780	19 894
Miscellaneous receivables		1 874	7 899	11 645
Accrued income		55	309	781
Prepaid expenses		267	16 475	19 174
incl. prepaid taxes and taxes reclaimable		193	12 732	13 460
Inventories	3			
Property held for sale		53 054	164 425	157 200
Other inventories		132	579	12 588
Total		53 186	165 004	169 788
Non-current assets classified as held for sale	12	0	50 044	0
Total current assets		**64 688**	**258 814**	**228 331**
Non-current assets				
Long-term financial investments				
Shares and securities	8	0	1 309	2 383
Miscellaneous long-term receivables	9	152	3 449	4 465
Total		152	4 758	6 848
Deferred income tax assets	28	370	32	0
Tangible assets	10	21 863	81 288	70 299
Investment property	12	26 111	26 111	61 265
Intangible assets	11	288	1 885	2 145
Total non-current assets		**48 784**	**114 074**	**140 557**
TOTAL ASSETS		**113 472**	**372 888**	**368 888**

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

Member of the Management Board:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

(in thousand euros)	Notes	31.12.2011	Adjusted 31.12.2010	Adjusted 01.01.2010
Current liabilities				
Short term debt	13	14 002	83 299	11 935
Client prepayments		838	6 471	8 500
Trade payables		724	23 236	28 670
Taxes payable		95	1 121	1 542
Accrued expenses		1 063	1 705	2 085
Short-term provisions	14	1 091	5 110	676
Prepaid income		4	153	138
Total current liabilities		**17 817**	**121 095**	**53 546**
Non-current liabilities				
Long-term debt	14	21 462	84 279	127 165
Other long-term liabilities	14, 17	0	24 780	21 015
Deferred income tax liability	14, 28	1 962	1 585	1 615
Long-term provisions	14	173	1 245	1 964
Total non-current liabilities		**23 597**	**111 889**	**151 759**
Total liabilities		**41 414**	**232 984**	**205 305**
Equity attributable to equity holders of the parent				
Share capital in nominal value	21	10 637	33 992	33 992
Share premium		0	45 089	45 089
Reserves	21	11 330	2 938	2 938
Retained earnings		21 504	46 733	72 313
Foreign currency differences		-1 130	-1 157	-580
Profit (-loss) for the financial year		28 120	-22 351	-25 247
Total equity attributable to equity holders of the parent		**70 461**	**105 244**	**128 505**
Non-controlling interest	20	**1 597**	**34 660**	**35 078**
Total owners' equity		**72 058**	**139 904**	**163 583**
TOTAL LIABILITIES AND OWNERS' EQUITY		**113 472**	**372 888**	**368 888**

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

Member of the Management Board:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousand euros)	Notes	2011	Adjusted 2010*
Continuing operations			
Operating income			
Revenue	22 ,23	17 449	21 051
Cost of goods sold	24	16 407	17 015
Gross profit		**1 042**	**4 036**
Marketing expenses	25	352	609
Administrative expenses	25	5 237	4 029
Other income	26	54 280	219
Other expenses	26	1 875	4 600
Operating profit (-loss)		**47 858**	**-4 983**
Financial income	27	4 770	2 150
Financial expense	27	2 877	4 204
Profit (-loss) before income tax		**49 751**	**-7 037**
Income tax	28	-351	-17
Profit (-loss) for the financial year from continuing operations		**50 102**	**-7 020**
Profit (-loss) for the financial year from discontinuing operations	5	6 046	-15 326
Profit (-loss) for the financial year		**56 148**	**-22 346**
Net profit (-loss) for the financial year attributable to:			
Equity holders of the parent		28 120	-22 351
Non-controlling interest		28 028	5
Share profit (loss) calculated by equity holders of the parent from net profit (- loss) for the financial year:	29		
Net profit (-loss) per share (in euros)		0,53	-0,42
Diluted net profit (-loss) per share (in euros)		0,53	-0,42
Share profit (loss) calculated by equity holders of the parent from profit (- loss) for the financial year from continuing operations:			
Equity holders of the parent		21 931	-7 413
Non-controlling interest		28 171	393
Share profit (loss) calculated by equity holders of the parent from profit (- loss) for the financial year from continuing operations:			
Net profit (-loss) per share (in euros)		0,41	-0,14
Diluted net profit (-loss) per share (in euros)			-0,14

 Member of the Management Board

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousand euros)	2011	Adjusted 2010*
Net profit (-loss) for the financial year	**56 148**	**-22 346**
Other comprehensive income (-loss), net of income tax		
Loss for retranslation of foreign currency	-62	-609
Profit from revaluation of tangible assets	11 330	0
Other comprehensive profit (loss) for the financial year	**11 268**	-609
Comprehensive profit (loss) for the financial year	**67 416**	**-22 955**
Comprehensive profit (loss) for the financial year attributable to:		
Equity holders of the parent	39 351	-22 928
Non-controlling interest	28 065	-27

* Non-continuing operations (note 5)

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

Signed for identification purposes:
AS Deloitte Audit Eesti

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand euros)	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (-loss) for the financial year		56 148	-22 346
Adjustments:			
Depreciation of tangible assets	10	572	3 888
Amortization of intangible assets	11	8	265
Change in fair value of property investment	12	332	0
Profit / loss from disposal of ownership in a subsidiary (net amounts)	6, 27	-2 736	-350
Profit/ loss from discontinuing business activities	5	-6 589	0
Profit / loss from disposal or write-off of tangible assets	10	4	199
Profit / loss from available for sale tangible assets	12, 26	-54 057	0
Change in value of long term investments	8	0	-114
Gain from a bargain purchase of the subsidiary	6	-137	0
Write-down of inventories	3	3 028	-280
Interest income / expenses (net amounts)from continuing operations	27	1 339	1 896
Interest income / expenses (net amounts)from discontinuing operations		244	3 368
Change in deferred tax assets		-370	-32
Change in deferred tax liabilities		-6	-30
Change in provisions	14	835	3 716
Changes in foreign currency rates		-38	-1 829
Other non-monetary changes (net amounts)	2	366	1 334
Change in trade receivables and prepayments		-15 854	12 442
Change in inventoryand tangible assets held for sale		4 797	-1 241
Change in liabilities and prepayments collected		-5 243	-7 757
Income tax paid (discontinuing operations)		0	-328
Total cash flows from operating activities		**-17 357**	**-7 199**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flow from acquisition of subsidiaries	6	-22 825	-613
Net cash flow from disposal of subsidiaries	6	6 323	7
Net cash flow from acquisition of subsidiaries (discontinuing operations)	5	-6 218	0
Net cash flow from disposal of subsidiaries (discontinuing operations)	5	-1 043	0
Acquisition of tangible assets	10, 11, 12, 22	-1 322	-23 146
Acquisition of assets held under finance lease		0	3 041
Disposal of tangible assets	10	9	1 767
Disposal of tangible assets held for sale	12	104 997	0
Long-term loans granted		0	-3
Long-term loans returned		1	19
Disposal of short-term financial investments	7	0	1
Acquisition of long-term financial investments	7	0	-773
Disposal of long-term financial investments	7	0	1 961
Interest received		7 641	103
Total cash flows from investing activities		**87 563**	**-17 636**

Member of the Management Board

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousand euros)	Notes	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Received from issue of convertible bonds	18	3 062	9 812
Repurchase of convertible bonds	18	0	-391
Long-term loans raised		3 144	34 289
Repayment of long-term loans		-70 578	-14 754
Financial lease principals paid	19	0	-927
Investments made by minority shareholder into subsidiaries (net amounts)		4	-111
Interests paid		-1 504	-5 820
Total cash flows from financing activities		**-65 872**	**22 098**
Net change in cash		**4 334**	**-2 737**
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		4 303	7 040
CASH AT THE END OF THE FINANCIAL YEAR		8 637	4 303

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousand euros)	Notes	No of shares (pcs)	Nominal value of share (EUR)	Attributable to equity holders of the parent: Share capital	Share premium	Reserves	Retained earnings (accumulated loss)	Foreign currency differences	Total	Non-controlling interest	Total equity
1 January 2010		53 185 422	0,64	33 992	45 089	2 938	47 066	-580	128 505 0	35 078 0	163 583
Acquisition of holdings from non-controlling interest in subsidiary	6			0	0	0	-333	0	-333	-280	-613
Increase of share capital in subsidiaries				0	0	0	0	0	0	2	2
Change in non-controlling interest due to the declaration of dividends in subsidiaries				0	0	0	0	0	0	-113	-113
Comprehensive loss for the financial year				0	0	0	-22 351	-577	-22 928	-27	-22 955
31 December 2010		53 185 422	0,64	33 992	45 089	2 938	24 382	-1 157	105 244	34 660	139 904
Share capital conversion into EUR				-2 081	0	0	2081	0	0	0	0
Net assets allocated during demerger	5						-74 867	126	-74 741	-5 011	-79 752
Decrease in share capital to cover the negative equity				-21 274	-45 089	-2 938	69 301	0	0	0	0
Increase of share capital in subsidiaries				0	0	0	0	0	0	4	4
Acquisition of holdings from non-controlling interest in subsidiary	6			0	0	0	607	0	607	-56 279	-55 672
Change in non-controlling interest due to the sale of operating activities	5			0	0	0	0	0	0	158	158
Comprehensive profit for the financial year				0	0	11 330	28 120	-99	39 351	28 065	67 416
31 December 2011		53 185 422	0,20	10 637	0	11 330	49 624	-1 130	70 461	1 597	72 058

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

Member of the Management Board

NOTE 1. ACCOUNTING POLICIES

1.1. 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 consolidated financial statements as of 31 December 2011 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").

As of 31 December 2011, the Group consisted of 23 entities, 5 of which are direct subsidiaries of the Ultimate Parent Company (hereinafter also referred to as "the parent companies of the sub- groups") and 17 were entities controlled by those subsidiaries. Participation in subsidiaries of the Group is presented in Note 4.

1.2. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the financial year 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union, and in accordance with Estonian Accounting Act.

The consolidated financial statements are prepared on the accrual basis.

Since 1 January 2011 Estonian became a member f Eurozone and Estonain kroon (EEK) was replaced with euro (EUR). Since that date the Group converted its financial accounting into euros and since 2011 the functional and presentation currency of the Group's Financial Statements is euro. These consolidated financial statements of the Group are compiled in thousands of euros (thousands EUR), if not specifically referred to another unit of measurement.

The principal accounting policies and estimates used in the preparation of the consolidated financial statements, and which are consistent with these applied in prior year, are set in p.1.5.

Use of judgements, estimates and assumptions

According to IFRS, the preparation of the consolidated financial statements assumes judgements, estimates and assumptions to the Group's assets and liabilities which are not readily apparent from other sources as at the balance sheet date and income earned and expenses covered during the reporting period and madeby the management board of the Ultimate Parent Company. These estimates are based on historical experience and the up-to-date information about the state of the Group and considering the plans and risks as at the date of the preparation of the consolidated financial statements. The final results of these economic transactions may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods.

Estimation and decision of management, which influence information presented in financial statements includes following accounting areas:

Classification of real estate

Decision of real estate classification to inventory, property investment or tangible assets is done based on management's intention over the future use of the object. Property is recognized as inventory, if the objective of purchase is connected with development of environment, it is sale or resale during ordinary course of business. Objects recognized as property investment if purchase objective is gaining profit from rent or rise of market value. Also objects recognized as property investment if it is intended to keep them for long time and which have several purposes of use.

Property used for rendering services or for administrative purposes and with useful life of over one year is considered to be tangible assets.

Estimation of net realization value of inventories

According to the Group principles, inventories are stated on the balance sheet at the lower of cost or net realizable value, depending on which is lower. The management should decide upon net realization value if indication occurs that inventory value might be fallen below cost price. In this is the case inventories are written down to its net realization value.

Real estate that have been acquired and developed for sale is presented on the balance sheet as inventories. In assigning value to such assets, management takes in account market sale transactions of similar type of assets made close to the balance sheet date. Additionally for assigning the value there were used professional valuations made by property specialists. If actual sale prices of real estate objects were below the balance sheet value the assets were written down to their net realization value. In assigning the value to property purchased for development purpose, the Group has used professional valuation reports concluded by certified real estate appraisers.

Fair value of property investment

As of balance sheet date the property investments are valued at their fair value. In determination of the fair value estimations of management were used, and if needed opinion of independent certified real estate appraisers. In determination of the fair value two methods are used: discounted cash flow method and comparative transaction price method. Discounted cash flow method is used for assigning fair value of real estate objects with stable rental income.

Recoverable value of fixed assets

At each balance sheet date, the management reviews the carrying amounts of its assets to determine whether there are any indications that the assets may be impaired. In determining the recoverable value of an asset, the impairment test is carried out during what 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.

Useful life of tangible assets

In determining useful life of tangible assets, taken into account the Group business conditions and volumes, previous experience in relevant field and future plans. According to management estimation useful life for buildings is 20-50 years. Useful life for machinery and equipment 5 to 12,5 years depending on the purpose of use and for other equipment 2 to 5 years.

Collection risk of receivables

For material financial assets, potential decrease in value is evaluated separately. Receivable overdue for more than 180 days, are considered to be non-collectible and are fully written-off.

The Group may have overdue receivables that are not provided for. Such receivables are assessed by the management of the Group on individual bases and found them to be collectable.

1.3. CHANGES IN ACCOUNTING PRINCIPLES

The consolidated financial statements have been compiled under principles of consistency and comparability, meaning adherence to the prior principles the accounting policies and representation will be altered only in the case of the requirement of new or revised international financial reporting standards or the interpretations of the standard issued or if a change of the policy provides a more objective overview of the financial position, the economic performance and cash flows of the Group.

Change in presentation of accounting principles for tangible assets group "Land and Buildings"

Compared with the previous year the presentation of accounting principles for tangible assets group Land and Buildings" has changed, The change provides more fair overview on the financial situation of the Group.

In previous periods land and buildings were recognized at cost value, less accumulated depreciation and impairment losses. In reporting period such assets are recognized in balance sheet at their fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses (revaluation model). See Note 10 for deltails on revaluation made as of 31 December 2011.

According to IAS 8.17such change in accounting principles should be implemented prospectively and it has no influence on opening balances of the Group financial statements. Revaluation surplus arising from the change in accounting principle applied on "Land and buildings" is presented in owners' equity as reserve.

Change in presentation of accounting principles of Property Investment

During the preparation of current financial statements presentation of accounting principles for property investment were changed. Changes provide morefair overview on the financial situation of the Group.

In previous period property investment were recognized at cost value, less accumulated depreciation and impairment losses. In reporting period such assets are recognized in balance sheet at their fair value.

According to IAS 40 such change in accounting principles should be implemented retrospectively Taking into account the demerger of the Ultimate Parent Company, only those property investment were revalued retrospectively, which are still owned by the Group as of 31 December 2011. For those investment properties that were not in the possession of the Group as of 31 December 2011, no fair values for comparative periods were reliably determinable by alternative means. At comparative periods such investment property was presented at cost less depreciation and any impairment.

Impact of the change in accounting principles is the following

(in thousand euros)	**Opening balance 31.12.2010**	Changes in accounting principles: Reclassification	Changes in accounting principles: Revaluation to fair value	**Adjusted 31.12.2010**
Balance sheet:				
Inventory	164 511	493	0	165 004
Property investment	3 022	-493	23 582	26 111
Retained earnings	24 036	0	22 697	46 733
Profit (-loss) for the financial year	-22 351	0	0	-22 351
Non-controlling interest	33 775	0	885	34 660

1.4. APPLICATION OF NEW AND REVISED IFRS

During the financial year, the Group has adopted all new standards, changes and interpretations of the standards issued by the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) and adopted by the European Commission that are applicable to the Group's activities, and are implemented for the reporting period starting on 1 January 2011. It is the management estimate that the implementation of the given standards did not result in significant impact on the financial statements.

The following amendments to the existing standards and interpretations issued are effective for the current period:

- Amendments to IAS 24 *Related Party Disclosures* – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 32 *Financial Instruments: Presentation* – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- Amendments to IFRS 1 *First-time Adoption of IFRS* – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- Amendments to various standards and interpretations *Improvements to IFRSs (2010)* resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation),
- Amendments to IFRIC 14 *IAS 19 – The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction* – Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- Amendments to IFRS 7 *Financial Instruments: Disclosures* – Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The Group has elected not to adopt these amendments in advance of their effective dates. The Group anticipates that these amendments will have no material impact on the financial statements of the Group in the period of initial application.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at publication of financial statements:

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2015),

- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 *Disclosures of Involvement with Other Entities* (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013),.
- IAS 27 (revised in 2011) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 *First-time Adoption of IFRS* – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IFRS 7 *Financial Instruments: Disclosures* – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* – Mandatory Effective Date and Transition Disclosures, Amendments to IAS 1 *Presentation of financial statements* – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 *Income Taxes* - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- Amendments to IAS 19 *Employee Benefits* – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 *Financial Instruments: presentation* – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface* Mine (effective for annual periods beginning on or after 1 January 2013).

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

1.5. PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

These consolidated annual accounts comprises of the financial statements of the Ultimate Parent Company of the Group and its subsidiaries. Subsidiary is considered to be under the control of the parent company when it has the power to govern the financial and operational policies of an entity, so as to obtain benefits from its activities.

Non-controlling interests of the entities under the control of the Ultimate Parent Company are recorded on a separate line in the combined financial statements equity.

Non-controlling interest consists of the equity attributable to minority shareholders as of the business combination date and a proportion of subsidiaries earnings after that date.

In case the parent company has obtained control over a subsidiary during the accounting period, the financial results of that subsidiary are recorded from the date the control was acquired. If the parent company has sold a subsidiary during the accounting period, the financial results of that subsidiary are included in the consolidated financial statements of the Group up to the date of disposal.

The balances and transactions between Group entities and unrealized profits/losses from intragroup transactions are eliminated in the consolidated financial statements.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combiination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Discontinuing operations

A discontinued operation is a component of the Group that has either been disposed of, liquidated or demerged, and represents a separate major line of business or geographical area of operations. If any operation is classified as discontinuing, it should be re-presented in the statement of comprehensive income since the beginning of the comparative period.

Foreign currency transactions

The subsidiaries of the Group prepare their financial statements for consolidation purposes in local currencies. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates, prevailing on the date of the transaction, of the Central Banks of sub-group's country of incorporation. At each balance sheet date the monetary balances are recalculated based on the currency rate prevailing at the balance sheet date, of the Central Banks of sub-group's country of incorporation. Non-monetary items recorded at fair value are recalculated based on the currency rate prevailing on the date of the revaluation. Non-monetary items recorded at acquisition price are not recalculated concerning the changes in the foreign currency rate. Gains and losses arising from exchange rate differences are recognized in the income statement for the accounting period.

In consolidation process, assets and liabilities, including the goodwill formed from the acquisition of foreign subsidiaries and revaluations to fair values are recalculated to the reporting currency based on the currency exchange rates prevailing at the balance sheet date of Central Bank of European Union of the country of incorporation of the consolidating company. Income statement lines are recalculated based on the average annual exchange rates. Gains and losses arising from exchange rate differences appeared during the consolidation process are recorded on a separate line in the consolidated company equity.

Differences of currency translation are recognized as income or expense of the period when the transaction occurred, i.e. in case of disposal or liquidation of a subsidiary.

The main foreign currencies and relevant exchange rates according to European Central Bank as applied in the consolidated financial statements are as follows:

(in euros)	31.12.2011	2011 average	31.12.2010	2010 average
Latvian lat (LVL)	1,42959	1,41583	1,40884	11,41101
Lithuanian lita (LTL)	0,28962	0,28962	0,28962	0,28962
Russian rouble (RUB)	0,023944	0,024459	0,024494	0,024850
Ukraine grivna (UAH)	x	x	0,093937	0,094947

Cash and cash flows

Cash on the balance sheet and cash flow statement comprises cash on hand, bank accounts, and short-term bank deposits (with time term less than three months).

Cash flows from operating activities are presented using the indirect method, according to which the net profit for the financial year is adjusted by the effect of non-monetary transactions, changes in assets and liabilities related to business operations, and income and expenses from financing and investing activities. Cash flows from investing and financing activities are reported based on direct method, presenting gross receipts and disbursements of the accounting period.

Inventories

Inventories are recorded at cost, which comprises purchase price, non-refundable taxes and other direct acquisition expenditures, which are necessary to transfer inventories to their current location and condition. Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, then weighted average cost method is used. Inventories are stated on the balance sheet at the lower of cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of

making the sale. Revaluation of inventories to net realizable value is recognized as expense for the accounting period.

Real estate held for sale

Real estate's (land and buildings) that have been acquired and developed to be sold, are presented on the balance sheet as inventories on the line "Property held for sale" and recognized at cost that comprises of acquisition cost of the real estate and direct expenses (design, construction and technical supervision) necessary to bring the property to the current condition. Borrowing costs from third party loans accrued during the construction period until the issuance of the certificate of occupancy are included in the cost value. Depending on the estimate of the stage of completion, finished and unfinished property for sale is distinguished.

In case the net realizable value of the real estate object is less than its cost value, the real estate object is written down to its net realizable value and the impairment is charged as expense for the accounting period.

In case the usage purpose of a real estate objects changes, the asset is reclassified and since the reclassification date the accounting principles of the new group are applied

Tangible assets

Assets used for rendering services or used for administrative purposes and with useful life of over one year are considered to be tangible assets. Tangible assets are recognized at cost, which comprises purchase price, non-refundable taxes and other expenditures directly related to taking the asset into use.

In the balance sheet tangible assets are measured either at fair value (land and buildings) or at cost less accumulated depreciation and impairment losses (machinery and equipment, other fixtures).

Revaluation of land and buildings to fair value are performed with sufficient regularity such that the carrying amounts do not differ materiality from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of tangible assets commences when the assets are taken into use. Depreciation is calculated on the straight-line method. Depreciation rate to each tangible asset item is determined according to its estimated useful life.

The annual depreciation rates for groups of tangible assets 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.

Investment property

Land and buildings, also equipment related to buildings, that are held to generate rental revenue or with the purpose to increase its market value and which are not used in operations of the Group, are reported on the balance sheet as investment property.

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.

Investment property is initially recognized at cost, which comprises of purchase price, non-refundable taxes and other expenditures directly related to taking the investment property into use.

Subsequently to initial recognition, investment properties are measured using the fair value method.

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 group are applied.

Intangible assets

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and goodwill.

Franchises, patents, licenses, trademarks and usage rights are recorded on the balance sheet at cost less accumulated amortization and impairment losses. Amortization is calculated on the straight-line method using an annual rate of 20%. Usage rights are amortized using the straight-line method and the maximum length of the amortization period is the period where the asset is being used.

Goodwill presents the positive difference between the acquisition costs paid by the Ultimate ParentCompany and the fair value of the acquired identifiable assets, liabilities and contingent liabilities of the subsidiary on the date of the acquisition. Goodwill is recorded on the balance sheet as intangible asset at cost less impairment losses. Goodwill is not amortized; instead impairment test is carried out annually or more often if necessary. Impairment losses are recognized on the income statement as „Administrative expenses“.

Non-current assets held for sale

Non-current assets are reported as non-current assets held for sale when the assets are held for sale instead of daily use in operating activities. Assets are classified as held for sale when the disposal of assets is very likely and the assets are ready for immediate disposal. A non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its limited lifetime tangible and intangible assets to determine whether there are any indications that the assets have suffered an impairment loss. For this purpose, the recoverable value of an asset is estimated.

The recoverable value of the asset is the higher of the present value of the future cash flows from the asset (i.e. value in use) or the fair value of the asset less costs of disposal. In estimating value of use, the estimated cash flows are discounted with a rate which expresses the trends of current market value and specific risks related to assets. If necessary, help of independent experts is used in determining the fair value of the asset.

If the recoverable amount of an assets (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 trated as a revaluation decrease.

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 relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of goodwill

To test for impairment, goodwill must be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units. Each unit to which the goodwill is so allocated shall be tested against the impairment on annual bases. For that the book value of the unit and associated goodwill is compared with its recoverable value.

If the cash generating unit's recoverable value is lower than the total of the carrying amounts of its combining assets and goodwill, the assets belonging to the group should be written down. The goodwill belonging to the cash generating unit is written down first; further all assets belonging to the unit are written down proportionally. Write-down of goodwill is irreversible.

Investments in subsidiaries (in Parent company´s unconsolidated annual accounts)

Investments in subsidiaries that are not held for sale are recognised in the unconsolidated annual accounts of the Parent company at cost.

Financial instruments

Financial instruments held to maturity

Investments are recognized on a transaction date basis and are initially measured at fair value less transaction costs. Subsequently for financial instruments that the entity has expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss by using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts over financial asset's expected life time or a shorter period if appropriate.

Financial instruments held for sale

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as:
- Loans and receivables
- Held-to-maturity investments
- Financial assets at fair value through profit and loss.

Available for sale financial assets that are traded in an active market are stated at fair value at the end of each reporting period. Available for sales equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment at the end of each reporting period.

Interest income calculated using the effective interest method and dividends available for sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available for sale financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is classified to profit or loss.

Loans granted and receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Trade receivables recorded in the balance sheet are evaluated based on collectability expectations. Doubtful receivables are recorded as expense of the accounting period.

Bank borrowings

Interest-bearing loans and overdrafts are initially measured at their fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Financial expenses, including the transaction costs and the settlement costs, are recorded on an accrual basis. Interest expenses are charged to the income statement as an expense of the period, unless the interest expense is related to loans obtained to finance development of property or similar assets, in which case the interests are capitalized as acquisition cost of the asset.

Convertible bonds

Convertible bonds that are convertible into shares at bondholder's request are initially measured in their fair value and are subsequently measured at amortized cost, using the effective interest rate method. Interest expense from convertible bonds is recorded in the income statement for the reporting period based on actual interest rates.

Other financial liabilities

Other financial liabilities are initially recognized at cost. The cost of a financial liability includes all transactions costs that are directly attributable to its acquisition. After initial recognition, financial liabilities are measured at amortized cost (except for financial liabilities acquired for resale).

Generally the amortized cost of current financial liabilities is equal to their nominal value; therefore, current financial liabilities are stated in the statement of financial position at the amounts payable.

Non-current financial liabilities are initially recognized at the fair value of the consideration received (less the transactions charges). In subsequent periods the amortized cost of non-current financial liabilities are determined using the effective interest rate method.

Equity instruments

Issued equity instruments are recorded at the amount of proceeds received, less direct issuing costs.

Provisions

Provisions are recognized when the Group has obligation, and it is probable that the Group will be required to settle that obligation in the future. At the balance sheet date provisions are measured based on the management's best estimation on the expenditure required to settle the obligation. Provisions are discounted to their present value if the effect is material.

Pension benefit plans

Pension benefit plans and other provisions in favour of employees are recorded on the balance sheets in accordance with the laws and regulations of the resident country of the subsidiary of the Group.

Other provisions

Potential liabilities and guarantees related to sales of goods and services to clients are recorded at the date of the transaction based on the prior business experience and the probability of the guarantees being realized. Potential liabilities related to litigations and claims are recorded on the balance sheet based on the management's assessment on the probability of each particular claim.

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.

Reserves

Statutory legal reserve of the Ultimate Parent Company 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 legal reserve equals at least 1/10 of share capital amount.

Member of the Management Board

Revenue recognition

Net sales

Net sales of the Group consists of revenues from the sale of real estate based on the real right agreements confirmed by the notary, rental income as well as revenues earned from management, administration services and hotel management services.

Revenue from sales is recorded on the accrual basis, when significant risks have been transferred to the buyer, and the sales income and costs incurred in respect of the transaction can be measured reliably.

Other income

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

Financial income

Interest income is recorded on the accrual basis and dividend income is recorded when the right for a dividend has occurred.

Expenses

Cost of sales

Cost of sales includes the costs of bringing real estate objects 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 income statement under "Cost of sales".

Marketing expenses

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

Administrative expenses

Administrative expenses include personnel and office management expenses, research and development expenses, and depreciation and amortization charges.

Other expenses

Expenses, which are not related to the core operations of the Group entities, are recorded as other expenses.

Financial expense

Direct interest costs of acquiring properties constructed over long periods of time are capitalized until the property is taken into use. Other interest and financing costs are recorded on the accrual basis as financial expenses of the reporting period.

Leases

A lease is classified as finance lease when all the risks and rewards incident to ownership are substantially transferred to the lessee. The criteria of contracts, which lead to a lease being classified as finance lease, are the following:

· The lease transfers ownership of the asset to the lessee by the end of the lease term;
· The lessee has the option to purchase the asset at a price, which is expected to be sufficiently lower than the expected fair value at the date the option becomes exercisable, and at the inception of the lease it is reasonably certain that the option will be exercised;
· the lease term covers the majority (over 75%) of the economic life of the asset even if the title is not transferred;
· at the inception of the lease the present value of the minimum lease payments amounts to approximately the fair value (over 90%) of the leased asset;
· the leased assets are of a specialized nature such that only the lessee is able to use them without major modifications being made.

If the above-mentioned conditions are not met, either individually or in combination, the transaction is recorded as operating lease.

The Group as a lessee

An asset held under finance lease is recognized as an asset and a liability of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.
If ownership is to be transferred to the lessee, depreciation is calculated on the regular basis taking into account useful lifetime of the asset. If the leased asset is to be returned to the lessor, then the maximum depreciation period is the leasing period, whereas depreciation is not calculated for the guaranteed residual value.

Lease payments are apportioned between finance charges and reduction of the lease obligation.
Financial costs are apportioned for the lease period so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income statement on the accrual basis.

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to the income statement as cost on a straight-line basis over the term of the relevant lease, irrespectively from disbursements.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Payments due from lessees are allocated to financial income and principal repayments (to decrease the finance lease receivable). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases. Financial income is recorded in income statement on accrual basis.

In the balance sheet assets leased under the terms of operating lease are reported similarly to other assets. Rental income from operating leases is recognized as revenue on a straight-line basis over the term of the relevant lease despite timing and amounts of actual collection of rentals.

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 21/79 from the taxable amount.

As a result of such taxation principles, the notion of "tax base of assets and liabilities" has lost its economic meaning and deferred income tax and assets cannot be calculated in accordance with IAS 12

 Member of the Management Board

"Income Taxes". Potential income tax liability from the retained earnings, which could otherwise be distributed as dividends, is not recorded in the Statement of Financial Position. 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.

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. 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 applicable on the balance sheet date is used.

Operating segments

The Group discloses its operating segments on basis of internal information used and analysed by the Ultimate Parent Company. The primary decisions are made on country basis. Sales revenue to third parties is monitored for operating segments.

Subsequent Events

Consolidated annual accounts 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 Ultimate Parent Company.

Events after balance sheet date 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 accounts.

NOTE 2. CASH AND NON-MONETARY TRANSACTIONS IN THE CASH FLOW STATEMENT

Cash and bank accounts recorded in the consolidated statement of financial position and statement of cash flows are recorded with balances of 8 637 thousand and 4 303 thousand euros as of 31 December 2011 and 2010 respectively. The balances comprise cash on hand and bank deposits as of the end of the reporting period. Foreign currency accounts have been retranslated into euros at the European Central Bank foreign currency exchange rates prevailing on the balance sheet date.

Line "Other Non-monetary Items (net)" of the consolidated statement of cash flows comprises the following components:

(thousand euros)	31.12.2011	31.12.2010
Non-monetary increase in short-term liability	1 267	2 224
Non-monetary decrease in short-term liability	-1 081	-1 613
Non-monetary increase in short-term receivables	-100	-1
Non-monetary decrease in short-term receivables	280	724
Total	**366**	**1 334**

NOTE 3. INVENTORIES

Inventory balance consists of the following components:

(thousand euros)	31.12.2011	31.12.2010
Property held for sale		
Finished property	17 947	69 554
Unfinished property	35 107	94 871
Other inventories		
Goods bought for resale	132	579
Total	**53 186**	**165 004**

During the reporting period, inventory write-downs amounted to 3 028 thousand euros (in 2010: decrease of inventory write-down in the amount of 280 thousand euros) due to the net realization value falling below the cost value (refer to Note 24 and 25).

NOTE 4. ENTITIES BELONGING TO THE CONSOLIDATION GROUP

Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2010	Share of ownership % 31.12.2011	Field of activity
AS Pro Kapital Grupp	Anndare Ltd.	Ireland	42,00%	41,69%	Holding company
	Svalbork Invest OÜ	Estonia	12,86%	12.86%	
	Eurofiduciaria S.r.l.	Italy	11,49%	11,98%	
	A.F.I. American Financial Investments Ltd.	Liechtenstein	9,57%	9,57%	
AS Pro Kapital Eesti	AS Pro Kapital Grupp	Estonia	100,00%	100,00%	Real estate development
OÜ Ilmarise Kvartal	AS Pro Kapital Eesti	Estonia	100,00%	100,00%	Real estate development
AS Täismaja (former AS Kristiine Kaubanduskeskus)	AS Pro Kapital Eesti	Estonia	52,00%	99,99%	Real estate development
AS Tondi Kvartal	AS Pro Kapital Eesti	Estonia	100,00%	100,00%	Real estate development
AS Pro Halduse	AS Pro Kapital Eesti	Estonia	100,00%	100,00%	Real estate development
AS Tallinna Moekombinaat	AS Pro Kapital Eesti	Estonia	96,00%	96,00%	Real estate development
AS Domina Management	AS Pro Kapital Eesti	Estonia	100,00%	100,00%	Hotel management
Pro Kapital Vilnius Real Estate UAB	AS Pro Kapital Grupp	Lithuania	100,00%	100,00%	Real estate development
PK Invest UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	Real estate development
Domina Management UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	Real estate development
Pro Kapital Latvia PJSC	AS Pro Kapital Grupp	Latvia	100,00%	100,00%	Real estate development
PK Latvia SIA	AS Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Real estate development
Klīversala RE SIA	AS Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Real estate development
Tallina Nekustamie Īpašumi SIA	AS Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	AS Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Real estate development
Investhotel SIA	AS Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Real estate development
PK Investments SIA	AS Pro Kapital Latvia PJSC	Latvia	67,00%	0,00%	Real estate development (sold)
Pasaules tirdzniecības centrs "Rīga" SIA	AS Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Prokurs SIA	Pasaules tirdzniecības centrs "Rīga" SIA	Latvia	70,00%	70,00%	Real estate development
Hotel Management Services SIA (former Domina Management SIA)	AS Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	Hotel management
Pro Kapital Germany GmbH	AS Pro Kapital Grupp	Germany	100,00%	100,00%	Real estate development
OÜ Pro Kapital Germany Holdings	AS Pro Kapital Grupp	Estonia	0,00%	100,00%	Holding company (founded)

Member of the Management Board

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2010	Share of ownership % 31.12. 2011	Field of activity
Domina Tourismus GmbH	OÜ Pro Kapital Germany Holdings	Germany	0,00%	100,00%	Hotel management (acquired)
Pro Kapital Rus OOO	AS Pro Kapital Grupp	Russia	100,00%	0,00%	Real estate development (sold)
Domina Rus OOO	Pro Kapital Rus OOO	Russia	100,00%	x	Real estate development (sold together with Pro Kapital Rus OOO)
Dom na Moike OOO	Pro Kapital Rus OOO	Russia	51,00%	x	Real estate development (sold together with Pro Kapital Rus OOO)
Pro Kapital Ukraine 3AT	AS Pro Kapital Grupp	Ukraine	100,00%	0,00%	Real estate development (liquidated)
PK-1 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	0,00%	Real estate development (liquidated)
PK-2 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	0,00%	Real estate development (liquidated)

Name of the entity separated during demerger	Shareholder (prior demerger)	Country of incorporation	Share of ownership % 31.12.2010	Share of ownership % 31.12.2011	Field of activity
Domina Vacanze S.p.A.	AS Pro Kapital Grupp	Italy	88,75%	0,00%	Real estate development, hotel management
Domina Case Vacanze S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	x	Real estate development
Domina Hellas E.p.e.	Domina Vacanze S.p.A	Greece	100,00%	x	Hotel management
Computer Service S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	x	Other (IT services)
Domina Health & Beauty S.r.l.	Domina Vacanze S.p.A	Italy	70,00%	x	Real estate development (under liquidation)
Prima Classe S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	x	Travel services (under liquidation)
Immobiliare Novate S.p.A.	AS Pro Kapital Grupp	Italy	97,34%	0,00%	Real estate development, hotel management
Serval S.r.l.	AS Pro Kapital Grupp	Italy	99,82%	0,00%	Hotel management
Multiservice Hotels S.r.l.	Serval S.r.l.	Italy	100,00%	x	Hotellide management (under liquidation)
Domina Tourismus GmbH	Serval S.r.l.	Germany	100,00%	0,00%	Hotel management (sold)
Domina Hotels Hungary KFT	Serval S.r.l.	Hungary	100,00%	x	Hotel management (under liquidation)
Domina Tunisine S.A.	Serval S.r.l.	Tunesia	99,30%	x	Hotel management
Domina Hotel Holland B.V.	Serval S.r.l.	The Netherlands	100,00%	x	Hotel management
P.K. Sicily S.p.A.	AS Pro Kapital Grupp	Italy	100,00%	0,00%	Real estate development, hotel management

Member of the Management Board

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Below are presented the (consolidated) financial figures of the Group companies, wherease the figures of the sub-group are presented in the currency of domicile of the sub-group and converted into the currency domiciled of the Ultimate Parent Company (rounded to full digits).

Subsidiary	Currency	Cost as of 31.12.2010	Cost as of 31.12.2011	Net assets 31.12.2011	Revenue 2011	Net profit (loss) 2011
AS Pro Kapital Grupp	EUR	X	X	70 461 062	17 449 048	28 120 154
AS Pro Kapital Eesti	EUR	17 980 903	17 980 903	109 017 457	10 212 174	28 147 032
OÜ Ilmarise Kvartal	EUR	286 219	286 219	2 531 000	2 623 864	-375 810
AS Täismaja	EUR	12 006 581	65 853 341	115 337 860	3 888 228	60 470 933
AS Tondi Kvartal	EUR	4 364 118	4 364 118	6 647 432	933 376	-280 235
AS Pro Halduse	EUR	26 773	26 773	439 598	1 239 428	14 095
AS Tallinna Moekombinaat	EUR	12 344 791	12 344 791	9 315 097	0	-84 516
AS Domina Management	EUR	1	520 001	84 244	1 375 571	-109 305
Pro Kapital Vilnius Real Estate UAB	LTL	2 374 709	2 374 709	-1 589 893	3 405 962	-893 044
PK Invest UAB	LTL	3 252 633	23 062 633	2 856 950	11 521 058	-2 079 472
Domina Management UAB	LTL	147 523	147 523	156 728	191 138	-30 564
Pro Kapital Latvia PJSC	EUR	10 187 666	10 187 666	13 892 845	3 038 476	-1 238 264
PK Latvia SIA	LVL	133 580	133 580	7 280	4 408	-18 066
Klīversala RE SIA	LVL	6 900 602	6 900 602	9 305 538	16 611	-201 965
Tallina Nekustamie Īpašumi SIA	LVL	3 319 899	3 419 899	-1 590 337	-	-2 179 463
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	LVL	1 100 000	1 200 000	475 959	9 044	-46 056
Investhotel SIA	LVL	700 000	700 000	1 216 469	429 963	97 231
PK Investments SIA	LVL	6 698 517	0	0	-	20 951
Pasaules tirdzniecības centrs "Rīga" SIA	LVL	6 840 660	6 840 660	7 178 065	551 621	73 331
Nekustamo īpašumu sabiedrība Prokurs SIA	LVL	999 320	999 320	1 511 965	370 217	85 506
Hotel Management Services SIA	LVL	162 051	560 051	217 025	1 184 649	-60 222
Pro Kapital Rus OOO	EUR	292	0	0	0	-390 485
Domina Rus OOO	RUB	117 300 000	0	0	0	-11 644 696
Dom na Moike OOO	RUB	10 000	0	0	0	-1 572 968
Pro Kapital Ukraine 3AT	EUR	76 488	0	0	0	-9 995
PK-1 TOB	UAH	100 000	0	0	0	-3 800
PK-2 TOB	UAH	100 000	0	0	0	-4 000
Pro Kapital Germany GmbH	EUR	25 000	25 000	5 056 484	435 805	50 186
OÜ Pro Kapital Germany Holdings	EUR	0	2 500	137 353	0	134 853
Domina Tourismus GmbH	EUR	0	1	136 974	0	0

NOTE 5. DISCONTINUING OPERATIONS

Disposal

During the reporting period the Ultimate Parent Company sold 100% of Pro Kapital Rus OOO shares at the price of 10 thousand Russian roubles (292 euros). Profit from sale of ownership amounted to 6 589 thousand euros. In regard of this, business activity of the Group ended in Russia.

Liquidation

During the reporting period liquidation of the subsidiary of the Ultimate Parent Company,Pro Kapital Ukraine 3AT was finished. In regard of this, business activity of the Group ended in Ukraine.

Demerger by separation

On 30 June 2011 the Management Board of the Ultimate Parent Company signed the demerger plan which foresaw the demerger by separation. The company being divided is AS Pro Kapital Grupp and the recipient company is AS Domina Vacanze Holding, which is established in the process of demerger and which receives all investments, receivables and liabilities of AS Pro Kapital Grupp which are related to Italian subsidiaries.

The demerger plan was signed and the assets and liabilities subject to transferral were evaluated based on the audited 2010 annual financial statements of AS Pro Kapital Grupp as of 31 December 2010. Accordingly AS Pro Kapital Grupp is required to transfer its net assets to AS Domina Vacanze Holding (assets less liabilities) in the amount equivalent to 74 741 thousand euros. Changes in the values of receivables or liabilities taken place between1 January 2011 and demerger moment are taken into account when calculating the amount of cash to be transferred.

It was agreed upon in the demerger plan that the recipient company will partially receive contributed equity as according to the Income Tax Law § 50 p.2. According to the demerger plan the equity contributions made by the shareholders to AS Pro Kapital Grupp and share premium in the amount of 102 271 thousand euros is divided as follows: 71 590 thousand euros remain as the share capital of AS Pro Kapital Grupp and 30 681 thousand euros is the share capital of AS Domina Vacanze Holding.

At the extraordinary shareholders' meeting on 16 September 2011 the shareholders of AS Pro Kapital Grupp approved the demerger plan. Due to the decrease in net assets as a result of demerger the net assets turned negative, additional information in Note 21.

In the process of demerger shares in the following associations were also transferred: Domina Vacanze S.p.A., Serval S.r.l., Immobiliare Novate S.p.A. and P.K.Sicily S.p.A. Additionally receivables from and liabilities to the noted associations were transferred. In the process of demerger the liabilities associated with the convertible bonds were divided so that the liability of AS Pro Kapital Grupp remaines 11 272 thousand euros and the liability of AS Domina Vacanze Holding remaines 6 844 thousand euros.

Post-demerger AS Pro Kapital Grupp remains active on Estonian, Latvian, Lithuanian and German markets through its subsidiaries

Signed for identification purposes

The impact of discontinued operations on the Group´s financial position

(thousand euros)	Pro Kapital Rus OOO (sold)	Pro Kapital Ukraine 3AT (liquidated)	Entities separated during demerger	2011
Cash and bank accounts	1 043	0	3 020	4 063
Trade receivables and other receivables	853	0	35 211	36 064
Inventories	411	0	105 500	105 911
Long-term financial investments	79	0	4 627	4 706
Deferred income tax asset	0	0	32	32
Tangible assets	22 074	0	48 582	70 656
Intangible assets	0	0	1 578	1 578
Short-term liabilities	-154	0	-36 729	-36 883
Long-term liabilities	-31 053	0	-85 267	-116 320
Non-controlling interest	158	0	-5 011	-4 853
Total assets and liabilities	**-6 589**	**0**	**71 543**	**64 954**
Paid in cash (-) / received in cash (+)	0	0	-3198	-3 198
Cash at the time of sale (-)	-1 043	0	-3 020	-4 063
Net cash flow on disposal / separation	**-1 043**	**0**	**-6 218**	**-7 261**
Profit from the sale of discontinued operations	6 589	0	0	6 589
Loss from separation (allocated net assets) presented in equity	0	0	-74 741	-74 741

Cash flow from discontinued operations

(thousand euros)	2 011	2 010
Total cash flows from operating activities	5 107	-18 936
Total cash flows from investing activities	-8 216	11 752
Total cash flows from financing activities	0	6 412
Total cash flow from discontinued operations	**-3 109**	**-772**

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The impact of discontinued operations on the Group's statement of comprehensive income

(thousand euros)	Pro Kapital Rus OOO (sold)	Pro Kapital Ukraine 3AT (liquidated)	Entities separated during demerger	2011	Pro Kapital Rus OOO (sold)	Pro Kapital Ukraine 3AT (liquidated)	Entities separated during demerger	2010
Revenue	0	0	0	0	0	0	36 662	36 662
Cost of goods sold	0	0	0	0	0	0	35 015	35 015
Gross profit	**0**	**0**	**0**	**0**	**0**	**0**	**1 647**	**1 647**
Marketing expenses	0	0	0	0	0	0	-4 303	-4 303
Administrative expenses	-237	-10	0	-247	-934	-8	-10 371	-11 313
Other income	1	0	0	1	2	0	4 832	4 834
Other expenses	0	0	0	0	0	0	-4 855	-4 855
Operating loss	**-236**	**-10**	**0**	**-246**	**-932**	**-8**	**-13 050**	**-13 990**
Financial income/loss (net)	-297	0	0	-297	1 340	9	-2 455	-1 106
Profit (loss) for the financial year before income tax	**-533**	**-10**	**0**	**-543**	**408**	**1**	**-15 505**	**-15 096**
Income tax	0	0	0	0			-230	-230
Profit (loss) for the financial year	**-533**	**-10**	**0**	**-543**	**408**	**1**	**-15 735**	**-15 326**
Profit from the sale of discontinued operations	6 589	0	0	6 589	0	0	0	0
Profit for the financial year from the sale of discontinued operations	**6 056**	**-10**	**0**	**6 046**	**408**	**1**	**-15 735**	**-15 326**
Allocation of profit for the financial year:								
Parent's share in profit (-loss)	6 198	-10	0	6 189	10	1	-14 949	-14 938
Non-controlling interest in profit (-loss)	-142	0	0	-143	398	0	-786	-388
Earnings per share (in euros)				0,12				-0,28
Diluted earnings per share (in euros)				0,12				-0,28

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NOTE 6. ACQUISTIONS, DISPOSALS, INCREASES AND DECREASES OF OWNERSHIP IN SUBSIDIARIES

The effect of acquisition and disposal and increase and decrease in ownership of subsidiaries' shares to the Group consolidated financial statements is presented below:

	Acquisition (including change in ownership)				Disposals		
(thousand euros)	AS Täismaja	Domina Tourismus GmbH	Total 2011	Total 2010	PK Investments SIA	Total 2011	Total 2010
Share (%) 31.12.2010	**52,00%**	**0**	x	x	**67,00%**	x	x
Acquired	47,99%	100,00%	x	x	0,00%	x	x
Disposed	0,00%	0,00%	x	x	-67,00%	x	x
Share (%) 31.12.2011	**99,99%**	**100,00%**	x	x	**0,00%**	x	x
Cash	0	173	173	0	114	114	23
Shares and securities	0	0	0	0	0	0	9
Receivables	0	191	191	0	10 175	10 175	73
Inc intra-group	0	0	0	0	7 288	7 288	28
Inventories	0	88	88	0	0	0	0
Tangible assets	0	163	163	0	0	0	5
Short-term liabilities	0	-468	-468	0	-4 759	-4 759	-395
Inc intra-group	0	0	0	0	-102	-102	-68
Long-term liabilities	0	-10	-10	0	0	0	-25
Inc intra group	0	0	0	0	0	0	-24
Non-controlling interest	54 454	0	54 454	280	-1 825	-1 825	0
Goodwill and gain on bargain purchase	0	-137	-137	0	x	x	x
Profit (loss) in acquisition (equity)	-607	0	-607	333	x	x	x
Profit from disposal of ownership	x	x	x	x	2 736	2 736	350
Acquisition cost / sales price	53 847	0	53 847	613	6 441	6 441	40
Paid in cash (-) / cash received (+)	-22 998	0	-22 998	-613	6 437	6 437	30
Cash at the moment of acquisition (+) / disposal (-)	x	173	173	x	-114	-114	-23
Net cash flow on acquisition / disposal	**-22 998**	**173**	**-22 825**	**-613**	**6 323**	**6 323**	**7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. SHARES IN SUBSIDIARIES

	AS Pro Kapital Eesti	Pro Kapital Latvia PJSC	Pro Kapital Vilnius Real Estate UAB	Pro Kapital Germany GmbH	OÜ Pro Kapital Germany Holdings	Pro Kapital Rus OOO	Pro Kapital Ukraine ЗАТ	Domina Vacanze S.p.A.	Serval S.r.l.	P.K. Sicily S.p.A.	Immobiliare Novate S.p.A
Number of shares 31 December 2010	28 134 000	7 000 000	4 610	1	0	1	505 000	60 398 937	299 460	5 000 000	20 441 873
Acquired	0	0	0	0	1	0	0	0	0	0	0
Disposed / cancelled	0	0	0	0	0	-1	-505 000	0	0	0	0
Separated during demerger	0	0	0	0	0	0	0	-60 398 937	-299 460	-5 000 000	-20 441 873
Number of shares 31 December 2011	**28 134 000**	**7 000 000**	**4 610**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**
Ownership % at the end of the year	100	100	100	100	100	0	0	0,00	0,00	0	0,00
Ownership % at the beginning of the year	100	100	100	100	0	100	100	88,75	99,82	100	97,34

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euros)	AS Pro Kapital Eesti	Pro Kapital Latvia PJSC	Pro Kapital Vilnius Real Estate UAB	Pro Kapital Germany GmbH	OÜ Pro Kapital Germany Holdings	Pro Kapital Rus OOO	Pro Kapital Ukraine 3AT	Domina Vacanze S.p.A.	Serval S.r.l.	P.K. Sicily S.p.A.	Immobiliare Novate S.p.A	Total
Cost as of 31 December 2010	17 981	10 188	2 375	25	0	0	77	75 061	16 638	5 000	9 264	136 609
Parent company's share of subsidiary's net assets as of 31 December 2010	70 702	18 221	-865	-9	0	-6 370	32	39 011	-3 323	-2 956	5 212	119 655
Acquired at cost	0	0	0	0	2	0	0	0	0	0	0	2
Negative goodwill at acquisitrion	607	0	0	0	0	0	0	0	0	0	0	607
Revaluation of tangible assets	2 569	3 651	94	5 016	0	0	0	0	0	0	0	11 330
Change in unrealized foreign exchange rate differences	0	251	1	0	0	-381	30	0	0	0	0	-99
Realized foreign exchange rate differences	0	0	0	0	0	552	-30	0	0	0	0	522
Profit from the equity method	28 147	0	0	50	135	0	0	0	0	0	0	28 332
Loss from the equity method	0	-1 238	-893	0	0	-390	-10	0	0	0	0	-2 531
Profit / loss from disposal / liquidation (without exchange rate)	0	0	0	0	0	6 589	0	0	0	0	0	6 589
Liquidated (cost of acquisition)	0	0	0	0	0	0	-77	0	0	0	0	-77
Liquidated (book value)	0	0	0	0	0	0	-22	0	0	0	0	-22
Separated during demerger (cost of acquisition)	0	0	0	0	0	0	0	-75 061	-16 638	-5 000	-9 264	-105 963
Separated during demerger (book value)	0	0	0	0	0	0	0	-39 011	3 323	2 956	-5 212	-37 944
Parent company's share of subsidiary's net assets as of 31 December 2011	**102 025**	**20 885**	**-1 663**	**5 057**	**137**	**0**	**0**	**0**	**0**	**0**	**0**	**126 441**
Cost value as of 31 December 2011	**17 981**	**10 188**	**2 375**	**25**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**30 751**

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NOTE 8. SHARES AND SECURITIES

(thousand euros)	Short-term shares	Long-term shares
31.12.2009	**9**	**2 383**
Acquisition	0	772
Sale in selling price	0	-1 961
Disposal of subsidiary	-9	0
31.12.2010	**0**	**1 309**
	0	-1 309
31.12.2011	**0**	**0**

NOTE 9. MISCELLANEOUS LONG-TERM RECEIVABLES

(thousand euros)

Creditor	Debtor	Contract currency	Receivable as of 31.12.2010	Receivables as of 31.12.20111	Due within 1 year	Due 2-5 years	Due over 5 years	Interest rate	Comments
Pro Kapital Rus:									
Pro Kapital Rus OOO	Pro Kapital Siberia OOO	EUR	78	0	0	0	0	x	x
			78	**0**	**0**	**0**	**0**		
Pro Kapital Eesti:									
OÜ Ilmarise Kvartal	Different debtors	EEK	55	54	2	6	46	6%	Long-term trade receivables
AS Tondi Kvartal	Different debtors	EEK	280	0	0	0	0	x	x
			335	**54**	**2**	**6**	**46**		
Pro Kapital Vilnius:									
PK Invest UAB	Swedbank AB	EUR	0	100	0	100	0	0%	Deposit due 7.12.2014
			0	**100**	**0**	**100**	**0**		
Entities separated during demerger:									
Total	Different debtors	EUR	3 318	0	0	0	0	x	x
			3 318	**0**	**0**	**0**	**0**		
		Total	**3 731**	**154**	**2**	**106**	**46**		

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NOTE 10. TANGIBLE ASSETS

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 confirms to International Valuation Standards, was determined by reference to discounted cash flow method.

For additional information concerning finance lease obligations is presented in Note 19. For additional information concerning mortgages set to Group's tangible assets is presented in Note 31.

(thousand euros)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
	Fair value	Fair value	Cost value	Cost value	Cost value	Cost value	Cost value	
Fair value or cost value as of 31.12.2010	**59 644**	**897**	**4 002**	**10 716**	**3 519**	**19 718**	**2 413**	**100 909**
Additions:								
Related to the acquit ion of subsidiary	0	0	0	398	0	0	0	398
Acquisition	0	0	12	28	0	651	298	989
Capitalized interests	0	0	0	0	0	246	0	246
Revaluation:								
Increase (decrease) in fair value	12 878	0	0	0	0	0	0	12 878
Reversal of accumulated depreciation	-1 955	0	0	0	0	0	0	-1 955
Disposals:								
Related to the disposal of subsidiary (discontinued operation)	-433	0	-264	-18	0	-20 823	-2 737	-24 275
Related to demerger	-46 384	0	-2 425	-8 520	-3 519	0	0	-60 848
Disposal	0	0	-6	-3	0	0	0	-9
Write-off	0	0	-9	-213	0	0	0	-222
Other changes:								
Reclassified to/from inventories	-2 807	0	0	0	0	0	0	-2 807
Reclassified to/from investment property	0	0	0	-14	0	0	0	-14
Foreign currency differences	43	14	14	15	0	208	26	320
Fair value or cost value as of 31.12.2011	**20 986**	**911**	**1 324**	**2 389**	**0**	**0**	**0**	**25 610**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(thousand euros)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
Accumulated depreciation as of 31.12.2010	**7 650**	**774**	**1 728**	**7 300**	**428**	**1 741**	**0**	**19 621**
Additions:								
Related to the acquisition of subsidiary	0	0	0	235	0	0	0	235
Current period depreciation charge	373	42	108	49	0	0	0	572
Disposals:								
Related to the disposal of subsidiary (discontinued operations)	-432	0	0	-9	0	-1 760	0	-2 201
In connection with demerger by separation	-5 552	0	-1 055	-5 231	-428	0	0	-12 266
Disposals	0	0	-2	-2	0	0	0	-4
Write-off	0	0	-9	-205	0	0	0	-214
Revaluation:								
Reversal of accumulated depreciation	-1 955	0	0	0	0	0	0	-1 955
Other changes:								
Reclassified to/from inventories	-100	0	0	0	0	0	0	-100
Reclassified as tangible assets ready for sale	0	0	0	-9	0	0	0	-9
Foreign currency differences	16	12	6	15	0	19	0	68
Accumulated depreciation as of 31.12.2011	**0**	**828**	**776**	**2 143**	**0**	**0**	**0**	**3 747**
Carrying amount 31.12.2010	**51 994**	**123**	**2 274**	**3 416**	**3 091**	**17 977**	**2 413**	**81 288**
Fair value or carrying amount 31.12.2011	**20 986**	**83**	**548**	**246**	**0**	**0**	**0**	**21 863**
Disposition and write off								
Sold assets at cost	0	0	6	3	0	0	0	9
Accumulated depreciation of sold assets	0	0	-2	-2	0	0	0	-4
Carrying value of sold assets	0	0	4	1	0	0	0	5
Sale price of assets	0	0	8	1	0	0	0	9
Cost of assets written off	0	0	9	213	0	0	0	222
Accumulated depreciation of assets written off	0	0	-9	-205	0	0	0	-214
Profit (loss) from sales and write-offs	**0**	**0**	**4**	**-8**	**0**	**0**	**0**	**-4**

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NOTE 11. INTANGIBLE ASSETS

(thousand euros)	Goodwill	Patents and trademarks	Licenses	Rights	TOTAL
Cost as of 31.12.2010	**263**	**785**	**322**	**1 993**	**3 363**
Additions:					
Acquisitions	0	0	0	1	1
Disposals:					
In connection with demerger by separation	0	-755	-322	-1 951	-3 028
Written-off	0	-8	0	0	-8
Other changes:					
Reclassified as tangible assets ready for sale	0	0	0	-13	-13
Cost as of 31.12.2011	**263**	**22**	**0**	**30**	**315**
Accumulated depreciation as of 31.12.2010	**0**	**708**	**259**	**511**	**1 478**
Additions:					
Current period depreciation charge	0	1	0	7	8
Disposals:					
In connection with demerger by separation		-680	-259	-511	-1 450
Written off	0	-8	0	0	-8
Other changes:					
Reclassified as tangible assets ready for sale	0	0	0	-1	-1
Accumulated depreciation as of 31.12.2011	**0**	**21**	**0**	**6**	**27**
Carrying value as of 31.12.2010	**263**	**77**	**63**	**1 482**	**1 885**
Carrying value as of 31.12.2011	**263**	**1**	**0**	**24**	**288**
Disposals and written off					
Cost of written off assets	0	8	0	0	8
Accumulated depreciation of write off assets	0	-8	0	0	-8
Gain/Loss from disposals and write-offs	**0**	**0**	**0**	**0**	**0**

NOTE 12. INVESTMENT PROPERTY

(thousand euros)	Held for the purpose of value increase	Rented out under the terms of operating lease	Total
Fair value as of 31.12.2010	**26 023**	**88**	**26 111**
Acquisitions	332	0	332
Loss from the change in fair value	-332	0	-332
Fair value as of 31.12.2011	**26 023**	**88**	**26 111**

The most important investment property is at Peterburi Road 2, Tallinn belonging to the subsidiary of the Ultimate Parent Company called AS Tallinna Moekombinaat. The fair value of the property amounts to 24 300 euros. It is intended to develop it into a shopping centre.

. 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. Also retrospective presentation was made. 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 17 March 2011 AS Täismaja (former AS Kristiine Kaubanduskeskus), a subsidiary of the Ultimate Parent Company, signed a contract to sell its shopping centre business activity. Therefore the related investment property in book value of 50 044 thousand euros was reclassified as tangible assets held for sale as of 31 December 2010. According to conditions stipulated in the agreement, sales price amounted to 104 997 thousand euros. Contract became effective on 2 May 2011. Profit from disposal amounted to 54 057 thousand euros (refer to note 26).

Rental income from operating lease of investment property and corresponded direct costs

(thousand euros)	2011	2010
Rental income	6	5 921
Direct operating costs		
Maintenance and depreciation	44	1 012
Other direct costs	0	1 065

Rental income of future periods from investment property leased out under the terms of an operating lease:

(thousand euros)	31.12.2011	31.12.2010
Within 1 year	680	2 798
1-5 years	0	0
Over 5 years	0	0
Total	**680**	**2 798**

The estimated income from future period operating leases covered with contracts does not include the future periods and rent charges, which are not covered with contracts, since the amounts cannot be estimated with sufficient reliability.

NOTE 13. SHORT TERM DEBT

(thousand euros)	Note	31.12.2011	31.12.2010
Unsecured debt		9 600	1 865
Current portion of finance lease liability	19	0	419
Other short-term debt		9 600*	1 446
Current portion of long-term bank loans and overdrafts	15	4 402	80 792
Current portion of long-term loans	16	0	642
Total		**14 002**	**83 299**

*9 520 thousand euros is payable to related party, see Note 30.

NOTE 14. LONG TERM DEBT

(thousand euros)	Notes	31.12.2011	31.12.2010
Long-term debt		21 462	84 279
Non-convertible debts		0	10 948
Finance lease liability	19	0	2 010
Long-term loans	16	0	8 938
Convertible debt	18	11 272	15 054
Bank loans	15	10 190	58 277
Other long-term liabilities	17	0	24 780
Deferred income tax liability	28	1 962	1 585
Long-term provisions		173	1 245
Total		**23 597**	**111 889**

Provisions

(thousand euros)	Employees' pension plan	Other provisions	Total
31.12.2010	**638**	**5 717**	**6 355**
Provision added	0	861	861
Disposals related to demerge	-638	-5 288	-5 926
Provision used	0	-26	-26
31.12.2011	**0**	**1 264**	**1 264**
incl. short-term provision	0	1 091	1 091
long-term provision	0	173	173

NOTE 15. BANK LOANS

(thousand euros)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2010	Loan balance as of 31.12.2011	Loan repayments Within 1 year	Loan repayments 2-5 years	Loan repayments Over 5 years	Interest rate	Maturity date	Collateral
Pro Kapital Eesti:										
AS Pro Kapital Eesti	AS Swedbank	EUR	4 092	2 141	191	1 950	0	2,0% + 6 month EURIBOR	1.11.2013	Note 31
AS Täismaja	AS Swedbank	EUR	62 699	0	0	0	0	x	x	x
AS Tondi Kvartal	AS Swedbank	EUR	1 188	605	605	0	0	2,5% + 6 month EURIBOR	16.07.2013	Note 31
			67 979	**2 746**	**796**	**1 950**	**0**			
Pro Kapital Latvia:										
Investhotel SIA	AS Swedbank	EUR	5 842	4 623	315	4 308	0	3,0% + 3 month EURIBOR	1.05.2015	Note 31
			5 842	**4 623**	**315**	**4 308**	**0**			
Pro Kapital Vilnius:										
PK Invest UAB	AB Swedbank	EUR	9 587	7 200	3 279	3 921	0	2,4% + 6 month EURIBOR	7.12.2014	Note 31
			9 587	**7 200**	**3 279**	**3 921**	**0**			
Pro Kapital Germany Holdings:										
Domina Tourismus GmbH	Volksbank Bad Kreuznach	EUR	0	23	12	11	0	5,1%	30.09.2013	Company assets
			0	**23**	**12**	**11**	**0**			
Entities separated during demerger:										
Total	Different credit institutions	EUR	55 661	0	0	0	0	x	x	x
			55 661	**0**	**0**	**0**	**0**			
		Total	**139 069**	**14 592**	**4 402**	**10 190**	**0**			

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NOTE 16. OTHER LONG TERM LOANS

(thousand euros)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2010	Loan balance as of 31.12.2011	Loan repayments Within 1 year	2-5 years	Over 5 years	Interest rate	Maturity date	Collateral
Pro Kapital Rus:										
Pro Kapital Rus OOO	Odega Anshtalt	RUB	1 046	0	0	0	0	x	x	x
Dom na Moike OOO	Odega Anshtalt	RUB	7 433	0	0	0	0	x	x	x
			8 479	**0**	**0**	**0**	**0**			
Entities separated during demerge:										
Total	Different issuers	EUR	1 101	0	0	0	0	x	x	x
			1 101	**0**	**0**	**0**	**0**			
		Total	**9 580**	**0**	**0**	**0**	**0**			

NOTE 17. OTHER LONG TERM DEBT

(thousand euros)

Entity	Crditor	Contract currency	Loan balance as of 31.12.2010	Loan balance as of 31.12.2011	Loan repayments Within 1 year	2-5 years	Over 5 years	Interest rate	Comments
Entities separated during demerge:									
Total	Clients	EUR	24 780	0	0	0	0	x	x
			24 780	**0**	**0**	**0**	**0**		
		Total	**24 780**	**0**	**0**	**0**	**0**		

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NOTE 18. CONVERTIBLE BONDS

Registration date of bonds issued	13.05.1999	13.08.2009	20.01.2010	10.08.2010	16.08.2010	29.11.2010	08.03.2011	25.05.2011		
Issue price of bond (EUR) before/after demerger	x	4,50 / 2,80	4,50 / 2,80	4,50 / 2,80	4,50 / 2,80	4,50 / 2,80	4,50 / 2,80	4,50 / 2,80		
Bond return per annum (% from issue price)	6%	7%	7%	7%	7%	7%	7%	7%		
Latest date for redemption of bonds	20.01.2010	13.08.2013	20.01.2014	10.08.2014	16.08.2014	29.11.2014	08.03.2015	25.05.2015		
Latest date for the conversion of bonds to shares	10.01.2010	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012	31.12.2012		
Discount rate (%)	11%	7%	7%	7%	7%	7%	7%	7%	Total	
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2010
Number of convertible bonds at the beginning of period	0	1 164 807	382 304	840 184	536 012	422 067	0	0	3 345 374	1 287 344
Number of convertible bonds issued	0	0	0	0	0	0	569 273	111 111	680 384	2 180 567
Number of repurchased bonds	0	0	0	0	0	0	0	0	0	-122 537
Number of convertible bonds at the end of period	**0**	**1 164 807**	**382 304**	**840 184**	**536 012**	**422 067**	**569 273**	**111 111**	**4 025 758**	**3 345 374**

(thousand euros)	2011	2011	2011	2011	2011	2011	2011	2011	2011	2010
Number of convertible bonds at the beginning of period	0	5 242	1 720	3 781	2 412	1 899	0	0	15 054	5 633
Principal of convertible bonds issued	0	0	0	0	0	0	2 562	500	3 062	9 812
Repurchased bonds in repurchase price	0	0	0	0	0	0	0	0	0	-391
Change in price of convertible bonds related to demerger	0	-1 980	-650	-1 428	-911	-718	-968	-189	-6 844	0
Principal of the bonds issued at the end of the period	0	3 262	1 070	2 353	1 501	1 181	1 594	311	11 272	15 054
Short-term portion of liabilities on the balance sheet	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Long-term portion of liabilities on the balance sheet	**0**	**3 262**	**1 070**	**2 353**	**1 501**	**1 181**	**1 594**	**311**	**11 272**	**15 054**

Member of the Management Board

On 13 April 2009 extraordinary shareholders meeting of the Ultimate Parent Company decided to issue 10 000 000 convertible bonds and raise share capital conditionally up to 10 000 000 shares, for the purpose of debt swap. Bonds subscription period ended on 1 January 2012.

The Ultimate Parent Company issued convertible bonds in the amount of 4 025 758 euros.

In connection with the demerge of the Ultimate Parent Company, a split of convertible bonds was also arranged. Every subscriber of the convertible bond of the Ultimate Parent Company additionally received convertible bond (nominal value 0,1 euro) of AS Domina Vacanze Holding, which is exchangeable for one share AS Domina Vacanze Holding share (nominal value is 0,1 euro). Maturity date of AS Domina Vacanze Holding convertible bond is the same as maturity date for the Ultimate Parent Company bond.

For every convertible bond, the Ultimate Parent Company has received 4.5 euros (issuing price). As a result of demerger every convertible bond of the Ultimate Parent Company carries interest from the principle amount of 2.8 euros and AS Domina Vacanze Holding carries interest on 1.7 euros.

After the demerger the owner of convertible bond of the Ultimate Parent Company has a right to exchange against the share of the Ultimate Parent Company or to redeem for 2,8 euros, according to deadlines stipulated in conditions. The last due date for the bond holders to convert the bonds into shares of the Ultimate Parent Company is 31 December 2012. As of 31 December 2011 and 31 December 2010 no bond owner has used its option right.

Reporting period interest expense of convertible bonds amounted to 1 174 thousand euros (2010: 658 thousand euros) and 998 thousand euros of interest were paid on cash bases. (2010: 347 thousand euros).

NOTE 19. LEASES

Finance lease – Group as the lessee

Assets and related liabilities purchased under the finance lease were disposed from the Group as a result of the demerger. No principals and interest were paid during the reporting period (in 2010 927 thousand and 36 thousand euros were paid respectively)

Finance lease principle payments for the following periods

(thousand euros)	Minimum payments of finance lease	Interest expense	Net present value of minimum payments of finance lease
Finance lease obligations as of 31.12.2010			
Within 1 year	510	91	419
1 – 5 years	2 110	193	1 917
Over 5 years	98	5	93
Total	**2 718**	**289**	**2 429**
Finance lease obligations as of 31.12.2011			
Within 1 year	0	0	0
1 – 5 years	0	0	0
Over 5 years	0	0	0
Total	**0**	**0**	**0**

Additional information about non-current assets acquired under the terms of finance lease is presented in Note 10.

 Member of the Management Board

Operating lease – Group as the lessee

The most important asset used under the terms of operating lease is office building located at Riga, Latvia. During the reporting period the lease payments were amounted to 520 thousand euros (2010: 552 thousand euros).

Operating lease payments for the following periods:

(thousand euros)	31.12.2011	31.12.2010
Within 1 year	528	517
1 – 5 years	632	1 118
Total	**1 160**	**1 635**

Operating lease – Group as the lessor

The Group is a lessor in operating lease of investment property, a leasehold administrative building and other assets belonging to the Group.

During the accounting period, rental income amounted to 4 138 thousand euros (2010: 6 720 thousand euros) from the assets rented out under the terms of operating lease. Direct costs corresponding to the rental income amounted to 1 928 thousand euros (2010: 2 977 thousand euros).

Operating lease rental income for the following periods:

(thousand euros)	31.12.2011	31.12.2010
Within 1 year	680	2 798
Total	**680**	**2 798**

Additional information about investment property leased out in terms of operating lease is presented in Note 12.

NOTE 20. NON-CONTROLLING INTEREST

(thousand euros)	31.12.2011	31.12.2010
Pro Kapital Estonia sub-group	949	27 279
Pro Kapital Latvia sub-group	648	2 391
Pro Kapital Rus sub-group	0	-21
Entities separated during demerger	0	5 011
Total	**1 597**	**34 660**

NOTE 21. EQUITY

Share capital

The share capital in the amount of 10 637 thousand euros consists of 53 185 422 ordinary shares at a nominal value of 0.2 euros per share. According to the articles of association, the maximum share capital is 24 000 thousand euros and minimum capital is 6 000 euros.

Due to euro introduction in Republic of Estonia and according to the requirements of the Commercial Code the nominal value of share must be rounded to one decimal place. Therefore, on 30 June 2011 the shareholders meeting of the Ultimate Parent Company decided to decrease the share capital by reduction of the nominal value of shares. In Commercial registry decrease in share capital was registered on 8 August 2011, after what the share capital of AS Pro Kapital Grupp amounted to 31 911 thousand euros consisting of 53 185 422 ordinary shares with a nominal value of 0.6 euros per share.

On 16 September 2011 due to the need to cover loss, caused by the demerger of the Ultimate Parent Company and decrease of net assets shareholders decided to decrease the share capital by 21 274 thousand euros to 10 637 thousand euros by lowering the nominal value of share from 0.6 to 0.2 euros.

No changes in share capital occurred during preceding reporting periods.

AS Pro Kapital Grupp ordinary share entitles the owner to receive dividends as declared and to vote at general shareholders meeting (one share – one vote). No preference shares have been issued by the Ultimate Parent Company.

On 3 April 2009 extraordinary shareholders' meeting of AS Pro Kapital Grupp AS decided to issue up to 10 000 000 convertible bonds of the Ultimate Parent Company and conditionally increase the share capital of the Ultimate Parent Company up to 10 000 000 shares for swapping convertible bonds into the Ultimate Parent Company shares. Conditional increase of the share capital was registered by the Commercial Register on 24 April 2009.

Convertible bonds were offerd for subscription until 1 January 2012. During the emission AS Pro Kapital Grupp issued 4 025 758 convertible bonds altogether. Every convertible bond is exchanged for a share of the Ultimate Parent Company. In accordance with that the maximum issue of the Ultimate Parent Company shares can be 4 025 758 shares. Exact amount of share capital increased will be identified by 31 December 2012, when is the due date to exchange convertible bonds for share of the Ultimate Parent Company.

As of 31 December 2011 and 31 December 2010 option owners of convertible bonds have not exercised their option to convert the bonds in the shares of AS Pro Kapital Grupp.

Reserves

Reserves in the amount of 11 330 thousand euros (31.12.2010: - 2 938 thousand euros) consist of revaluation reserve of tangible assets. The reserve was formed as a result of a change in accounting principles (refer to note 1). As of 31 December 2010 the balance of 2 938 thousand euros consisted of statutory legal reserve of the Ultimate Parent Company and required by § 336 of the Estonian Commercial Code.

On 16 September 2011 due to the need to cover the loss caused by the demerger of the Ultimate Parent Company and decrease of net assets, shareholders decided to cover losses by using statutory legal reserves in the amount of 2 938 thousand euros.

The right to repurchase the shares

On 30 October 2008 the shareholders' meeting of AS Pro Kapital Grupp decided to allow the entity during the five year period to acquire 1 000 000 own shares with the repurchase price of 3,83 euros (originally 60 Estonian kroons) per share. The Management Board has the right to repurchase own shares in several sets. Acquiring own shares do not result in the decrease of net assets below the total amount of share capital and reserves of which the payments to shareholders are not permitted by the law and articles of association. The Management Board is obligated to dispose the shares or make a proposal to the shareholders' meeting to decrease the share capital, during the period of three years since the acquisition of own shares. As of 31 December 2011 and 2010, the Ultimate Parent Company has not exercised the right to repurchase the shares and due to the demerger the Ultimate Parent Company has no intention to exercise the repurchase right also in the future.

Paid-in equity by shareholders according to the Income Tax Act § 50 p.2

According to the demerger plan the equity contributions made by the shareholders to AS Pro Kapital Grupp and share premium in the amount of 10 2271 thousand euros was divided as follows: 71 590 thousand euros remained as the share capital of AS Pro Kapital Grupp and 30 681 thousand euros remained as the share capital of AS Domina Vacanze Holding.

NOTE 22. SEGMENT REPORTING

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

Segment result, assets and liabilities are presented on line items associated directly with particular segment and are sufficiently motivated.

The business activity of the Group is exercised in Estonia, Latvia, Lithuania and Germany. Operations discontinued in Russia, Ukraine and Italy.

	Estonia	Latvia	Lithuania	Germany	Russia	Ukraine	Italy	Total segments	Less discontinued operations	Continuing operations
2011										
Revenue	10 569	3 038	3 406	436	0	0	0	17 449	0	17 449
Other income	54 087	146	0	47	1	0	0	54 281	1	54 280
Operating profit (-loss) of segments	51 501	-3 916	-57	330	-236	-10	0	47 612	-246	47 858
Financial income/loss (net)	6 004	2 626	-520	0	75	0	0	8 185	6 292	1 893
Profit before income tax								**55 797**	**6 046**	**49 751**
Income	0	-330	-24	3	0	0	0	-351	0	-351
Non-controlling interest								28 028	-143	28 171
Net profit								**28 120**	**6 189**	**21 931**
2010										
Revenue	11 779	2 356	6 480	436	0	0	36 662	57 713	36 662	21 051
Other income	92	81	1	45	2	0	4 832	5 053	4 834	219
Operating profit (-loss) of segments	974	-4 889	-1 263	195	-932	-8	-13 050	-18 973	-13 990	-4 983
Financial income/loss (net)	-1 417	-19	-617	-1	1 340	9	-2 455	-3 160	-1 106	-2 054
Loss before income tax								**-22 133**	**-15 096**	**-7 037**
Income	0	26	-43	0	0	0	230	213	230	-17
Non-controlling interest								5	-388	393
Net loss								**-22 351**	**-14 938**	**-7 413**

	Estonia	Latvia	Lithuania	Germany	Russia	Ukraine	Italy	Total segments
31.12.2011								
Assets	59 413	26 544	18 403	9 112	0	0	0	113 472
Liabilities	25 919	6 047	8 050	1 398	0	0	0	41 414
Acquisition of fixed assets	349	17	1	0	955	0	0	1 322
Depreciation	-182	-258	-19	-120	-1	0	0	-580
31.12.2010								
Assets	101 900	31 797	20 821	2 784	22 059	32	193 495	372 888
Liabilities	87 424	11 272	10 462	28	8 555	0	115 243	232 984
Acquisition of fixed assets	15 940	43	28	0	3 379	0	3 756	23 146
Depreciation	-1 145	-325	-50	-120	-2	0	-2 511	-4 153

NOTE 23. REVENUE

(thousand euros)	2011	2010
Sale of real estate	7 490	7 310
Rent of real estate	4 138	7 472
Real estate development and management (incl. hotel management service)	5 821	6 269
Total	**17 449**	**21 051**

NOTE 24. COST OF GOODS SOLD

(thousand euros)	2011	2010
Sale of real estate	9 685	7 733
Rent of real estate	1 928	2 977
Real estate development and management (incl. hotel management service)	4 794	6 305
Total	**16 407**	**17 015**

(thousand euros)	2011	2010
Personnel expenses	736	763
Depreciation of tangible assets (see Note 10)	510	1 439
Amortization of intangible assets (see Note 11)	1	0
Write down of inventories, (-) reversal of write down (see Note 3)	3 028	-282
Other	12 132	15 095
Total	**16 407**	**17 015**

NOTE 25. MARKETING AND ADMINISTRATIVE EXPENSES

Marketing expenses:

(thousand euros)	2011	2010
Personnel expenses	38	15
Other	314	594
Total	**352**	**609**

Administrative expenses:

(thousand euros)	2011	2010
Personnel expenses	2 399	1 656
Depreciation of tangible assets (see Note 10)	62	199
Amortization of intangible assets (see Note 11)	7	2
Write down of inventories, (-) reversal of write down (see Note 3)	0	2
Negative goodwill (see Note 6)	-137	0
Other	2 906	2 170
Total	**5 237**	**4 029**

NOTE 26. OTHER INCOME AND EXPENSES

Other income:

(thousand euros)	2011	2010
Penalties and fines	21	72
Gain from the sale of tangible assets (see Note 10)	4	11
Gain from the sale of tangible assets held for sale (see Note 12)	54 057	0
Reversal of provision of doubtful debts	7	0
Other operating income	191	136
Total	**54 280**	**219**

Other expenses:

(thousand euros)	2011	2010
Property and local taxes	420	461
Penalties and fines	18	451
Loss from the change of fair value (of investment properties)	332	0
Loss from the sale of tangible assets	0	4
Loss from the sale of intangible assets	0	2
Provision for expenses connected with pending law suit (see Note 33)	700	3 585
Provision of doubtful debts	349	38
Other operating expenses	56	59
Total	**1 875**	**4 600**

NOTE 27. FINANCIAL INCOME AND EXPENSE

Financial income:

(thousand euros)	2011	2010
Interest income	1 514	2 150
Gain from disposal of subsidiary	2 736	0
Gain from exchange rate differences	520	0
Total	**4 770**	**2 150**

Finance expense:

(thousand euros)	2011	2010
Interest expense	2 853	4 046
Interest expense of convertible bonds (see Note 18)	1 174	658
Interest expense of loans and overdrafts	1 433	3 388
Interest expense initially capitalized as tangible assets (see Note 10)	246	0
Loss from exchange rate differences	0	30
Other financial expense	24	128
Total	**2 877**	**4 204**

NOTE 28. INCOME TAX

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. Due to the difference in the income tax concept, the term "taxation base of assets and liabilities" has no economic meaning, and therefore deferred income tax liabilities and assets cannot be accounted for in accordance with IAS 12 "Income Taxes".

In accordance with income tax laws in Latvia, Lithuania and Germany, the applicable tax rates in these countries in year 2011 were 15%, 15%, 15% (2010: 15%, 15%, 15%) on taxable earnings respectively.

(thousand euros)	31.12.2011	31.12.2010
Profit / Loss before income tax (consolidated)	49 751	-7 037
Estimated income tax respective to the tax rates	129	-1 366
Corrections of estimated income tax:		
Non-deductible expenses (+)	152	1 004
Non-taxable income and tax incentive	-924	-164
Used tax losses (-)	-20	-20
Forwarded tax losses (+)	686	555
Income tax expenses	23	9
Effective tax rate	0.05%	X
Deferred income tax expense (details as follows)	0	18
Deferred income tax returns (details as follows)	-374	-44
Effect on income statement	**-351**	**-17**
Income tax paid (-)	**0**	**0**

Deferred income tax asset and liability (net) movements:

(thousand euros)	Accelerated tax depreciation	Revaluation of fixed assets	Deferred tax losses	Total
31 December 2010	**1 308**	**312**	**-67**	**1 553**
Effect on income statement:	-19	-24	-331	-374
Income tax expense of the reporting period	0	0	0	0
Income tax reclaims of the reporting period	-19	-24	-331	-374
Impact on equity	0	1548	0	1548
Transferred in connection with demerger	-1165	0	32	-1133

Exchange rate differences	2	0	-4	-2
31 December 2011	**126**	**1 836**	**-370**	**1 592**

Deferred income tax balances

(thousand euros)	**31.12.2011**	**31.12.2010**
Deferred income tax liability (+)	1 962	1 585
Deferred income tax assets (-)	-370	-32
Total	**1 592**	**1 553**

Contingent income tax

Retained earnings of the Group amounted to 49 624 thousand euros as of 31 December 2011 (24 382 thousand euros adjusted as of 31 December 2010). The maximum possible amount of income tax liability, which could be treated as contingent liability and which could realize as net dividend distriution of all retained earnings, is 10 421 thousand euros (as of 31 December 2010 thousand 5 120 thousand euros). 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 of 31 December 2011.

The Ultimate Parent Company has potential opportunity (in case of retained earnings) to pay dividends that are not taxable with income tax in amount of 44 647 thousand euros because the Ultimate Parent Company has received dividends from its subsidiary Pro Kapital Latvia PJSC, which is the resident and taxable person in Republic of Latvia. The part of the profit related to payable dividends is taxed with income tax in Republic of Latvia. The maximum related possible income tax free amount that could be considered as contingent asset and could be paid as net dividend is 11 868 thousand euros (31.12.2010: 11 868 thousand euros).

NOTE 29. 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:

Period 01.01.2011 - 31.12.2011	(53 185 422 x 12/12) = 53 185 422
Period 01.01.2010 - 31.12.2010	(53 185 422 x 12/12) = 53 185 422

Net profit/loss per share in euros:

2011 year	28 120 154 / 53 185 422 = 0,53
2010 year	-22 351 139 / 53 185 422 = -0,42

The convertible bonds (see Note 18) do not have dilutive effect on earnings in 2011 and 2010, and therefore they have not been included in the calculation of the diluted net profit/loss per share and the diluted net profit/loss per share equals the net profit/loss per share indicator.

NOTE 30. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are considered to be transactions with the higher level Ultimate Parent Company within the Group, shareholders, the members of the Supervisory Council and the Management Board, their intermediate family members and the companies in which they hold control or have significant influence.

Balances and transactions between the Ultimate Parent Company and its subsidiaries, which are related parties of the Ultimate Parent Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(in thousand euros)

Transactions with related parties	2011	2010
Owners holding significant influence		
Interest income	148	202
Received interest (-)	-764	0
Issued loans	477	0
Repaid loans issued (-)	-5 222	0
Granted claims	23 412	0
Acquisition of shares	42 811	613
Interest expense	945	480
Paid interest (-)	-764	-240
Received claims	0	169
Issued convertible bonds	3 062	5 577
Repurchased convertible bonds (-)	0	-391
Members of the Management Board and Council		
salaries	1 155	1 106
Other related parties		
Goods and services sold	5	1 502
Disposal of real estate	2 615	0

Receivables from related parties	31.12.2011	31.12.2010
Owners holding significant influence		
Loan receivables	477	5 222
Interest receivables	33	812
Other related parties		
Other receivables	6	0
Total	**516**	**6 034**

Payables to related parties	31.12.2011	31.12.2010
Owners holding significant influence		
Outstanding loans (convertible bonds)	8 726	11 670
Outstanding interest (from convertible bonds)	539	358
Other outstanding amounts	9 520	0
Total	**18 785**	**12 028**

Holdings in the Ultimate Parent Company	31.12.2011	31.12.2010
Members of the Council and individuals related to them	8.61%	2.31%

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 31. COLLATERAL AND PLEDGED ASSETS

Name of the pledge	Name of the beneficiary	Obligation amount as of 31.12.2011 (thousand euros)	Collateral description	Owner of collateral	Type of asset	Book value of collateral as of 31.12.2011 (thousand euros)
AS Tondi Kvartal	AS Swedbank	605	Tondi street 51, Tallinn	AS Tondi Kvartal	Finished construction (inventories)	1 781
			Guarantee contract	AS Pro Kapital Grupp	Entity's assets	x
AS Pro Kapital Eesti	AS Swedbank	2 141	Põhja avenue. 21, 21a, 21b-1, Tallinn	AS Pro Kapital Eesti	Land and buildings	6 100
			Põhja avenue 21, 23 Tallinn	OÜ Ilmarise Kvartal	Finished construction (inventories)	1 205
Investhotel SIA	AS Swedbank	4 623	Pulkveza Brieza Str. 11, Riga	Investhotel SIA	Land and buildings	6 099
				Investhotel SIA	Other assets	4 792
			Trijadibas street 5, Rīga	Kliversala RE SIA	Unfinished construction (inventories)	8 911
			Guarantee contract	AS Pro Kapital Grupp	Entity's assets	x
PK Invest UAB	AB Swedbank	7 200	Aguonu str.10, Vilnius	PK Invest UAB	Finished construction (inventories)	13 536
					Unfinished construction (inventories)	3 849
			Guarantee contract	AS Pro Kapital Grupp	Entity's assets	x
Total		**14 569**				**46 273**

Member of the Management Board

Signed for identification purposes
Oolb

In addition to guarantee letters related to the bank loans of the Group, AS Pro Kapital Grupp has issued the following guarantee letters as of the balance sheet date:

- Guarantee letter with up to 2 300 thousand euros limit to Hotel Blijdorp B.V to secure rental payments for hotel located in Rotterdam, proceeding from rental contract concluded between Serval S.r.l. and Hotel Blijdorp B.V.
- Guarantee letter to AS Swedbank to secure potential liability of Pro Kapital Latvia subsidiary Klīversala RE SIA in the amount of 5 681 thousand Latvian lats (ca 8 121 thousand euros). In the same amount AS Swedbank has issued guarantee letter to VAS „Privatizācijas aģentūra" to secure investment liabilities proceeding from contract concluded by Klīversala RE SIA and VAS „Privatizācijas aģentūra".
- AS Pro Kapital Grupp and AS Pro Kapital Eesti issued a guarantee letter to Kristiine Keskus OÜ of which they assure in solitary the monetary liabilities of Kristiine Kaubanduskeskus AS, entity belongs to Pro Kapital Eesti sub-group. In case Kristiine Kaubanduskeskus AS will violate the confirmations given in the contract of sales of the shopping centre Kristiine Keskus OÜ can lodge a claim with Kristiine Kaubanduskeskus AS. The guarantee is conditional and the guarantors are responsible only if Kristiine Kaubanduskeskus AS is unable to settle the claim. The guaranteed amount is 5 000 000 euros (approx. 78.2 million Estonian kroons). The guarantee is effective for 18 months from the enforcement of the sales contract, i.e. until 2 November 2012
- Guarantee letter to OÜ Kristiine Keskus to secure (jointly with AS Pro Kapital Eesti) possible claims against OÜ Kristiine Keskus raising from a loan contract concluded between AS Pro Kapital Eesti and AS Kristiine Kaubanduskeskus on 9 March 2004. The guarantee letter is limited with the maximum sum of potential claim. The guarantee is effective for 72 month since concluding the sales- purchase agreement, e.g. until 2 May 2017.

NOTE 32. 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. Risk management system is called to mitigate aforementioned risks and reduce potential negative impact on the Group. Main purpose of the risk management is to preserve the equity and going concern of the Group.

Business risk

The business risk of the Group is associated with the developments of the real estate market in the Baltics.

The global financial crisis and the accompanying economic crisis in the recent years have negatively affecting development of the real estate sector. Even though global economy shows some signs of economic growth, the positive impact on the real estate development sector usually occurs with a delay.

Decrease in real purchasing power, increase in real estate loan interest rates and other similar factors are considered a risk that in turn could decrease demand for real estate and hotel services and have a negative impact to the Group operating activities, decreasing the sales and rent income as well income from development activities, property management services and operating hotels in the upcoming years. Changes in financial markets could reduce the Group's business opportunities to involve external financing for business operations and to refinance existing financial liabilities.

Taking into consideration the capacity of the Group real estate projects and favourable locations it can be presumed, that the Group entities are able to retain their position on the market.

The management of the Group is on the opinion that the on-going effects of the economic crisis cannot be assessed reliably however the management believes that all necessary measurement have been implemented to provide a sustainable development of the Group.

Interest risk

Interest risk is mostly associated with the long-term liabilities of the Group. In general the interest rates of bank loans raised by the Group entities are fixed with Euribor plus a risk margin (refer to Note 15). The interest rates of convertible bonds is fixed (refer to Note 18).Interest risk appears from Euribor and the volatility of the average market interest rates which affect the Group's interest expenses. The minimum use of financial instruments is used to diversify the interest risk. According to the management estimate of the Group the expenses related to interest diversification (fixed interest rate) are exceeding the potential losses from the change in interest rates. This estimation is based on the Group's financing strategy in the short run. As of 31.12.2011 the variable interest bearing liabilities amounted to 12.8% (31.12.2010: 39,9%) of total capital structure of the Group.

The Group's sensitivity to interest rates has decreased during the reporting period due to significant reduction in variable rate debt instruments. If interest rates of floating rate liabilities had been 1% higher or lower and all other variables were held constant, the Group's net profit would be decrease or increase by 95 thousand euros respectively.

Currency risk

Entities belonging to the Group perform transactions in currency of their domicile country; currency risk arises from transactions in currencies not related with euro. To mitigate the currency risk, all relevant contracts of the Group are concluded in euros or in currencies related to euro. Thus the main currency risk is related with devaluation of currencies related with euro, against which the Group is not protected.

Due to the fact that Group's liabilities are predominantly in euro (Notes 15 and 18) and majority of Group's income comes from euro based contracts, the management of the Group estimates the currency risk to be immaterial and does not consider proper the usage of financial instruments for diversification.

Credit risk

The Credit risk expresses potential loss that occurs, when customers do not fulfil their contractual obligations to the Group. For mitigating the credit risk the payment discipline of the customers is consistently monitored.

In general the sales of real estate are financed by clients' prepayments. In case of sales of the real estate in installments, the creditworthiness of each client is analysed separately. The legal title of the property belongs to the Group entities until the debt is settled in full. Occasionally it may happen that the legal title is transferred to the buyer but then a mortgage is set in favour of the Group entity.

During the reporting period the deterioration of real estate rent payment discipline of customers has occurred, however the Group has not had to bear significant credit losses.

Based on the experience of the Group's management and developments in economic environment, allowances are made to cover possible credit losses, if necessary.

In conclusion the management of the Group considers further need to mitigate the credit risk to be remote.

Liquidity risk

Liquidity risk expresses the potential risk that the Group can fail to meet its financial obligations if the Group's financial position will change. The Group constantly monitors proportion between short-term liabilities and current assets. As of 31 December 2011 the working capital of the Group's is positive and the current assets exceeded short-term liabilities by 3.6 times (as of 31.December 2010 by 2.1 times).

Financial liabilities of the Group by due dates:

(thousand euros)

			Repayment of liabilities				Repayment of liabilities		
	Note	31.12.2011	within 1 year	2-5 years	over 5 years	31.12.2010	within 1 year	2-5 years	over 5 years
Bank loans	15	14 592	4 402	10 190	0	139 069	80 792	53 494	4 783
Long-term loans	16	0	0	0	0	9 580	642	7 433	1 505
Finance lease liabilities	19	0	0	0	0	2 429	419	1 917	93
Convertible bonds	18	11 272	0	11 272	0	15 054	0	15 054	0
Trade payables		724	724	0	0	23 236	23 236	0	0
Other debt		11 849	11 849	0	0	34 162	9 382	24 780	0
Total		**38 437**	**16 975**	**21 462**	**0**	**223 530**	**114 471**	**102 678**	**6 381**

Fair value

Based on the estimates made by the Group management, book value of the financial assets and liabilities does not differ significantly from their fair value, due to accounting policies used in Group.

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 with optimal capital structure and thus to ensure return to shareholders and sustainability of the Group.

To finance its business activity the Group is using loan capital as well as owners' equity. The financial structure is monitored and used to assess associated risks. As of 31.12.2011 the equity constitutes 63.5 % (31.12.2010: 37.5 %) of total assets.

For obtaining and improving capital structure the Group has possibility to regulate dividends payable, to return shareholders contributions to share capital, to issue new shares, or to sell assets to decrease liabilities.

NOTE 33. LITIGATIONS

Ultimate parent company

As of 31 December 2011 the AS Pro Kapital Grupp had one pending court case.

On 27 May 2010 Aprisco B.V filed a case to Rotterdam court against AS Pro Kapital Grupp related to the issued guarantee letter with what AS Pro Kapital Grupp assures the rental liabilities of the Serval S.r.l arising from the rental agreement of the Rotterdam hotel, concluded on 4 August 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 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. 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 August 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 1776 thousand euros with accumulated interest for default or in the amount of 1 409 thousand euros with accumulated interest for default.

The Management Board of AS Pro Kapital Grupp does not recognize the claim and states that the guarantee was given to Hotel Blijdorp B.V and not to Aprisco B.V and AS Pro Kapital Grupp was not informed for the transfer of the guarantee letter and therefore Aprisco B.V cannot file the claim related to the guarantee letter. The Management Board of AS Pro Kapital Grupp claims alternatively that according to the guarantee letter Aprisco B.V can claim only unpaid rental payments in amount of 406 thousand euros with accumulated interest for default and which could increase by 282 thousand euros in case the rental lowering agreement between Serval S.r.l. and Aprisco B.V. is found to be unbinding.

As of 31 December 2011 the Group's consolidated statement included potential liabilities related to the court case in the amount of 700 thousand euros.

As of 31 December 2010 the Group had the same court case in process.

As of 31 December 2009 AS Pro Kapital Grupp had no on-going legal proceedings.

Pro Kapital Estonia sub-group

As of 31 December 2011 the subsidiary has three pending court cases.

AS Täismaja (formerly AS Kristiine Kaubanduskeskus) filed a case to Harju District court in order to receive rental debts from the following entities:

OÜ Donum Trading – in the amount of 15 thousand euros, with accumulated interest for default
OÜ Nordwell – in the amount of 15 thousand euros, with accumulated interest for default
OÜ Trendmaker - in the amount of 46 thousand euros, with accumulated interest for default
OÜ Lossi Arenduse – in the amount of 33 thousand euros, with accumulated interest for default

On 28 November 2011 the court ruled against OÜ Lossi Arenduse. The demand is on compulsory execution.

On 16 January 2012 the court ruled against OÜ Donum Trading. Negotiation regarding the payments is in process.

AS Täismaja is involved in one law suit as a third party.

The Management Board of AS Pro Kapital Grupp does not recognize the claims to have any material impact on the business activity of the companies in the Pro Kapital Estonia sub-group.

As of 31 December 2010 AS Pro Kapital Estonia sub-group had no pending court cases.

Pro Kapital Latvia sub-group

As of 31 December 2011 the Pro Kapital Latvia sub-group has three pending court cases.

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 entity's loss should be 60 thousand Latvian latts smaller (approx. 86 thousand euros). Pro Kapital Latvia PJSC disputed the decision. The trial court left the claim unsatisfied. The entity appealed and the hearing is set on 1 March 2012.

SIA Hotel Management has one pending court case regarding recalling prior member of the Board, Inese Tomase, and compensating her average pay. On 25 October 2011 the entity filed a counterclaim based on Notes 1.3 and 4 of the emplyment contract which Inese Tomase used to file her claim and demands leaving Ms Tomase's claim left unsatisfied and returning her income received without legal basis in the amount of 19 thousand Latvian latts (approx. 27 thousand euros).

SIA Pasaules tirdzniecības centrs "Rīga" filed a court case against PJSC „Poligons" regarding the compensation for rental payments, contract fee and legal fees. On 11 May 2006 the court satisfied the claim and ruled for the debtor to pay 5 thousand Latvian latts (approx. 7 thousand euros). On 30 May 2006 the court declared the debtor's bankruptcy as of 31 December 2004. On 20 January 2011 the court reset the appeal date for verdict made on 11 May 2006 and the trustee in bankruptcy filed for appeal.

On 9 March 2009 PJSC „Poligons" trustee in bankruptcy filed a case against SIA Pasaules tirdzniecības centrs "Rīga" demanding that the debt in the amount of 0.8 thousand Latvian latts (approx. 1.1 thousand euros) and the contract fine in the amount of 15.3 thousand Latvian latts (approx. 22 thousand euros) resulting from the contract between the entities be settled. On 30 August 2010 the court left the case against the entity unsatisfied. On 1 October 2011 the trustee in bankruptcy appealed. On 9 November 2011 the court decided to join both appeals into one case.

The Management Board of AS Pro Kapital Grupp does not recognize the claims to have any material impact on the business activity of the companies in the Pro Kapital Latvia sub-group.

As of 31 December 2010 a subsidiary of Pro Kapital Latvia called PK Investments SIA has one pending legal arbitration proceeding.

The pending arbitrage dispute between PK Investments SIA and KanAM Grund Kapitalanlagegesellschaft GmbH has no significance from the point of view of Pro Kapital Latvia sub-group as PK Investments SIA is no longer part of the sub-group as of 31 December 2011. Pro Kapital Latvia PJSC has completed all monetary liabilities to PK Investments SIA and transferred the company to a third party.

Pro Kapital Vilnius sub-group

As of 31 December 2011 the entities of Pro Kapital Vilnius sub-group have two pending court cases.

UAB „Apskaitos ir mokesčių konsultacijos"is failed a claim to the Vilnius court to be returned prepayment for an apartment sale contract. PK Invest UAB filed a counter claim for the withdrawal from the contract to be annulled. On 2 March 2011 the court ruled in favour of UAB „Apskaitos ir mokesčių konsultacijos "and left the claim of PK Invest UAB unsatisfied. PK Invest UAB appealed for the verdict to be dismissed.

UAB "Natalex" filed a claim to the Vilnius court to be returned prepayment for an apartment sale contract. PK Invest UAB found that UAB "Natalex" had breached the contract and the prepayment has been netted with the fine held against UAB "Natalex". In the above case no court verdict has been reached.

The Management Board of AS Pro Kapital Grupp does not recognize the claims to have any material impact on the business activity of the companies in the Pro Kapital Vilnius sub-group.

As of 31 December 2010 the Pro Kapital Vilnius sub-group companies had one previously mentioned case pending with UAB „Apskaitos ir mokesčių konsultacijos".

Domina Tourismus GmbH

As of 31 December 2011 Domina Tourismus GmbH had one pending court case regarding labour dispute, which the Group management estimates that has no material impact on the business operations.

NOTE 34. FINANCIAL STATEMENTS OF THE ULTIMATE PARENT COMPANY

Statement of financial position

ASSETS (thousand euros)	31.12.2011	31.12.2010
Current assets		
Cash and bank accounts	419	225
Accounts receivables		
Accounts receivable	126	95
Miscellaneous receivables		
Short-term receivables from the Group entities	2 682	6 183
Other short-term receivables	316	45
Total	2 998	6 228
Accrued income		
Interests	0	3
Prepaid expenses		
Prepaid taxes and reclaimable taxes	36	1
Prepaid expenses	2	2
Total	38	3
Total current assets	**3 581**	**6 554**
Non-current assets		
Long-term financial investments		
Shares in subsidiaries	28 196	136 609
Long-term receivables from the Group entities	59 340	68 949
Total	87 536	205 558
Total non-current assets	**87 536**	**205 558**
TOTAL ASSETS	**91 117**	**212 112**

LIABILITIES AND OWNER'S EQUITY (thousand euros)	31.12.2011	31.12.2010
Current liabilities		
Short term debt	0	756
Trade payables	64	8
Miscellaneous liabilities		
Payables to the Group entities	2 998	9 138
Accrued expenses	670	485
Short term provisions	700	0
Total current liabilities	**4 432**	**10 387**
Non-current liabilities		
Long-term debt	11 272	15 054
Other long-term liabilities		
Payables to the Group entities	104 824	64 447
Long-term provisions	36	26
Total non-current liabilities	**116 132**	**79 527**
Total liabilities	**120 564**	**89 914**
Share capital in nominal value	10 637	33 992
Share premium	0	45 089
Reserves	0	2 938
Retained earnings / accumulated deficit	-31 200	42 171
Profit / loss for the financial year	-8 884	-1 992
Total owners' equity	**-29 447**	**122 198**
TOTAL LIABILITIES AND OWNERS' EQUITY	**91 117**	**212 112**

Signed for identification purposes:
AS Deloitte Audit Eesti

Income statement

(thousand euros)	2011	2010
Revenue	554	353
Cost of goods and services sold	0	-3
Gross profit	**554**	**350**
Marketing expenses	-7	0
Administrative expenses	-2 227	-1 199
Other expenses	-700	0
Operating loss	**-2 380**	**-849**
Financial income and expense	-2 466	-1 143
Financial income and expense from subsidiaries shares	-55	0
Interest expense	-5 203	-3 453
Impairment loss from financial investments	-4 038	0
Profit / loss from change in currency exchange rate	0	-1
Other financial income and expense	2 792	2 311
Profit / loss before income tax	**-8 884**	**-1 992**
Profit / loss for the financial year	**-8 884**	**-1 992**

Statement of cash flows

(thousand euros)	2011	2010
OPERATING ACTIVITIES		
Profit /loss for the financial year	-8 884	-1 992
Adjustments:		
Depreciation of tangible assets	1	1
Interest income and expense (net)	2 411	1 142
Loss from the liquidation of long-term financial investment	55	0
Impairment loss from financial investments	4 038	0
Change in provisions	710	10
Change in receivables and prepayments made	-648	-163
Changes in payables and prepayments collected	-2 564	-17
Cash flow used in operating activities	**-4 881**	**-1 019**
INVESTING ACTIVITIES		
Increase of share capital or acquisition of subsidiaries	-3	-613
Separation of subsidiaries (demerger)	-3 198	0
Loans granted	-35 302	-9 190
Repayments of loans granted	6 808	1 925
Interest received	511	143
Cash flows used in investing activities	**-31 184**	**-7 735**
FINANCING ACTIVITIES		
Loans raised	41 494	11 063
Repayments of loans raised	-3 365	-984
Interest paid	-1 870	-1 292
Cash flows from financing activities	**36 259**	**8 787**
Net change in cash	**194**	**33**
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	225	192
CASH AT THE END OF THE FINANCIAL YEAR	419	225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of changes in equity

(thousand euros)	Share capital	Share premium	Reserves	Retained earnings / accumulated deficit	Profit / loss for the financial year	Total
Balance as of 31 December 2009	33 992	45 089	3 461	-2 793	44 964	124 713
Adjustments (change in convertible bonds reserve)			-523			-523
Adjusted unconsolidated equity 31 December 2009	33 992	45 089	2 938	-2 793	44 964	124 190
Cost of subsidiaries shares	X	X	X	X	X	-134 512
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	116 130
Adjusted unconsolidated equity 31 December 2009	X	X	X	X	X	**105 808**
Allocation of net loss	0	0	0	44 964	-44 964	0
Result of the financial year	0	0	0	0	-1 992	-1 992
Balance as of 31 December 2010	33 992	45 089	2 938	42 171	-1 992	122 198
Adjusted balance as of 31 December 2010	33 992	45 089	2 938	42 171	-1 992	122 198
Cost of subsidiaries shares	X	X	X	X	X	-136 609
Book value of the shares in subsidiaries calculated based on equity method	X	X	X	X	X	96 958
Adjusted unconsolidated equity 31 December 2010	X	X	X	X	X	**82 547**
Decrease in equity	-2 081	0	0	2 081	0	0
Decrease in equity	-21 274	-45 089	-2 938	69 301	0	0
Transferred due to demerger	0	0	0	-142 761	0	-142 761
Allocation of net loss	0	0	0	-1 992	1 992	0
Result of the financial year	0	0	0	0	-8 884	-8 884
Balance as of 31 December 2011	10 637	0	0	-31 200	-8 884	-29 447
Cost of subsidiaries shares (incl. impairment losses)	X	X	X	X	X	-28 196
Book value of the shares in subsidiaries calculated on equity method	X	X	X	X	X	128 104
Adjusted unconsolidated equity 31 December 2011	X	X	X	X	X	70 461

Member of the Management Board

Signed for identification purposes:
AS Deloitte Audit Eesti

MANAGEMENT BOARD'S SIGNATURES TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

On 8 March 2012 , the Management Board has prepared the management report and the annual accounts of AS Pro Kapital Grupp.

By signing the annual report, all members of the Management Board valdate the fair presentation of the annual report.

Name	Position	Signature	Date
Paolo Vittorio Michelozzi	Member of the Board		8 March 2012
Allan Remmelkoor	Member of the Board		8 March 2012

Deloitte.

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INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the shareholders of AS Pro Kapital Grupp:

We have audited the accompanying consolidated annual accounts (page 8 to 70) of AS Pro Kapital Grupp, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Annual Accounts

Management Board of the parent company of the Group is responsible for the preparation and fair presentation of these annual accounts in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of annual account that are free from material misstatement, whether due to fraud or error.

Certified Auditor's Responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the certified auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the certified auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the consolidated annual accounts present fairly, in all material respects, the financial position of AS Pro Kapital Grupp as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted in the European Union.

9 March 2012

Veiko Hintsov
Certified Auditor, No. 328
AS Deloitte Audit Eesti
Licence No. 27

PROPOSAL FOR PROFIT DISTRIBTUION

AS Pro Kapital Grupp management makes a proposal to allocate the Group profit of 2011 in the amount of 28 120 154 euros to retained earnings.

8 March 2012

Paolo Vittorio Michelozzi
Member of the Management Board

REVENUE ALLOCATION BY THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES (EMTAK 2008)

The Ultimate Parent Company's revenue for the reporting period is allocated by the fields of activities according to the Estonian Classification of Economic Activities 2008 as follows:

	2011 (thousand euros)
Holding company activities (EMTAK 64200)	554
Total	**554**

AS PRO KAPITAL GRUPP

Consolidated Financial Statements
for the Year Ended 31 December 2010

Parent company of the Group	**AS Pro Kapital Grupp**
Beginning of the financial year End of the financial year	1 January 2010 31 December 2010
Registration code	10278802
Address	21 Põhja avenue 10414 Tallinn
Telephone Facsimile E-mail	+372 6 144 920 +372 6 144 929 prokapital@prokapital.ee
Fields of activity	Activities of holding companies (EMTAK 64200) Buying and selling of own real estate (EMTAK 68100) Renting and operating of own or leased real estate (EMTAK 68200) Management of real estate on a fee or contract basis (EMTAK 68320)
Auditors	AS Deloitte Audit Eesti
Date of preparation of the financial statements	31 May 2011
Documents enclosed with the annual report	Independent sworn auditor's report Proposal for covering loss Revenue allocation by Estonian Classification of Economic Activities 2008

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AS Pro Kapital Grupp (hereinafter also referred to as "the Ultimate Parent Company") 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), Italy (Domina Vacanze S.p.A., Serval S.r.l. (former business name: Domina Hotel Group S.p.A.)), Russia (Pro Kapital Rus OOO), Ukraine (Pro Kapital Ukraine 3AT), and other subsidiaries not belonging into aforementioned subsidiary groups in Italy (P.K. Sicily S.p.A., Immobiliare Novate S.p.A.) 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.

The Group's business strategy in the Baltic States, Russia and Germany is to invest into real estate properties in locations with substantial development potential, to develop them according to market demand and realize the investment. In addition to the main activities, the Group also offers real estate development and maintenance service to third parties. The Group is primarily focused on establishment of shopping centers, hotels and modern, integrated residential areas, through which the development of living environment and infrastructure of corresponding countries is also supported.

The Group's business strategy in Italy is focused on development of hotel real estate, sales of hotel suites and villas, and hotels' management, the business strategy is changed in hotel management field.

The deterioration in the global economic situation in recent years, has had the most negative impact on the Group's entities involved in hotel management. The aforementioned entities have earned notable losses, due to the Group's management has decided to focus only in this area on Group-owned hotel management and to terminate third-party owned hotel management. The prior situation has lead to the changes in Group structure. The Group entities who operate group owned hotels will belong to to same subsidiary group with the hotel owner. part of the subsidiary involved in hotel management and the rest of the entities involved in hotel management will be disposed of or liquidated. According to the aforementioned structural change, Serval S.r.l. (former business name: Domina Hotel Group S.p.A.) as the parent company of the entities involved in hotel management will provide intergroup management service to the entities involved in hotel management.

In 2010 on average 600 full-time employees were engaged in the Group (2009: 659). Total salaries and wages amounted to 291.6 million EEK (2009: 346.9 million EEK), including payments to the members of the Group entities' Management Boards and local managements as salaries and bonuses in the amount of 17.3 million EEK (2009: 19.0 million EEK).

The most significant events of the financial year in the Group were as follows.

The Ultimate Parent Company

On 13 April 2009, AS Pro Kapital Grupp shareholders' extraordinary meeting decided to issue up to 10 000 000 convertible bonds of the Ultimate Parent Company in nominal value of 10 EEK per convertible bond, and increase conditionally the Ultimate Parent Company's share capital by up to 10 000 000 shares in nominal value of 10 EEK per share in order to exchange convertible bonds for shares of the Ultimate Parent Company. The bonds shall be offered for subscription until 1 January 2012. Management of the Ultimate Parent Company has the right to offer the above mentioned number of convertible bonds under several subscription periods. The offers of bonds must be carried out so that offers would neither jointly nor separately be deemed as public offering of securities under the terms of the directive 2003/71/EC and applicable laws. The issue price of convertible bond in each separate subscription period is determined by management of the Ultimate Parent Company, but it shall not be less than 4 EUR (appr. 62.6 EEK) per convertible bond. Convertible bonds can be subscribed for in quantity so that the total sum payable based on the issue price is not less than 50 000 EUR (appr. 782.3 th. EEK). The interest rate of convertible bond is 7% per annum from its issue price.

Convertible bond can be exchanged for share of the Ultimate Parent Company on 31.12.2010, 31.12.2011 and 31.12.2012.

The Ultimate Parent Company's shareholders' pre-emptive right to submit for the convertible bonds and shares issued upon conversion of these bonds are excluded with decision.

On 24 April 2009 the conditional increase of the Ultimate Parent Company's share capital was registered in the Commercial Register.

In accordance with the decision of extraordinary meeting of shareholders of AS Pro Kapital Grupp on 13 April 2009, the Ultimate Parent Company's management offered for subscription 1 500 000 convertible bonds on 27 April 2010 (third subscription period), 900 000 convertible bonds on 9 July 2010 (fourth subscription period), 700 000 convertible bonds on 15 September 2010 (fifth subscription period) and 600 000 convertible bonds on 3 December 2010 (sixth subscription period), with an issue price of 4.5 EUR (appr. 70.4 EEK) per convertible bond. In the third subscription period 840 184 convertible bonds were subscribed, for which the Ultimate Parent Company received 3 781 thousand EUR (appr. 59.2 million EEK) in the reporting period. On 10 August 2010, the issued convertible bonds were registered in the Estonian Central Register of Securities. In the fourth subscription period 536 012 convertible bonds were subscribed, for which the Ultimate Parent Company received 2 412 thousand EUR (appr. 37.7 million EEK) in the reporting period. On 16 September 2010, the issued convertible bonds were registered in the Estonian Central Register of Securities. In the fifth subscription period 422 067 convertible bonds were subscribed, for which the Ultimate Parent Company received 1 899 thousand EUR (appr. 29.7 million EEK) in the reporting period. On 29 November 2010, the issued convertible bonds were registered in the Estonian Central Register of Securities. In the sixth subscription period 569 273 convertible bonds were subscribed, for which the Ultimate Parent Company received 2 562 thousand EUR (appr. 40.1 million EEK) at the beginning of 2011. On 8 March 2011, the issued convertible bonds were registered in the Estonian Central Register of Securities.

On 24 June 2010, shareholders' meeting of Serval. S.r.l. (former business name: Domina Hotel Group S.p.A.), a subsidiary of AS Pro Kapital Grupp, decided to cover the loss in amount of 6 737 060 EUR (appr. 105.4 million EEK) for which loss covering reserve conducted in 2010 in amount of 1 099 028 EUR (appr. 17.2 million EEK) was used and decrease the entity's share capital by cancellation of shares in amount of 5 638 032 EUR. At the same time it was decided to increase the entity's share capital by targeted emission up to 300 000 EUR (appr. 4.7 million EEK) by issuing 300 000 shares with nominal value of 1 EUR (appr. 15.6 EEK) per share. Payments to share capital were conducted according to decision.

On 5 July 2010, shareholders meeting of AS Pro Kapital Grupp decided to recall all members of the Supervisory Board at the ultimate Parent company and elect new Supervisory Board due to end of the imminent expiry of the representation term of one member of the Supervisory Board and to equalize the representation terms for all the members of the Supervisory Board. The new approved members of the Supervisory Board of the Ultimate Parent Company are Renato Lorenzo Bullani, Giuseppe Prevosti and Emanuele Bozzone.

On 26 July 2010 AS Pro Kapital Grupp acquired 6.76% additional ownership in subsidiary Immobilare Novate S.p.A in amount of 613 thousand EUR (appr. 9 590 thousand EEK) for existing ownership of 90.58%.

On 31 December 2010 the sole shareholder of Pro Kapital Ukraine 3AT, a subsidiary of AS Pro Kapital Grupp decided to commence the liquidation proceeding of the subsidiary. At the balance sheet date the liquidation proceeding is not terminated

Domina Vacanze subsidiary group

Domina Vacanze S.p.A. as the leader of the timeshare market in Italy, continued development and realization of property as timeshare in both beautiful coastal areas (in Portofino, Porto Rotondo, Porto

Cervo, Positano, Tremiti in Italy and Sharm El Sheikh in Egypt) as well as in mountains (Courmayeur, Cortina, Corvara, Tarvisio) and cities (Venice).

On 6 May 2010 the liquidation process of Domina Vacanze GmbH, subsidiary Domina Vacanze, was completed.

On May 26, 2010 Domina Vacanze S.p.A. and Unicredit S.p.A signed a loan agreement with credit limit 1 260 thousand EUR (appr. 19 715 thousand EEK), with interest rate of 3 months Euribor + 1.2% per annum and due date on 31 May 2014. The loan will be used for the renovation of the hotel building situated in Italy, Tarvisio.

The liquidation proceedings initiated by Domina Vacanze S.p.A. before the beginning of the financial period for the subsidiaries Prima Classe S.r.l. and Domina Health & Beauty S.r.l. were not concluded as of the balance sheet date.

Serval subsidiary group (former business name: Domina Hotel Group subsidiary group)

During the reporting period the business names of Domina Hotel Group S.p.A and Domina Hotel Italy S.r.l were changed, the new business names are Serval S.r.l. and Multiservice Hotels S.r.l.

On 28 February 2010 Multiservice Hotels S.r.l., a subsidiary of Serval S.r.l. ended business activities as hotel operator in hotel "Domina Hotel Palace" located in Bari in Italy as the result did not meet the objectives proposed. The rental lease of the hotel was sold to extra-group entity.

On 3 March 2010, Serval S.r.l. sold the 100% ownership of Domina Hospitality School S.r.l., a subsidiary of Serval, managing the trainings of the employees, in amount of 30 thousand EUR (appr. 469 thousand EEK). The profit from disposal of subsidiary was 12 thousand EUR (appr. 188 thousand EEK).

On 30 April 2010 Multiservice Hotels S.r.l., a subsidiary of Serval S.r.l. ended business as hotel operation in hotel "Domina Inn Malpensa" located nearby Malpensa airport in Italy as the result did not meet the objectives proposed. The rental agreement of the hotel was terminated and the hotel property was returned to the owners.

On 1 June 2010 Domina Management AS, a subsidiary of Serval S.r.l. sold 100% ownership in its subsidiary Domina Management SIA to Pro Kapital Latvia PJSC in intra-group purchase-sale transaction. The entity manages hotel "Domina Inn Riga" in Latvia, Riga. The decision of the intra-group purchase-sale transaction was related to organize the Group structure and the transaction had no effect on the Group's assets, liabilities and equity.

On 17 June 2010 Domina Hotel Holland B.V, a subsidiary of Serval S.r.l. ended business as hotel operator in hotel "Domina Hotel & Conference Rotterdam", located in the Netherlands, Rotterdam as the result did not meet the objectives proposed. The property of the hotel was returned to the owner but as of the balance sheet date the liquidation proceeding of the entity is not initiated due to differences between the parties related to termination of the rental agreement.

On 30 June 2010 Multiservice Hotels S.r.l., a subsidiary of Serval S.r.l. ended business as hotel operator in hotel "Domina Hotel Capannelle" located in Rome in Italy as the result did not meet the objectives proposed. The rental lease of the hotel was sold to extra-group entity.

On 28 July 2010 Domina Management AS, a subsidiary of Serval S.r.l. sold 100% ownership in Domina Management Sp. z.o.o., a subsidiary operating a hotel in Poland, Poznan, in amount of 1 EUR (appr. 16 EEK). The profit from disposal of subsidiary was 328 thousand EUR (appr. 5 132 thousand EEK).

On 1 August 2010 Serval S.r.l. sold 100% ownership in its Domina Management AS to AS Pro Kapital Eesti in an intragroup transaction. The entity operates the hotel “Domina Inn Ilmarine”, located in Estonia, Tallinn. On 15 November 2010 Domina Management AS ended business as hotel operator in hotel “Domina Inn City”, located in Estonia, Tallinn due to the termination of the operating agreement. The intra-group purchase-sale transaction had no effect on the Group’s assets, liabilities and equity.

On 22 November 2010, Serval S.r.l. as the sole shareholder of the subsidiary Multiservice Hotels S.r.l., decided to commence the liquidation proceeding of the subsidiary. At the balance sheet date the liquidation proceeding is not terminated.

In 2009, Domina Hotel Hungary KFT, as subsidiary of Serval S.r.l., ended business as hotel operator in hotel “Domina Inn Fiesta” located in Budapest in Hungary as the result did not meet the objectives proposed. On 14 December 2010 the liquidation proceeding of the subsidiary was initiated. At the balance sheet date the liquidation proceeding is not terminated.

Domina Tunisie S.A., a subsidiary of Serval S.r.l., ended the activity in 2007, but as of the balance sheet date the liquidation process has not been started due to the value-added tax was still not refunded by the government.

Pro Kapital Eesti subsidiary group

On 11 March 2010, AS Tondi Kvartal, a subsidiary of AS Pro Kapital Eesti, and AS Swedbank signed an appendix to the loan contract concluded on January 16, 2009; the appendix sets 16 January 2012 as the new maturity date of the loan, other loan conditions of the loan contract were not altered.

On 1st August 2010, AS Pro Kapital Eesti acquired 100% ownership in Domina Management AS, from Serval S.r.l. as an intergroup transaction. The intergroup sale-purchase agreement does not have an effect on the assets, liabilities and equity of the Group. The Entity which used to operate hotels in Estonia, Tallinn will continue its activities as the operator of the hotel “Domina Inn Ilmarine”. Due to the termination of the operating agreement, Domina Management AS terminated operating the hotel “Domina Inn City” on 15 November 2010.

On 22 November 2010, AS Kristiine Kaubanduskeskus, a subsidiary of AS Pro Kapital Eesti and AS Swedbank concluded an appendix to the loan agreement on 23 April 2009; the loan limit was increased by 8 000 thousand EUR (approx. 125 173 thousand EEK) to 67 121 thousand EUR (approx. 1 050 215 thousand EEK), maturity date of the additional loan limit is 23 November 2011, other loan conditions were not altered. The additional loan limit is used for financing the liabilities arising from the investment agreement concluded between AS Kristiine Kaubanduskeskus and Dom na Moike OOO, a subsidiary Pro Kapital Rus OOO.

Pro Kapital Latvia subsidiary group

In 2010, Pro Kapital subsidiary group in Latvia continued the development and management of existing real estate projects.

On 15 January 2010 PK Investments SIA, a subsidiary group of Pro Kapital Latvia ended its business as property operator (Domina Shopping Centre, sold in 2007 by the entity) due to the termination of the operating agreement.

On 13 April 2010 the liquidation process of Nekustamo īpašumu sabiedrība A Centrs SIA, a subsidiary of Pro Kapital Latvia PJSC was completed.
On 25 May 2010 the liquidation process of Kugu Real Estate SIA subsidiary Pro Kapital Latvia PJSC 1 was completed.

On 1 June 2010 Pro Kapital Latvia PJSC acquired as an intra-group transaction 100% ownership in Domina Management SIA from Domina Management AS, a subsidiary of Serval S.r.l.. The entity operates "Domina Inn Riga" in Latvia, Riga. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities, and equity.

During the reporting period Pasaules tirdzniecības centrs "Rīga" SIA, an entity belonging to the Pro Kapital Latvia subsidiary group carried out division by distribution, Pasaules tirdzniecības centrs "Rīga" SIA (the company being divided) provided part of its property (land) located in Kugu 26, in Riga to Klīversala RE SIA, an entity belonging to the Pro Kapital Latvia subsidiary group (recipient company). During the division the share capital of Pasaules tirdzniecības centrs "Rīga" SIA was decreased and the share capital of Klīversala RE SIA was increased in amount of 212 thousand LVL (appr. 4 672 thousand EEK). After the division Pasaules tirdzniecības centrs "Rīga" SIA continues renting and managing the office building in Elizabetes 2, in Riga. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities, and equity.

Nekustamo īpašumu sabiedrība Prokurs SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued the sale of renovated apartments situated in Riga, Kugu 26. As of the end of 2010, 6 apartments were not sold, 4 apartments of which were rented out.

Klīversala RE SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued the activities related to confirmation of detailed plan of the project in the Trijādības region in Riga. The detailed plan should be confirmed in 2011. It is planned to build 86 500 m^2 of dwelling areas and 67 200 m^2 of commercial areas at a total amount of 180 million EUR (appr. 2.8 billion EEK) onto the 56 000 m^2 territory.

Zvaigznes Centrs SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued preparations of developing the Brīvības region in Riga, during the reporting period the decision for starting the construction works was not made. On the entity owned territory it is planned to renovate 4 600 m^2 of dwelling areas and 1 689 m^2 of commercial areas at a total amount of 6 million EUR (appr. 93.9 million EEK).

In 2010 Tallina Nekustamie Īpašumi SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued preparations in developing the downtown area in Riga, a building permit is scheduled to be received in 2011 after which the construction can begin. On the entity owned territory it is planned to renovate 18 000 m^2 of dwelling and commercial areas.

Pro Kapital Vilnius subsidiary group

In 2010, Pro Kapital subsidiary group in Lithuania continued the development, sale and management of existing real estate projects.

PK Invest UAB, an entity belonging to the Pro Kapital Vilnius subsidiary group continued the sales of first stage of 2009 completed commercial and dwelling areas in Aguonu, at the border of the old town of Vilnius. During the reporting period 4 000 m^2 of the area was sold, at the end of 2010 the unsold area was 9 600 m^2. In the second stage of the project, which comprises 13 000 m^2 of commercial and dwelling areas, will be started in 2012.

Pro Kapital Rus subsidiary group

Dom na Moike OOO, an entity belonging to the Pro Kapital Rus subsidiary group continued the development the hotel project in Saint Petersbourg.

During the reporting period Domina Rus OOO, an entity belonging to the Pro Kapital Rus subsidiary group was dealing with presentations of real estate owned by Domina Vacanze subsidiary group in different exhibitions in order to start the property sales in Russia. In 2010, no real estate purchase-sales agreements were concluded.

Pro Kapital Ukraine subsidiary group

Due to the changes in the economic situation in the last ten years, Pro Kapital Ukraine 3AT and its subsidiaries PK-1 TOB, PK-2 TOB, PK-3 TOB acquired in 2007, had not commenced substantial business activities.

In 2010 management of the Group decided to renounce the plan related to real estate development in Ukraine.

On 16 February 2010, Pro Kapital Ukraine 3AT decided to commence the liquidation process of PK-1 TOB and PK-2 TOB. As at the balance sheet date, the liquidation process is not completed.

On 16 December 2010, Pro Kapital Ukraine 3AT sold 99% direct ownership and 1% indirect ownership in entity PK-3 TOB with the price 100 thousand Ukrainian grivnas (approx. 149 thousand EEK). Profit from disposal of ownership in a subsidiary amounted to 99 thousand Ukrainian grivnas (approx. 147 thousand EEK).

P.K. Sicily S.p.A.

In 2010, P.K. Sicily S.p.A. continued the renovation of tourism and hotel complex named „Domina Home Zagarella" located in Italy, Sicily. According to the preliminary project, renovation of the hotel complex located on the territory of 28 000 m^2 and containing of 24 000 m^2 of hotel areas, will be completed in stages. Partially renovated hotel was opened to clients in June 2010. The renovation Works will continue in 2011. Selling the hotel property as timeshares has also begun, pre-contracts have been concluded in the amount of 13 011 thousand EUR (appr. 203 578 thousand EEK).

During the financial year, the credit limit by Credito Siciliano S.p.A. was increased from 13 000 thousand EUR (appr. 203 406 thousand EEK) to 21 700 thousand EUR (appr. 339 531 thousand EEK) to develop the hotel complex.

Pro Kapital Germany GmbH

In 2010, Pro Kapital Germany GmbH continued to rent the hotel named "Kurhaus & Conference Park" located in Germany, Bad Kreuznach to Domina Tourismus GmbH, a subsidiary of Serval S.r.l. (former business name: Domina Hotel Group S.p.A).

Immobiliare Novate S.p.A.

Immobiliare Novate S.p.A. as the owner of 194-room hotel Domina Inn Milano Fiera located near the Milan exhibition centre, opened in 2009, continued its business as hotel operator.

....

Paolo Vittorio Michelozzi

AS Pro Kapital Grupp
Member of the Management Board

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2010

ASSETS

(Th. EEK)	Note	31.12.2010	Adjusted 31.12.2009	01.01.2009
Current assets				
Cash and bank accounts	2	67 326	110 145	129 978
Shares and securities	7	3	146	11
Receivables				
Trade receivables		231 258	311 276	317 619
Miscellaneous receivables		123 586	182 200	192 098
Accrued income		4 840	12 229	11 269
Prepaid expenses		257 771	300 004	302 770
incl. Prepaid taxes and taxes reclaimable		199 218	210 597	237 071
Inventories	3			
Property held for sale		2 564 974	2 451 442	2 319 349
Other inventories		9 066	196 960	109 693
Total		2 574 040	2 648 402	2 429 042
Non-current assets classified as held for sale	12	783 025	0	0
Total current assets		**4 041 849**	**3 564 402**	**3 382 787**
Non-current assets				
Long-term financial investments				
Shares and securities	7	20 477	37 288	66 394
Miscellaneous long-term receivables	9	53 970	69 857	103 703
Total		74 447	107 145	170 097
Deferred income tax assets	24	505	0	1 712
Tangible assets	10	1 271 874	1 099 947	1 061 249
Investment property	12	47 290	597 817	568 921
Intangible assets	11	29 493	33 555	32 689
Total non-current assets		**1 423 609**	**1 838 464**	**1 834 668**
TOTAL ASSETS		**5 465 458**	**5 402 866**	**5 217 455**

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2010

LIABILITIES AND EQUITY

(Th. EEK)	Note	31.12.2010	Adjusted 31.12.2009	01.01.2009
Current liabilities				
Debt	13	1 303 342	186 747	688 612
Client prepayments		101 245	132 996	163 612
Trade payables		363 568	448 594	403 740
Taxes payable		17 542	24 132	22 008
Accrued expenses		26 680	32 621	26 201
Short-term provisions	14	79 953	10 575	5 557
Prepaid income		2 397	2 153	10 978
Total current liabilities		**1 894 727**	**837 818**	**1 320 708**
Non-current liabilities				
Long-term debt	14	1 318 687	1 989 691	1 102 280
Other long-term liabilities	14	387 718	328 810	141 137
Deferred income tax liability	14	24 798	25 275	35 150
Long-term provisions	14	19 484	30 736	30 083
Total non-current liabilities		**1 750 687**	**2 374 512**	**1 308 650**
Total liabilities		**3 645 414**	**3 212 330**	**2 629 358**
Equity attributable to equity holders of the parent				
Share capital in nominal value	21	531 854	531 854	531 854
Share premium		705 495	705 495	705 495
Reserves	21	45 966	45 966	46 447
Retained earnings		376 085	776 326	907 425
Foreign currency differences		-18 104	-9 075	-2 626
Loss for the financial year		-349 719	-395 033	-131 304
Total equity attributable to equity holders of the parent		**1 291 577**	**1 655 533**	**2 057 291**
Minority interest	20	**528 467**	**535 003**	**530 806**
Total equity		**1 820 044**	**2 190 536**	**2 588 097**
TOTAL LIABILITIES AND EQUITY		**5 465 458**	**5 402 866**	**5 217 455**

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 2010

(Th. EEK)	Notes	2010	2009
Operating income			
Revenue	4	903 009	1 014 706
Cost of goods sold	22	814 086	940 061
Gross profit		**88 923**	**74 645**
Marketing expenses	22	76 860	103 180
Administrative expenses	22	240 050	276 683
Other income	4	79 069	49 943
Other expenses		147 940	75 546
Operating loss		**-296 858**	**-330 821**
Financial income	23	39 943	17 967
Financial expense	23	89 399	76 452
Loss before income tax		**-346 314**	**-389 306**
Income tax	24	-3 331	516
Loss for the financial year		**-349 645**	**-388 790**
Net loss attributable to:			
Equity holders of the parent		-349 719	-395 033
Minority interest		74	6 243
Other comprehensive profit (loss)			
Loss for retranslation of foreign currency		-9 525	-5 702
Comprehensive loss for the financial year		**-359 170**	**-394 492**
Comprehensive loss attributable to:			
Equity holders of the parent		-358 748	-401 482
Minority interest		-422	6 990
Share profit (loss) calculated by equity holders of the parent from net loss for the financial year:	25		
Net loss per share (in EEK)		-6.58	-7.43
Diluted net loss per share (in EEK)		-6.58	-7.43

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

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 2010

(Th. EEK)	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the financial year		-349 645	-388 790
Adjustments:			
Depreciation of tangible assets	10	44 664	37 910
Depreciation of investment property	12	16 179	14 447
Amortization of intangible assets	11	4 148	3 772
Profit / loss from disposal of ownership in a subsidiary (net amounts)	5, 23	-5 472	-9 940
Profit / loss from disposal of tangible assets	10, 11, 12	3 118	-5 290
Impairment loss of long-term investments	7	-1 783	0
Impairment loss of tangible assets	11	0	3
Interest income / expenses (net amounts)	23	82 357	59 898
Change in deferred tax assets	24	-505	1 712
Change in deferred tax liabilities	24	-477	-9 875
Change in provisions	14	58 139	5 671
Changes in foreign currency rates		-28 624	300
Other non-monetary changes (net amounts)	2	20 870	203 715
Change in trade receivables and prepayments		194 669	21 451
Inventory and tangible assets held for sale		-23 790	-179 797
Change in liabilities and prepayments collected		-121 368	-8 559
Income tax paid	24	-5 133	-5 400
Total cash flows used in operating activities		**-112 653**	**-258 772**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flow from acquisition of subsidiaries	5	-9 590	0
Net cash flow from disposal of subsidiaries	5	111	10 953
Acquisition of tangible assets	10, 11, 12, 22	-362 158	-152 601
Acquisition of assets held under finance lease	10	47 578	1 616
Disposal of tangible assets	10, 11, 12	27 652	10 095
Long-term loans granted		-45	-1 696
Long-term loans returned		300	16 252
Acquisition of short-term financial investments	7	0	-135
Disposal / liquidation of short-term financial investments	7	8	0
Acquisition of long-term financial investments	7	-12 087	-726
Disposal of long-term financial investments	7	30 681	29 832
Interest received		1 616	4 586
Total cash flows used in investing activities		**-275 934**	**-81 824**

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 2010

(Th. EEK)	Note	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES			
Received from issue of convertible bonds	18	153 533	82 014
Repurchase of convertible bonds	18	-6 127	0
Long-term loans raised		536 511	464 493
Repayment of long-term loans		-230 857	-142 917
Financial lease principal paid	19	-14 502	-773
Investments made by minority shareholder into subsidiaries (net amounts)		-1 732	-3 809
Interests paid		-91 058	-78 245
Total cash flows from financing activities		**345 768**	**320 763**
Net change in cash		**-42 819**	**-19 833**
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		**110 145**	**129 978**
CASH AT THE END OF THE FINANCIAL YEAR		**67 326**	**110 145**

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

AS PRO KAPITAL GRUPP

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 2010

(Th. EEK)	Notes	No of shares (pcs)	Nominal value of share (EEK)	Attributable to equity holders of the parent: Share capital	Share premium	Reserves	Retained earnings (accumulated loss)	Foreign currency differences	Total	Minority interest	Total equity
01 January 2009		**53 185 422**	**10**	**531 854**	**705 495**	**46 447**	**776 121**	**-2 626**	**2 057 291**	**530 806**	**2 588 097**
Increase in other reserves				0	0	-205	205	0	0	0	**0**
Change in reserve of convertible bonds	18,21			0	0	7 918	0	0	7 918	0	**7 918**
Increase of share capital in subsidiaries				0	0	0	0	0	0	15 951	**15 951**
Decrease of share capital in subsidiaries				0	0	0	0	0	0	-40	**-40**
Changes in minority interest due to changes in parent company's participation	5			0	0	0	0	0	0	1 016	**1 016**
Changes in minority interest due to liquidation of subsidiary				0	0	0	0	0	0	242	**242**
Change in minority interest due to the declaration of dividends in subsidiaries				0	0	0	0	0	0	-19 962	**-19 962**
Comprehensive loss for the financial year				0	0	0	-395 033	-6 449	-401 482	6 990	**-394 492**
31 December 2009		**53 185 422**	**10**	**531 854**	**705 495**	**54 160**	**381 293**	**-9 075**	**1 663 727**	**535 003**	**2 198 730**
Adjustments according to IAS 32 (Note 1)						-8 194			-8 194		**-8 194**
Adjustments in 31 December 2009		**53 185 422**	**10**	**531 854**	**705 495**	**45 966**	**381 293**	**-9 075**	**1 655 533**	**535 003**	**2 190 536**
Positive goodwill from acquisition of holdings from minority interest in subsidiary	5			0	0	0	-5 208	0	-5 208	0	**-5 208**
Increase of share capital in subsidiaries				0	0	0	0	0	0	39	**39**
Changes in minority interest due to changes in parent company's participation	5			0	0	0	0	0	0	-4 382	**-4 382**
Changes in minority interest due to liquidation of subsidiary										-3	**-3**
Change in minority interest due to the declaration of dividends in subsidiaries				0	0	0	0	0	0	-1 768	**-1 768**
Comprehensive loss for the financial year				0	0	0	-349 719	-9 029	-358 748	-422	**-359 170**
31 December 2010		**53 185 422**	**10**	**531 854**	**705 495**	**45 966**	**26 366**	**-18 104**	**1 291 577**	**528 467**	**1 820 044**

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

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NOTE 1 ACCOUNTING POLICIES

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 consolidated financial statements as of 31 December 2010 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").

As of 31 December 2010, the Group consisted of 42 entities, ten of which are direct subsidiaries of the Ultimate Parent Company (hereinafter also referred to as "the parent companies of the subsidiary groups") and 31 were entities controlled by those subsidiaries. Participation in subsidiaries of the Group is presented in Note 4.

2. APPLICATION OF NEW AND REVISED IFRS's

The consolidated financial statements have been compiled under principles of consistency and comparability, meaning adherence to the prior principles the accounting policies and representation will be altered only in case of the require of new or revised international financial reporting standards (IFRS) or the interpretations of the standard issued or if a change of the policy provides a more objective overview of the financial position, the economic performance and cash flows of the Group.

All new and revised standards and IFRIC interpretations issued by IASB that affect the Group and which are effective to the reporting periods starting from 1 January 2010 have been implemented by the Group. According to the management board the implementation of the new and revised standards caused no significant changes in the applicable accounting principles neither in the presentation of information in the financial statements.

The new and revised standards or interpretations of a standard which became effective in the financial year are the following:

- IFRS 1 (amended), "First-time Adoption of International Financial Reporting Standards" amendment "Additional Exemptions for First-Time Adopters";
- IFRS 2 (amended), "Share-based Payment";
- IFRS 3 (amended), "Business combinations";
- IFRS 5 (amended), "Non-current Assets Held for Sale and Discontinued Operations";
- IAS 27 (amended), „Consolidated and separate financial statements";
- IAS 39 (amended), "Financial instruments: Recognition and Measurement" amendment "Eligible Hedged Items";
- IFRIC 17 "Distribution of Non-cash Assets to Owners";
- IFRIC 18 "Transfers of Assets from Customers";
- IFRIC 12 "Service Concession Arrangements";
- Amendments in IFRS (issued in April 2009)

IASB has issued an annual omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group's management considers that these amendments to standards will have no material effect in the Group's financial statements.

At the date of compilation of these consolidated financial statements, the following standards and interpretations were issued which are effective for accounting periods starting after 1 January 2010:

- IFRS 9 "Financial Instruments: Classification and Measurement", is effective for accounting periods starting from 1 January 2013 or later (not adopted by EU at the balance sheet date);
- IFRS 1 (amended) "First-time Adoption of International Financial Reporting Standards" amendments "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters", is effective for accounting periods starting from 1 July 2010 or later;
- IFRS 1 (amended) "First-time Adoption of International Financial Reporting Standards" amendments "Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters", is effective for accounting periods starting from 1 July 2011 or later (not adopted by EU at the balance sheet date);
- IFRS 7 (amended) "Financial instruments: disclosures" amendments "Disclosure – transfers of financial assets" is effective for accounting periods starting from 1 July 2011 or later (not adopted by EU at the balance sheet date);
- IAS 24 (amended) "Related Party Disclosures", is effective for accounting periods starting on or after 1 January 2011 (not adopted by EU at the balance sheet date);
- IAS 32 (amended) "Financial Instruments: Presentation", is effective for accounting periods starting on or after 1 February 2010;
- IAS 12 (amended) "Income Taxes" amendments "Deferred Income Tax: Recovery of Underlying Assets", is effective for accounting periods starting on or after 1 January 2012 (not adopted by EU at the balance sheet date);
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", is effective for accounting periods starting on or after 1 July 2010 (not adopted by EU at the balance sheet date);
- IFRIC 14 (amended) "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", is effective for accounting periods starting on or after 1 January 2011 (not adopted by EU at the balance sheet date);
- Effective periods in changes in IFRS (issued in May 2010) vary for standards, majority of the changes are effective for accounting periods starting on or after 1 January 2011 (not adopted by EU at the balance sheet date).

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Group for the financial year 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted by European Union, and in accordance with the Estonian Accounting Act.

The consolidated financial statements are prepared on the accrual basis.

The functional and presentation currency of the Group's Financial Statements is Estonian kroon (EEK). These consolidated financial statements of the Group are compiled in thousands of Estonian kroons (Th. EEK), if not specifically referred to another unit of measurement.

The principal accounting policies and estimates used in the preparation of the consolidated financial statements, and which are consistent with these applied in prior year, are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Ultimate Parent Company and its subsidiaries. Control is achieved, when the parent company has the power to govern the financial and operational policies of an entity, so as to obtain benefits from its activities.

Minority interests of the entities under the control of the Ultimate Parent Company are recorded on a separate line in the consolidated financial statements equity.

Minority interest consists of the equity attributable to minority shareholders as of the business combination date and a proportion of subsidiaries earnings after that date.

In case the parent company has obtained control over a subsidiary during the accounting period, the financial results of that subsidiary are recorded from the date the control was acquired. If the parent company has sold a subsidiary during the accounting period, the financial results of that subsidiary are included in the consolidated financial statements of the Group up to the date of disposal.

The balances and transactions between Group entities and unrealized profits/losses from intra-group transactions are eliminated in the consolidated financial statements.

Business combinations

Business combinations, except for those conducted between the entities under common control, are recorded using the purchase method. Acquisition cost of acquired business combination is measured at the fair value of net assets (purchase price) plus any costs directly attributable to business combination.

In accordance with purchase method, the acquisition cost is allocated to the fair value of acquired identifiable assets, liabilities and contingent liabilities. Negative difference between cost of acquisition and the fair value of net assets acquired is recognized immediately in the income statement as revenue. Positive difference (goodwill) between cost of acquisition and the fair value of net assets acquired is recognized as an asset in the balance sheet.

Adjusted purchase method is used when increasing the ownership in the subsidiary by acquiring shares from minority shareholders. Based on adjusted purchase method, the acquisition cost of acquired business combination is measured at net assets book value (i.e. as the acquired assets and liabilities were reflected in the acquired company's balance sheet). The difference between the

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acquisition cost and the acquired net assets book value are recorded as equity increase or decrease in the acquiring company.

Foreign currency transactions

The subsidiaries of the Group prepare their financial statements for consolidation purposes in local currencies. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates, prevailing on the date of the transaction, of the Central Banks of subsidiary group's country of incorporation. At each balance sheet date the monetary balances are recalculated based on the currency rate prevailing at the balance sheet date, of the Central Banks of subsidiary group's country of incorporation. Non-monetary items recorded at fair value are recalculated based on the currency rate prevailing on the date of the revaluation. Non-monetary items recorded at acquisition price are not recalculated concerning the changes in the foreign currency rate. Gains and losses arising from exchange rate differences are recognized in the income statement for the accounting period.

In consolidation process, assets and liabilities, including the goodwill formed from the acquisition of foreign subsidiaries and revaluations to fair values, are recalculated to the reporting currency based on the currency exchange rates prevailing at the balance sheet date of Central Bank of Estonia of the country of incorporation of the consolidating company. Income statement lines are recalculated based on the average annual exchange rates. Gains and losses arising from exchange rate differences appeared during the consolidation process are recorded on a separate line in the consolidated company equity.

Differences of currency translation are recognized as income or expense of the period when the transaction occurred, i.e. in case of disposal or liquidation of a subsidiary.

The main foreign currencies and relevant exchange rates according to Central Bank of Estonia as applied in the consolidated financial statements are as follows:

(in EEK)	31.12.2010	2010 average	31.12.2009	2009 average
Latvian lats (LVL)	22,0436	22,07748	22,0504	22,16819
Lithuanian litas (LTL)	4,53157	4,53157	4,53157	4,53157
Euro (EUR)	15,6466	15,6466	15,6466	15,6466
Russian ruble (RUB)	0,38325	0,38882	0,35843	0,35478
Ukrainan grivna (UAH)	1,4698	1,4856	1,34978	1,39812

Cash and cash flows

Cash on the balance sheet and cash flow statement comprises cash on hand, bank accounts, and short-term bank deposits (with time term less than three months).

Cash flows from operating activities are presented using the indirect method, according to which the net profit for the financial year is adjusted by the effect of non-monetary transactions, changes in assets and liabilities related to business operations, and income and expenses from financing and investing activities. Cash flows from investing and financing activities are reported based on direct method, presenting gross receipts and disbursements of the accounting period.

Inventories

Inventories are recorded at cost, which comprises purchase price, non-refundable taxes and other direct acquisition expenditures, which are necessary to transfer inventories to their current location and condition. Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, then weighted average cost method is used.

Inventories are stated on the balance sheet at the lower of cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of making the sale. Revaluation of inventories to net realizable value is recognized as expense for the accounting period.

Property held for sale

Real estate's (land and buildings) that have been acquired and developed to be sold, are presented on the balance sheet as inventories on the line "Property held for sale" and recognized at cost that comprises of acquisition cost of the real estate and direct expenses (design, construction and technical supervision) necessary to bring the property to the current condition. Borrowing costs from third party loans accrued during the construction period until the issuance of the certificate of occupancy are included in the cost value. Depending on the estimate of the stage of completion, finished and unfinished property for sale is distinguished.

In case the net realizable value of the real estate object is less than its cost value, the real estate object is written down to its net realizable value and the impairment is charged as expense for the accounting period.

In case the usage purpose of a real estate objects changes, the asset is reclassified and the accounting principles attributable to this asset group are implemented from the date of change.

Tangible assets

Assets used for rendering services or for administrative purposes and with useful life of over one year are considered to be tangible assets. Tangible assets are recognized at cost, which comprises purchase price, non-refundable taxes and other expenditures directly related to taking the asset into use.

Tangible assets on the balance sheet are measured at cost less accumulated depreciation and impairment losses.

For buildings recorded as tangible assets, loan interest accrued from third party loans during the construction period is capitalized.

Depreciation of tangible assets commences when the assets are taken into use. Depreciation is calculated on the straight-line method. Depreciation rate to each tangible asset item is determined according to its estimated useful life.

The annual depreciation rates for tangible asset group are as follows:

- Buildings in use 2-5% per annum;
- Machinery and equipment 8-20% per annum;
- Other equipment 20-50% per annum.

Investment property

Land and buildings, also equipment related to buildings, that are held to generate rental revenue or with the purpose to increase its market value and which are not used in operations of the Group, are reported on the balance sheet as investment property.

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.

Investment property is recognized at cost, which comprises of purchase price, non-refundable taxes and other expenditures directly related to taking the investment property into use.

For buildings recorded as investment property, loan interest accrued from third party loans during the construction period is capitalized.

On the balance sheet investment properties are recorded at cost less accumulated depreciation and impairment losses.

Depreciation of buildings is calculated on the straight-line method. The annual depreciation rate for buildings is 2 - 5%, land is not depreciated.

In case the usage purpose of the investment property changes, the asset is reclassified on the balance sheet and the accounting principles attributable to this asset group are implemented from the date of change.

Intangible assets

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and goodwill.

Franchises, patents, licenses, trademarks and usage rights are recorded on the balance sheet at cost less accumulated amortization and impairment losses. Amortization is calculated on the straight-line method using an annual rate of 20%. Usage rights are amortized using the straight-line method and the maximum length of the amortization period is the period where the asset is being used.

Goodwill presents the positive difference between the acquisition cost paid by the Ultimate Parent Company and the fair value of the acquired identifiable assets, liabilities and contingent liabilities of the subsidiary on the date of the acquisition. Goodwill is recorded on the balance sheet as intangible asset at cost less impairment losses. Goodwill is not amortized; instead impairment test is carried out annually or more often if necessary. Impairment losses are recognized on the income statement as „Administrative expenses“.

Non-current assets held for sale

Non-current assets are reported as non-current assets held for sale when the assets are held for sale instead of daily use in operating activities. Assets are classified as held for sale when the disposal of assets is very likely and the assets are ready for immediate disposal. A non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its limited lifetime tangible (including investment property) and intangible assets to determine whether there are any indications that the assets have suffered an impairment loss. For this purpose, the recoverable value of an asset is estimated.

For assets with undefined useful life, irrespective of whether indications of possible impairment loss exist, the impairment test is carried out on every balance sheet date, comparing book value and recoverable value of the asset.

The recoverable value of the asset is the higher of the present value of the future cash flows from the asset (i.e. value in use) or the fair value of the asset less costs of disposal. In estimating value of use, the estimated cash flows are discounted with a rate which expresses the trends of current market value and specific risks related to assets. If necessary, help of independent experts is used in determining the fair value of the asset.

In case the recoverable value is lower than the book value, the asset is recorded on the balance sheet at its recoverable value.

Impairment losses are recorded as expenses of the accounting period.

If the recoverable value of assets previously impaired is increased, the previous impairment loss is cancelled by reversing the impairment loss expense in the reporting period.

Impairment of goodwill

In order to perform impairment test, goodwill is allocated at the time of recognizing business combination to one or more cash generating units, which will presumably benefit from the given goodwill. Impairment test for the cash generating unit, to which goodwill belongs, is carried out in every reporting period, comparing the book value of the unit and relevant goodwill with their recoverable value.

If the cash generating unit's recoverable value is lower than the total of the carrying amounts of its combining assets and goodwill, the assets belonging to this group should be written down. The goodwill belonging to the cash generating unit is written down first; further all assets belonging to the unit are written down proportionally. Write-down of goodwill is irreversible.

Investments into subsidiaries (in the Ultimate Parent Company's separate financial statements)

Investments into subsidiaries that are not held for the purpose of sale are recorded at cost in Parent Company's separate financial statements.

Financial instruments

Financial instruments held to maturity

Investments are recognized on a trade date basis and are initially measured at fair value. At subsequent reporting dates, financial instruments that the entity has expressed intention and ability to hold to maturity are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial instruments held for sale

Financial investments other than held-to-maturity securities are classified as either investments held for trading or as available-for-sale, and are measured at fair value. Investments in equity instruments that are not traded on the stock exchange and for which the fair value cannot be reliably measured are recorded at cost, less any discounts.

Loans granted and receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Trade receivables recorded in balance sheet are evaluated in light of collectible amounts. Doubtful receivables are recorded as expense for accounting period. Difference between the present and nominal value of collectible amounts is recognized as interest income in the income statements under "Other financial income and expenses" using the corresponding internal interest rate.

Bank borrowings

Interest-bearing loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Financial expenses, including the transaction costs and the settlement costs, are recorded on an accrual basis. Interest expenses are charged to the income statement as a current period expense, unless the interest expense related to loans obtained to finance development of property or similar assets, in which case the interests are capitalized together with the asset.

Convertible bonds

Convertible bonds that are convertible into shares at bondholder's request are initially measured in fair value and are subsequently measured at amortized cost, using the effective interest rate method.

Interest expense from convertible bonds is recorded in the income statement for the reporting period on the basis of actual interest rates.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the amount of proceeds received, less direct issuing costs.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value when the effect is material.

Pension benefit plans

Pension benefit plans and other provisions in favor of employees are recorded on the balance sheets in accordance with the laws and regulations of the resident country of the subsidiary of the Group.

Other provisions

Potential liabilities and guarantees related to sales of goods and services to clients are recorded at the date of the transaction based on the prior business experience and the probability of the guarantees being realized. Potential liabilities related to litigations and extra political proceedings are recorded on the balance sheet based on the management's assessment on the probability of each particular claim.

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.

Reserves

Statutory legal reserve is recorded based on the requirements of the Commercial Code of Estonia 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 legal reserve equals at least 1/10 of share capital amount.

Revenue recognition

Net sales

Net sales of the Group consists of revenues from the sale of real estate on the basis of sales agreements confirmed by the notary, rental income as well as revenues earned from management, administration services and hotel management services.

In addition to the above, net sales includes revenue at the sales prices of real estate recognized on the basis of related pre-contracts, if the all following conditions apply:

- the real estate object of the related agreement is completed and accepted;
- the client has made contractual down payments according to the payment schedule. The difference between down payment and total contract value is equal to penalties that are applicable in case the contract is declined;
- the agreement stipulates a penalty for declining the agreement, which is large enough to assert that it would be unreasonable for the buyer to decline the agreement.

Revenue from sales is recorded on the accrual basis of accounting in accordance with the revenue principle, when significant risks have been transferred to the buyer, and the sales income and costs incurred in respect of the transaction can be measured reliably.

Other income

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

Financial income

Interest income is recorded on the accrual basis of accounting and dividend income is recorded when the right for a dividend has occurred.

Expenses

Cost of sales

Cost of sales includes the costs of bringing real estate objects 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 (including the cost of depreciation of investment properties) are also recorded in income statement under "Cost of sales".

Marketing expenses

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

Administrative expenses

Administrative expenses include personnel and office management expenses, research and development expenses, and depreciation and amortization charges.

Other expenses

Expenses, which are not related to the main operations of the entities belonging to the Group, are recorded as other expenses.

Financial expense

Direct interest costs of acquiring properties constructed over long periods of time are capitalized until the property is taken into use. Other interest and financing costs are recorded on the accrual basis of accounting as financial expenses for the reporting period.

Leases

A lease is classified as finance lease when all the risks and rewards incident to ownership are substantially transferred to the lessee. The criteria of contracts, which lead to a lease being classified as finance lease, are the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price, which is expected to be sufficiently lower than the expected fair value at the date the option becomes exercisable, and that at the inception of the lease it is reasonably certain that the option will be exercised;
- the lease term covers the majority (over 75%) of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to approximately the fair value (over 90%) of the leased asset;
- the leased assets are of a specialized nature such that only the lessee is able to use them without major modifications being made.

If the above-mentioned conditions are not met, either individually or in combination, the transaction is recorded as operating lease.

The Group as a lessee

An asset held under finance lease is recognized as an asset and a liability of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. If ownership is to be transferred to the lessee, depreciation is calculated on the regular basis taking into account useful lifetime of the asset. If the leased asset is to be returned to the lessor, then the maximum depreciation period is the leasing period, whereas depreciation is not calculated for the guaranteed residual value.

Lease payments are apportioned between finance charges and reduction of the lease obligation. Financial costs are apportioned for the lease period so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income statement on the accrual basis of accounting.

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease, irrespectively from disbursements.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Payments due from lessees are allocated to financial income and principal repayments (to decrease the finance lease receivable). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases. Financial income is recorded in income statement on accrual basis.

Assets leased under the terms of operating lease are reported similarly to other assets reported on the balance sheet. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease despite timing and amounts of actual collection of rentals.

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 21/79 from the taxable amount.

As a result of such taxation principles, the notion of “ tax base of assets and liabilities” has lost its economic meaning and deferred income tax and assets cannot be calculated in accordance with IAS 12 “Income Taxes”. Potential income tax liability from the retained earnings, which could otherwise be distributed as dividends, is not recorded in the Statement of Financial Position. Income tax expense to be incurred at the payment of dividends is recognized in the statement of comprehensive income as expense at announcement of dividends or any other distribution of equity.

Other subsidiaries

Profit earned by subsidiaries of the Group is imposed to income tax according to the tax rate stipulated by the resident countries legislation. Deferred income tax liability is accounted from all relevant temporary differences between the tax bases of assets and liabilities and the accountancy 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 applicable on the balance sheet date is used.

Subsequent events

Circumstances that reflect the evaluation of relevant assets and liabilities in the consolidated financial statements are considered, which occurred between the balance sheet date and the date the report was prepared by the management of the Ultimate Parent Company, but are related to the transactions in the reporting period or prior periods. Subsequent events, which do not affect valuation of assets and liabilities, but which will substantially influence the results of the next financial year, are disclosed in the notes to the consolidated financial statements.

Use of judgements, estimates and assumptions

The preparation of the consolidated financial statements assumes judgements, estimates and assumptions by the management board of the Ultimate Parent Company to the Group's assets and liabilities which are not readily apparent from other sources as at the balance sheet date and income

earned and expenses covered during the reporting period. These estimates are based on historical experience and the up-to-date information about the state of the Group and considering the plans and risks as at the date of the preparation of the consolidated financial statements. The final results of these economic transactions may differ from those 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 and future periods.

Change in accounting policy related to convertible bonds

Compared to prior year report, the accounting policies related to convertible bonds have been changed in preparation of current report.

The convertible bonds that could be exchanged to shares by the owner were recorded as compound financial instruments, which include a debt component and an equity component in issuing date of the component.

The amendment of IAS 32 16A revised the termination of equity component, due to convertible bonds do not include an equity component and are recorded as a liability in period of 2009-2010 by the Ultimate Parent Company.

The amendment is retrospectively effective and the impact on the annual accounts balances of the Group is as follows:

(Th. EEK)

Balance sheet account	Opening balance 31.12.2009	Adjustment	Adjusted opening balance 31.12.2010
Reserves	54 160	-8 194	45 966
Long-term loans	1 981 497	8 194	1 989 691

NOTE 2 CASH AND NON-MONETARY TRANSACTIONS IN THE CASH FLOW STATEMENT

Cash and bank accounts recorded in the consolidated statement of financial position and statement of cash flows, with balances as of 31 December 2010 and 2009, were 67 326 Th. EEK and 110 145 Th. EEK, respectively, comprising cash on hand and bank deposits as of the end of the reporting period. Foreign currency accounts have been retranslated into EEK at the Bank of Estonia foreign currency exchange rates prevailing on the balance sheet date.

Line "Other Non-monetary Items (net)" of the consolidated statement of cash flows comprises the following components:

(Th EEK)	2010	2009
Non-monetary increase in short-term liability	34 806	201 085
Non-monetary decrease in short-term liability	-25 244	-15 807
Non-monetary increase in short-term receivables	-13	-10 357
Non-monetary decrease in short-term receivables	11 321	28 794
Total	**20 870**	**203 715**

NOTE 3 INVENTORIES

Inventory consists of the following components:

(Th EEK)	31.12.2010	31.12.2009
Property held for sale		
Finished property	1 080 564	1 243 313
Unfinished property	1 484 410	1 208 129
Other inventories		
Goods bought for resale	9 062	6 284
Prepayments to suppliers	4	190 676
Total	**2 574 040**	**2 648 402**

Prepayments by Group companies in relation to the property held for sale are recorded as prepayments to suppliers.

During the accounting period, inventory write-downs records in previous years were decreased in the amount of 4 422 Th. EEK (in 2009: inventory write-down in the amount of 25 649 Th. EEK due to the net realization value falling below the acquisition cost) (see Note 22).

During the accounting period, interests are capitalized into cost of inventories in the amount of 4 875 Th. EEK (in 2009: 12 898 Th. EEK) (see Note 23).

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NOTE 4 ENTITIES BELONGING TO THE CONSOLIDATION GROUP

Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2009	Share of ownership % 31.12.2010	Field of activity
AS Pro Kapital Grupp	Anndare Ltd.	Ireland	57,79%	42,00%	Holding company
	Svalbork Invest OÜ	Estonia	12,86%	12,86%	
	Eurofiduciaria S.r.l.	Italy	0,59%	11,49%	
	A.F.I. American Financial Investments Ltd.	Liechtenstein	9,57%	9,57%	
Pro Kapital Eesti AS	AS Pro Kapital Grupp	Estonia	100,00%	100,00%	Real estate development
Ilmarise Kvartal OÜ	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Kristiine Kaubanduskeskus AS	Pro Kapital Eesti AS	Estonia	52,00%	52,00%	Real estate development
Tondi Kvartal AS	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Pro Halduse AS	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate management
Tallinna Moekombinaat AS	Pro Kapital Eesti AS	Estonia	96,00%	96,00%	Real estate development
Domina Management AS	Pro Kapital Eesti AS	Estonia	0,00%	100,00%	Hotel management (acquired from Serval S.r.l.)
Pro Kapital Vilnius Real Estate UAB	AS Pro Kapital Grupp	Lithuania	100,00%	100,00%	Real estate development
PK Invest UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	Real estate development
Domina Management UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	Real estate management
Pro Kapital Latvia PJSC	AS Pro Kapital Grupp	Latvia	100,00%	100,00%	Real estate development
PK Latvia SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība A Centrs SIA	Pro Kapital Latvia AS	Latvia	51,00%	0,00%	Real estate development (liquidated)
Klīversala RE SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Investhotel SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
PK Investments SIA	Pro Kapital Latvia AS	Latvia	67,00%	67,00%	Real estate development
Kugu Real Estate SIA	Pro Kapital Latvia AS	Latvia	70,00%	0,00%	Real estate development (liquidated)

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Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2009	Share of ownership % 31.12.2010	Field of activity
Pasaules tirdzniecības centrs "Rīga" SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Prokurs SIA	Pasaules tirdzniecības centrs "Rīga" SIA	Latvia	70,00%	70,00%	Real estate development
Domina Management SIA	Pro Kapital Latvia AS	Latvia	0,00%	100,00%	Hotel management (acquired from Domina Management AS)
Domina Vacanze S.p.A.	AS Pro Kapital Grupp	Italy	88,75%	88,75%	Real estate development, hotel management
Domina Case Vacanze S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Real estate development
Domina Hellas E.p.e.	Domina Vacanze S.p.A	Greece	100,00%	100,00%	Hotel management
Computer Service S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Other (IT services)
Domina Health & Beauty S.r.l.	Domina Vacanze S.p.A	Italy	70,00%	70,00%	Real estate development (under liquidation)
Prima Classe S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Travel services (under liquidation)
Domina Vacanze GmbH	Domina Vacanze S.p.A	Austria	100,00%	0,00%	Hotel management (liquidated)
Immobiliare Novate S.p.A.	AS Pro Kapital Grupp	Italy	90,58%	97,34%	Real estate development, hotel management
Serval S.r.l. (former name: Domina Hotel Group S.p.A.)	AS Pro Kapital Grupp	Italy	99,82%	99,82%	Hotel management
Domina Management AS	Serval S.r.l.	Estonia	100,00%	0,00%	Hotel management (sold to Pro Kapital Eesti AS)
Domina Management SIA	Domina Management AS	Latvia	100,00%	0,00%	Hotel management (sold to Pro Kapital Latvia PJSC)
Domina Management Sp. z.o.o.	Domina Management AS	Poland	100,00%	0,00%	Hotel management (sold)
Multiservice Hotels S.r.l. (former name: Domina Hotel Italy S.r.l.)	Serval S.r.l.	Italy	100,00%	100,00%	Hotel management (under liquidation)
Domina Tourismus GmbH	Serval S.r.l.	Germany	100,00%	100,00%	Hotel management
Domina Hotels Hungary KFT	Serval S.r.l.	Hungary	100,00%	100,00%	Hotel management (under liquidation)
Domina Tunisine S.A.	Serval S.r.l.	Tunisia	99,30%	99,30%	Hotel management
Domina Hotel Holland B.V.	Serval S.r.l.	The Netherlands	100,00%	100,00%	Hotel management

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Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2009	Share of ownership % 31.12.2010	Field of activity
Domina Hospitality School S.r.l.	Serval S.r.l.	Italy	100,00%	0,00%	Other /trainings (sold)
Pro Kapital Rus OOO	AS Pro Kapital Grupp	Russia	100,00%	100,00%	Real estate development
Domina Rus OOO	Pro Kapital Rus OOO	Russia	100,00%	100,00%	Real estate management
Dom na Moike OOO	Pro Kapital Rus OOO	Russia	51,00%	51,00%	Real estate development
Pro Kapital Ukraine 3AT	AS Pro Kapital Grupp	Ukraine	100,00%	100,00%	Real estate development (under liquidation)
PK-1 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development (under liquidation)
PK-2 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development (under liquidation)
PK-3 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	0,00%	Real estate development (sold)
Pro Kapital Germany GmbH	AS Pro Kapital Grupp	Germany	100,00%	100,00%	Real estate development
P.K. Sicily S.p.A.	AS Pro Kapital Grupp	Italy	100,00%	100,00%	Real estate development, hotel management

The (consolidated) financial data of the subsidiaries are following (all data presented in the currency of the parent of subsidiary group's country of incorporation, full units):

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Subsidiary	Currency	Cost as of 31.12.2009	Cost as of 31.12.2010	Net assets 31.12.2010	Revenue 2010	Net profit (loss) 2010
AS Pro Kapital Grupp	EEK	X	X	1 291 576 402	903 008 600	-349 719 333
Pro Kapital Eesti AS	EEK	281 340 000	281 340 000	860 511 762	176 204 019	8 316 740
Ilmarise Kvartal OÜ	EEK	4 478 348	4 478 348	45 481 697	6 606 551	-3 666 575
Kristiine Kaubanduskeskus AS	EEK	187 862 164	187 862 164	858 480 880	132 132 042	51 069 909
Tondi Kvartal AS	EEK	68 243 610	68 243 610	108 394 440	10 073 861	-5 587 490
Pro Halduse AS	EEK	418 910	418 910	6 657 682	21 363 143	151 390
Tallinna Moekombinaat AS	EEK	193 154 012	193 154 012	147 071 980	0	-1 099 095
Domina Management AS	EUR	108 650	0	0	1 020 293	-40 215
	EEK	0	16	-5 107 840	10 747 406	-5 107 856
Pro Kapital Vilnius Real Estate UAB	EEK	37 156 121	37 156 121	-12 377 444	101 392 433	-33 218 357
PK Invest UAB	LTL	3 252 633	3 252 633	-9 023 905	21 396 873	-7 242 358
Domina Management UAB	LTL	147 523	147 523	187 292	223 701	47 037
Pro Kapital Latvia PJSC	EEK	159 402 340	159 402 340	175 691 990	36 799 182	-60 580 274
PK Latvia SIA	LVL	133 580	133 580	25 346	4 281	-31 492
Nekustamo īpašumu sabiedrība A Centrs SIA	LVL	37 710	0	0	0	-238
Klīversala RE SIA	LVL	6 688 379	6 688 379	9 507 503	13 300	-194 134
Tallina Nekustamie Īpašumi SIA	LVL	3 019 899	3 319 899	489 126	0	-161 659
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	LVL	1 100 000	1 100 000	422 015	2 950	-118 031
Investhotel SIA	LVL	700 000	700 000	1 119 238	429 915	111 440
PK Investments SIA	LVL	6 698 517	6 698 517	3 847 122	916	-2 513 334
Kugu Real Estate SIA	LVL	2 800	0	0	0	-422
Pasaules tirdzniecības centrs "Rīga" SIA	LVL	7 052 883	7 052 883	7 104 735	591 260	277 569
Nekustamo īpašumu sabiedrība Prokurs SIA	LVL	999 320	999 320	1 426 458	37 161	-1 142
Domina Management SIA	EUR	3 189	0	0	0	0
	LVL	0	162 051	-120 753	1 024 055	-282 804
Domina Vacanze S.p.A.	EEK	1 174 446 259	1 174 446 259	707 168 248	361 043 926	-91 618 910
Domina Case Vacanze srl	EUR	1 355 866	1 355 866	83 474	753 593	-8 568
Domina Hellas E.p.e.	EUR	1 197 827	1 197 827	-506 072	0	-69 000
Computer Service S.r.l.	EUR	28 934	28 934	87 368	393 843	3 068
Domina Health & Beauty S.r.l.	EUR	61 571	61 571	0	0	0
Prima Classe S.r.l.	EUR	260 837	260 837	-530 216	0	-6 996
Domina Vacanze GmbH	EUR	1 475 557	0	0	0	0
Immobiliare Novate S.p.A.	EEK	135 366 093	144 956 129	43 004 123	44 069 885	-21 238 154
Serval S.r.l.	EEK	237 112 926	260 333 717	-59 398 662	161 596 859	-60 582 055
Domina Management Sp. z.o.o.	EUR	740 754	0	0	0	0
Multiservice Hotels S.r.l.	EUR	5 027 216	5 027 216	-1 218 853	4 270 515	-1 101 648
Domina Tourismus GmbH	EUR	280 126	280 126	-303 810	3 304 771	-75 879
Domina Hotels Hungary KFT	EUR	1 246 783	1 246 783	-496 683	4 175	-940
Domina Tunisine S.A.	EUR	1 542 657	1 542 657	34 950	0	-5 066
Domina Hotel Holland B.V.	EUR	18 000	1 134 253	-783 508	1 718 250	-880 001
Domina Hospitality School S.r.l.	EUR	150 154	0	0	0	0
Pro Kapital Rus OOO	EEK	4 571	4 571	-99 666 208	0	156 719
Domina Rus OOO	RUB	10 000	10 000	-4 841 183	0	-2 323 696
Dom na Moike OOO	RUB	117 300 000	117 300 000	-1 802 901	0	32 712 069
Pro Kapital Ukraine 3AT	EEK	1 196 779	1 196 779	499 879	0	19 461
PK-1 TOB	UAH	100 000	100 000	4 200	0	-8 700
PK-2 TOB	UAH	100 000	100 000	4 400	0	-8 700
PK-3 TOB	UAH	100 000	0	0	0	-11 800
Pro Kapital Germany GmbH	EEK	391 165	391 165	-147 188	0	669 862
P.K. Sicily S.p.A.	EEK	78 233 000	78 233 000	-46 245 673	20 380 870	-60 473 108

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The consolidated information of the subsidiaries is following for operating activities and business and geographical segments.

The intergroup reporting system is based on geographical segments.
Segment result, assets and liabilities are related to the accounts which are directly associated to the segment and the allocation of which between the segments is sufficiently justified.

Geographical segments

The Group operates in Estonia, Latvia, Lithuania, Italy, Germany, Russia and Ukraine.

The Italian subsidiaries belonging to Serval subsidiary group (former company name: Domina Hotel Group) provide hotel management service also in other countries, but considering that the sales of the described services is less than 10% of Group's turnover, the current geographical segments are presented among the figures for the whole Italian geographical segment.

Net profit, assets and liabilities of a segment include records, which are directly related to the particular segment and allocation of which among the segments is sufficiently justified.

(Th. EEK)	Estonia	Latvia	Lithuania	Russia	Ukraine	Germany	Italy	Total
2010								
Revenue	177 726	36 799	101 392	0	0	0	587 092	903 009
Other operating income	1 439	1 273	13	40	0	0	76 304	79 069
Segment operating profit (loss)	10 061	-75 506	-19 758	-14 586	-131	-4 477	-192 461	-296 858
Financial income and expense (net)	-49 617	-430	-9 652	26 510	150	-9	-16 408	-49 456
Operating loss								**-346 314**
Income tax	0	411	-682	0	0	2	3 600	3 331
Minority interest								-74
Net loss								**-349 719**
Assets	1 225 407	497 520	325 776	345 151	500	43 562	3 027 542	5 465 458
Liabilities	1 367 891	176 362	163 691	133 855	0	446	1 803 169	3 645 414
Acquisition of tangible assets	248 862	39	429	52 869	0	0	59 959	362 158
Depreciation	-17 919	-5 082	-789	-40	0	-1 872	-39 289	-64 991
2009								
Revenue	198 128	76 385	35 504	0	0	0	704 689	1 014 706
Other operating income	6 013	13 933	596	1 543	0	0	27 858	49 943
Segment operating profit (loss)	-3 340	-27 673	-17 892	-13 655	-285	-4 600	-263 376	-330 821
Financial income and expense (net)	-28 711	1 412	-1 351	-9 698	8	0	-20 145	-58 485
Operating loss								**-389 306**
Income tax	0	2 294	-2 699	0	0	0	-111	-516
Minority interest								-6 243
Net loss								**-395 033**
Assets	1 034 040	512 296	437 991	279 448	576	44 983	3 093 532	5 402 866
Liabilities	931 163	127 327	278 839	187 837	135	442	1 678 393	3 204 136
Acquisition of tangible assets	18 104	17	410	45 804	0	61	88 205	152 601
Depreciation	-16 822	-5 720	-666	-36	0	-1 873	-31 012	-56 129

Business segments

The Group includes following business segments:

- Sale of property
  Sales of residential, commercial and trade areas, hotels, hotel suites, villas, and time-shares purchased and/or developed by the Group entities.

- Real estate rent
  Rental services provided by the Group entities.

- Real estate development and administration services
  Management services related to the management and development of real estate and also hotel operating services provided by the Group entities to third parties.

(Th. EEK)

Business segment	Fields of activity by Estonian Classification of Economic Activities	Revenue 2010	%	2009	%
Sales of real estate	Buying and selling of own real estate (EMTAK 68100)	317 561	35%	260 654	26%
Renting of real estate	Renting of own or leased real estate (EMTAK 68200)	105 139	12%	111 148	11%
Development and management of real estate (incl. Hotel management services)	Management real estate on a fee or contract basis (EMTAK 68320)	480 309	53%	642 904	63%
Total		**903 009**	**100%**	**1 014 706**	**100%**

NOTE 5 ACQUISTIONS, DISPOSALS, INCREASES AND DECREASES OF OWNERSHIP IN SUBSIDIARIES

During the reporting period AS Pro Kapital Grupp acquired ownership of 6.76% in addition to the current 90.58% in Immobilare Novate S.p.A, which develops the hotel property in Italy, Milan.

The difference in carried at cost of acquired ownership and accounting value of acquired net assets is recorded in AS Pro Kapital Grupp statements as a decrease of equity.

During the reporting period Serval S.r.l disposed 100% ownership in Domina Hospitality School S.r.l, company belonging to the Serval subsidiary group, which trains the employees of the Serval subsidiary group.

During the reporting period Domina Management AS, which belongs in Serval subsidiary group disposed 100% ownership in Domina Management Sp. z.o.o , which operates the hotel in Poland, Poznan.

During the reporting period Pro Kapital Ukraine 3AT disposed 99% direct ownership and 1% indirect ownership in PK-3 TOB, which is established but not operating company in Ukraine.

The effect of acquisition and disposal and increase and decrease in ownership of subsidiaries' shares to the Group consolidated financial statements is presented below:

	Acquisition (including change in ownership)			Disposal				
(Th. EEK)	Immobiliare Novate S.p.A.	Total 2010	Total 2009	Domina Hospitality School S.r.l.	Domina Management Sp.z.o.o.	PK-3 TOB	Total 2010	Total 2009
Cash	0	0	0	306	51	1	358	0
Shares and securities	0	0	0	0	0	147	147	0
Receivables	0	0	0	918	216	1	1 135	0
incl. intra-group	0	0	0	429	10	0	439	0
Tangible assets	0	0	0	77	1	0	78	0
Current liabilities	0	0	0	-1 017	-5 019	-147	-6 183	0
incl. intra-group	0	0	0	-344	-715	0	-1 059	0
Long-term liabilities	0	0	0	-13	-376	0	-389	0
incl. intra-group	0	0	0	0	-376	0	-376	0
Minority interest	4 382	4 382	-3	0	0	0	0	1 013
Positive goodwill in acquisition	5 208	5 208	3	x	x	x	x	x
Profit from disposal of ownership	x	x	x	198	5 127	147	5 472	9 940
Acquisition cost / sales price	9 590	9 590	0	469	0	149	618	10 953
Paid in cash (-) / cash received (+)	-9 590	-9 590	0	469	0	0	469	10 953
Cash at the moment of acquisition (+) / disposal (-)	x	x	0	-306	-51	-1	-358	0
Net cash flow on acquisition / disposal	-9 590	-9 590	0	163	-51	-1	111	10 953

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NOTE 6 SHARES IN SUBSIDIARIES

	Pro Kapital Eesti AS	Pro Kapital Ukraine 3AT	Pro Kapital Rus OOO	Pro Kapital Latvia PJSC	Pro Kapital Vilnius Real Estate UAB	Domina Vacanze S.p.A.	Serval S.r.l.	P.K. Sicily S.p.A.	Pro Kapital Germany GmbH	Immobiliare Novate S.p.A	Total
Number of shares 31 December 2009	28 134 000	505 000	1	7 000 000	4 610	60 398 937	5 627 932	5 000 000	1	19 021 598	x
Acquired (extra-group)	0	0	0	0	0	0	299 460	0	0	1 420 275	x
Disposed / cancelled	0	0	0	0	0	0	-5 627 932	0	0	0	x
Number of shares 31 December 2010	**28 134 000**	**505 000**	**1**	**7 000 000**	**4 610**	**60 398 937**	**299 460**	**5 000 000**	**1**	**20 441 873**	x
Ownership % at the end of the year	100	100	100	100	100	88,75	99,82	100	100	97,34	x
Ownership % at the beginning of the year	100	100	100	100	100	88,75	99,82	100	100	90,58	x
(Th. EEK)											
Cost as of 31 December 2009	281 340	1 197	5	159 402	37 156	1 174 446	237 113	78 233	391	135 366	2 104 649
Parent company's share of subsidiary's net assets as of 31 December 2009	742 790	441	-90 983	345 812	19 690	702 001	-14 533	14 227	-817	98 401	1 817 029
Acquired cost	0	0	0	0	0	0	4 686	0	0	9 590	14 276
Impairment of goodwill	0	0	0	0	0	0	0	0	0	-5 208	-5 208
Reserve	0	0	0	0	0	0	18 535	0	0	0	18 535
Foreign currency differences	0	40	-8 840	-135	0	0	-94	0	0	0	-9 029
Profit under equity method	8 317	19	157	0	0	0	0	0	670	0	9 163
Loss under equity method	0	0	0	-60 580	-33 219	-91 619	-60 582	-60 473	0	-21 238	-327 711
Parent company's share of subsidiary's net assets as of 31 December 2010	**751 107**	**500**	**-99 666**	**285 097**	**-13 529**	**610 382**	**-51 988**	**-46 246**	**-147**	**81 545**	**1 517 055**
Cost as of 31 December 2010	**281 340**	**1 197**	**5**	**159 402**	**37 156**	**1 174 446**	**260 334**	**78 233**	**391**	**144 956**	**2 137 460**

According to the decision of shareholders of Serval S.r.l (former company name: Domina Hotel Group S.p.A), a subsidiary of Pro Kapital Grupp, the share capital was decreased during the reporting period by cancellation of shares to cover losses by cancelling 5 638 032 shares with nominal value of 1 EUR (appr. 15.6 EEK) per share. At the same time the entity's share capital was increased per share by targeted emission by issuing 300 000 new shares with nominal value of 1 EUR (appr. 15.6 EEK). The payments were made according to the decision. As of 31 December 2010, the entity's share capital amounted to 300 000 EUR (appr. 4.7 million EEK), consisting of 300 000 shares. 299 460 shares belong to AS Pro Kapital Grupp.

During the reporting period AS Pro Kapital Grupp acquired an ownership of 6.76% in its subsidiary Immobiliare Novate S.p.A.

NOTE 7 SHARES AND SECURITIES

(Th. EEK)	Short-term shares	Long-term shares
31.12.2008	**11**	**66 394**
Acquisition	135	726
Sale in selling price	0	-29 832
31.12.2009	**146**	**37 288**
Acquistion	0	12 087
Sale in selling price	-8	-30 681
Disposal of subsidiary	-147	0
Changes in value	0	1 783
Changes in currency rates	12	0
31.12.2010	**3**	**20 477**

Long-term financial statements held for resale are recorded at cost, because their fair value cannot be estimated reliably.

NOTE 8 LONG-TERM LOANS BETWEEN THE ULTIMATE PARENT AND PARENT COMPANIES OF THE SUBSIDIARY GROUP

(Th. EEK)	31.12.2010	31.12.2009
Loan granted by the ultimate parent:		
Pro Kapital Latvia	109 283	96 356
Pro Kapital Vilnius	175 613	139 462
Pro Kapital Rus	228 376	188 654
P.K. Sicily	528 307	504 113
Serval	14 387	3 851
Immobiliare Novate	19 846	0
Total	**1 075 812**	**932 436**
Loans raised by the ultimate parent:		
Pro Kapital Eesti	923 497	920 331
Domina Vacanze	53 919	58 613
Total	**977 416**	**978 944**

The annual interest rate of intra-group loans is up to 6%. The intra-group interest income and expenses in the amount of 80 078 Th. EEK (in 2009: 87 839 Th. EEK) are eliminated from the consolidated financial statements.

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NOTE 9 MISCELLANEOUS LONG-TERM RECEIVABLES

(Th. EEK)

Creditor	Debtor	Contract currency	Receivable as of 31.12.2009	Receivable as of 31.12.2010	Due within 1 year	Due 2-5 years	Due over 5 years	Interest rate	Comments
Pro Kapital Rus:									
Pro Kapital Rus OOO	Pro Kapital Siberia OOO	EUR	1 137	1 216	0	1 216	0	5%	Loan
			1 137	**1 216**	**0**	**1 216**	**0**		
Pro Kapital Eesti:									
Ilmarise Kvartal OÜ	Different debtors	EEK	860	860	22	165	673	6%	Long-term trade receivables
Tondi Kvartal OÜ	Different debtors	EEK	4 381	4 381	4 381	0	0	5%	Long-term trade receivables
			5 241	**5 241**	**4 403**	**165**	**673**		
Pro Kapital Vilnius:									
PK Invest UAB	Swedbank AB	EUR	1 565	0	0	0	0	x	x
			1 565	**0**	**0**	**0**	**0**		
Domina Vacanze:									
Domina Vacanze S.p.A.	Different debtors	EUR	27 883	19 790	0	19 790	0	0%	Long-term trade receivables
Domina Vacanze S.p.A subsidiaries	Different debtors	EUR	16 910	15 117	0	15 117	0	0%	Long-term trade receivables
			44 793	**34 907**	**0**	**34 907**	**0**		
Serval:									
Serval S.r.l.	Different debtors	EUR	118	80	0	80	0	0%	Long-term trade receivables
			118	**80**	**0**	**80**	**0**		
P.K. Sicily:									
P.K. Sicily S.p.A.	Different debtors	EUR	17 003	16 929	0	16 929	0	0%	Long-term trade receivables
			17 003	**16 929**	**0**	**16 929**	**0**		
		Total	**69 857**	**58 373**	**4 403**	**53 297**	**673**		

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NOTE 10 TANGIBLE ASSETS

(Th. EEK)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
Cost as of 31.12.2009	**804 680**	**14 043**	**50 882**	**179 154**	**8 063**	**289 386**	**28 776**	**1 374 984**
Additions:								
Acquisition	0	5	1 240	5 632	47 578	49 246	7 192	110 893
Capitalized interests	0	0	0	0	0	14 458	0	14 458
Disposals:								
Disposals related to subsidiaries	0	0	-54	-154	0	0	0	-208
Sold	-10 914	0	-1 023	-19 618	-173	0	0	-31 728
Written off	-851	0	-137	-5 674	0	0	0	-6 662
Other changes:								
Reclassification	48 095	0	-511	4 852	-407	-52 029	0	0
Reclassified to/from inventories	95 575	0	11 955	3 474	0	-8 618	0	102 386
Reclassified to/from investment property	-3 787	0	0	0	0	0	-186	-3 973
Foreign currency differences	420	-5	259	-1	0	16 084	1 979	18 736
Cost as of 31.12.2010	**933 218**	**14 043**	**62 611**	**167 665**	**55 061**	**308 527**	**37 761**	**1 578 886**
Accumulated depreciation as of 31.12.2009	**99 249**	**11 373**	**23 929**	**113 210**	**1 787**	**25 489**	**0**	**275 037**
Additions:								
Depreciation charge (see Note 22)	23 720	745	3 620	11 126	5 453	0	0	44 664
Disposals								
Disposals related to subsidiaries	0	0	-53	-77	0	0	0	-130
Sold	0	0	-435	-6 732	-147	0	0	-7 314
Written off	-161	0	-126	-2 959	0	0	0	-3 246
Other changes:								
Reclassification	0	0	102	300	-402	0	0	0
Reclassified to/from inventories	0	0	0	-639	0	0	0	-639
Reclassified to/from investment property	-3 535	0	0	0	0	0	0	-3 535
Foreign currency differences	428	-5	-4	-8	0	1 764	0	2 175
Accumulated depreciation as of 31.12.2010	**119 701**	**12 113**	**27 033**	**114 221**	**6 691**	**27 253**	**0**	**307 012**
Carrying value as of 31.12.2009	**705 431**	**2 670**	**26 953**	**65 944**	**6 276**	**263 897**	**28 776**	**1 099 947**
Carrying value as of 31.12.2010	**813 517**	**1 930**	**35 578**	**53 444**	**48 370**	**281 274**	**37 761**	**1 271 874**

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(Th. EEK)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
Sale and write-off								
Sold assets at cost	10 914	0	1 023	19 618	173	0	0	31 728
Accumulated depreciation of sold assets	0	0	-435	-6 732	-147	0	0	-7 314
Carrying value of sold assets	10 914	0	588	12 886	26	0	0	24 414
Sale price of assets	10 914	0	684	13 086	38	0	0	24 722
Cost of assets written off	851	0	137	5 674	0	0	0	6 662
Accumulated depreciation of assets written off	-161	0	-126	-2 959	0	0	0	-3 246
Profit (loss) from sales and write-offs	**-690**	**0**	**85**	**-2 515**	**12**	**0**	**0**	**-3 108**

For additional information concerning finance lease obligations is presented in Note 19.

For additional information concerning mortgages set to Group's tangible assets is presented in Note 28.

NOTE 11 INTANGIBLE ASSETS

(Th. EEK)	Goodwill	Patents and trademarks	Licenses	Usage rights	Prepayments for intangible assets	TOTAL
Cost as of 31.12.2009	**4 107**	**11 252**	**5 810**	**29 520**	**2 336**	**53 025**
Additions:						
Acquisition	0	1 202	139	1 664	0	3 005
Disposals						
Sold	0	0	-841	0	-2 336	-3 177
Written off	0	-166	-73	0	0	-239
Other changes:						
Foreign currency differences	0	0	-1	0	0	-1
Cost as of 31.12.2010	**4 107**	**12 288**	**5 034**	**31 184**	**0**	**52 613**
Accumulated depreciation as of 31.12.2009	**0**	**8 882**	**3 797**	**6 791**	**0**	**19 470**
Additions:						
Depreciation charge (see note 22)	0	2 284	667	1 197	0	4 148
Disposals						
Sold	0	0	-362	0	0	-362
Written off	0	-93	-42	0	0	-135
Other changes:						
Foreign currency differences	0	0	-1	0	0	-1
Accumulated depreciation as of 31.12.2010	**0**	**11 073**	**4 059**	**7 988**	**0**	**23 120**
Carrying amount as of 31.12.2009	**4 107**	**2 370**	**2 013**	**22 729**	**2 336**	**33 555**
Carrying amount as of 31.12.2010	**4 107**	**1 215**	**975**	**23 196**	**0**	**29 493**
Sale and write-off						
Sold assets at cost	0	0	841	0	2 336	3 177
Accumulated depreciation of sold assets	0	0	-362	0	0	-362
Carrying value of sold assets	0	0	479	0	2 336	2 815
Sale price of assets	0	0	593	0	2 337	2 930
Cost of assets written off	0	166	73	0	0	239
Accumulated depreciation of assets written off	0	-93	-42	0	0	-135
Profit (loss) from sales and write-offs	**0**	**-73**	**83**	**0**	**1**	**11**

NOTE 12 INVESTMENT PROPERTY

(Th. EEK)	Held on purpose of the raise of value	Rented out in term of operating lease	Total
Cost as of 31.12.2009	**34 273**	**681 025**	**715 298**
Additions:			
Acquisition	6 934	241 326	248 260
Disposals:			
Sale and write-off	0	-261	-261
Other changes:			
Reclassified from tangible assets	0	3 973	3 973
Reclassified to held for sale	0	-912 806	-912 806
Foreign currency differences	-1	-2	-3
Cost as of 31.12.2010	**41 206**	**13 255**	**54 461**
Accumulated depreciation as of 31.12.2009	**1 114**	**116 367**	**117 481**
Additions:			
Depreciation charge (see Note 22)	132	16 047	16 179
Disposals:			
Sale and write-off	0	-240	-240
Other changes:			
Reclassified from tangible assets	0	3 535	3 535
Reclassified to held for sale	0	-129 781	-129 781
Foreign currency differences	-1	-2	-3
Accumulated depreciation as of 31.12.2010	**1 245**	**5 926**	**7 171**
Carrying value as of 31.12.2009	**33 159**	**564 658**	**597 817**
Carrying value as of 31.12.2010	**39 961**	**7 329**	**47 290**
Sale and write-off			
Sold assets at cost	0	261	261
Accumulated depreciation of sold assets	0	-240	-240
Carrying value of sold assets	0	21	21
Sale price of assets	0	0	0
Profit (loss) from sales and write-offs	**0**	**-21**	**-21**
Fair value	**183 672**	**22 173**	**205 845**

On determining the fair value of investment property, the Group management relied on estimates of independent experts and also intra-group analysts.

Additional information about mortgages set on the Group's investment property is presented in Note 28.

A shopping centre owned by the entity Kristiine Kaubanduskeskuse AS belonging into Pro Kapital Eesti subsidiary group, is the most significant investment property leased out under the terms of an operating lease of the Group.

On 11 March 2011Kristiine Kaubanduskeskuse AS, a subsidiary of Pro Kapital Eesti, signed a sale and purchase contract of one of its shopping centre, due to which the investment property is the object of the contract is reclassified as non-current asset held for sale (see Note 26).

The rental income and the corresponding direct expenses from investment property, leased out under the terms of operating lease:

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(Th. EEK)	2010	2009
Rental income	92 639	96 059
Direct operating costs		
Maintenance and depreciation	15 841	14 326
Other direct costs	16 659	11 153

Rental income of future periods from investment property leased out under the terms of an operating lease:

(Th. EEK)	31.12.2010	31.12.2009
Within 1 year	43 781	100 626
1-5 years	0	287 002
Over 5 years	0	125 574
Total	**43 781**	**513 202**

The estimated income from operating lease covered with contracts during following periods does not include the future periods and rent areas, which are not covered with contracts, since the mentioned amounts cannot be estimated with sufficient reliability.

NOTE 13 DEBT

(Th. EEK)	Note	31.12.2010	31.12.2009
Unsecured debt		29 185	18 303
Short-term finance lease liability	19	6 555	793
Redemption of convertible bonds issued in the next period	18	0	6 127
Other short-term debt		22 630	11 383
Current portion of long-term loans and overdrafts	15	1 264 116	158 743
Current portion of long-term loans	16	10 041	9 701
Total		**1 303 342**	**186 474**

NOTE 14 LONG-TERM LIABILITIES

(Th. EEK)	Note	31.12.2010	Adjusted 31.12.2009
Long-term debt		1 318 687	1 989 691
Non-convertible debts		171 307	122 516
Finance lease obligations	19	31 447	4 134
Long-term loans	16	139 860	118 382
Convertible debt	18	235 547	82 014
Bank loans	15	911 833	1 785 161
Other long-term liabilities	17	387 718	328 810
Deferred income tax liability	24	24 798	25 275
Long-term provisions		19 484	30 736
Total		**1 750 687**	**2 374 512**

Provisions

(Th. EEK)	Pension benefit plans	Other provisions	Total
31.12.2009	**22 530**	**18 781**	**41 311**
Provision added	8 844	74 512	83 356
Disposals related to subsidiaries	0	-13	-13
Provision used	-21 397	-3 820	-25 217
31.12.2010	**9 977**	**89 460**	**99 437**
incl. short-term provision	0	79 953	79 953
long-term provision	9 977	9 507	19 484

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NOTE 15 BANK LOANS

(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2009	Loan balance as of 31.12.2010	Loan repayments within 1 year	Loan repayments 2-5 years	Loan repayments over 5 years	Interest rate	Maturity date	Collateral
Pro Kapital Eesti:										
Pro Kapital Eesti AS	Swedbank	EUR	68 496	64 019	4 713	59 306	0	2.0%+ 6 month EURIBOR	01.11.2013	Note 28
Kristiine Kaubanduskeskus AS	Swedbank	EUR	722 385	981 028	981 028	0	0	3.5%+ 6 month EURIBOR	Sale of operational activities, but not later than 23.04.2014	Note 28
Tondi Kvartal AS	Swedbank	EEK	26 795	18 582	18 582	0	0	3.0%+ 6 month EURIBOR	16.01.2012	Note 28
			817 676	**1 063 629**	**1 004 323**	**59 306**	**0**			
Pro Kapital Latvia:										
Pro Kapital Latvia PJSC	Swedbank overdraft	LVL	20	0	0	0	0	x	x	x
Investhotel SIA	Swedbank	EUR	95 837	91 414	4 418	86 996	0	3.0%+3 month EURIBOR	01.03.2012	Lisa 28
			95 857	**91 414**	**4 418**	**86 996**	**0**			
Domina Vacanze:										
Domina Vacanze S.p.A	Unicredit	EUR	0	19 715	3 744	15 971	0	1.2% +3 month EURIBOR	31.05.2014	Entity's assets
Domina Vacanze S.p.A	Meliorbanca	EUR	184 620	184 621	25 041	159 580	0	2.0% +3 month EURIBOR	01.01.2016	Note 28
Domina Vacanze S.p.A	Meliorbanca	EUR	47 714	39 940	7 946	31 994	0	2.0% +3 month EURIBOR	01.07.2015	Note 28
Domina Vacanze S.p.A	Cariparma & Piacenza	EUR	5 019	0	0	0	0	x	x	x
Domina Vacanze S.p.A	Credito Artigiano	EUR	25 035	24 369	8 114	16 255	0	2.25% +3 month EURIBOR	30.01.2013	Note 28
Domina Vacanze S.p.A. subsidiaries	Overdrafts from different credit institutions	EUR	11 008	23 263	23 263	0	0	x	x	x
			273 396	**291 908**	**68 108**	**223 800**	**0**			

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(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2009	Loan balance as of 31.12.2010	Loan repayments within 1 year	Loan repayments 2-5 years	Loan repayments over 5 years	Interest rate	Maturity date	Collateral
Pro Kapital Vilnius:										
PK Invest UAB	Swedbank	EUR	231 892	150 011	150 011	0	0	4.4%+6 month EURIBOR	07.12.2011	Note 28
			231 892	**150 011**	**150 011**	**0**	**0**			
Pro Kapital Rus:										
Dom na Moike OOO	Swedbank	EUR	78 591	0	0	0	0	x	x	x
			78 591	**0**	**0**	**0**	**0**			
Serval:										
Domina Tourismus GmbH	Volksbank Bad Kreusnach	EUR	0	525	349	176	0	5.1%	30.09.2013	Entity's assets
			0	**525**	**349**	**176**	**0**			
Immobiliare Novate:										
Immobiliare Novate S.p.A.	Credito Artigiano	EUR	164 167	158 731	29 646	93 880	35 205	1.25% +3 month EURIBOR	31.12.2017	Note 28
Immobiliare Novate S.p.A.	Credito Artigiano	EUR	78 233	78 233	5 294	33 314	39 625	1.5% +3 month EURIBOR	31.03.2020	Note 28
Immobiliare Novate S.p.A.	Credito Artigiano overdraft	EUR	686	1 967	1 967	0	0	x	x	x
			243 086	**238 931**	**36 907**	**127 194**	**74 830**			
P.K. Sicily:										
P.K. Sicily S.p.A.	Credito Siciliano S.p.A.	EUR	203 406	339 531	0	339 531	0	1.35% +3 month EURIBOR	30.01.2013	Note 28
			203 406	**339 531**	**0**	**339 531**	**0**			
		Total	**1 943 904**	**2 175 949**	**1 264 116**	**837 003**	**74 830**			

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NOTE 16 LONG-TERM LOANS

(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2009	Loan balance as of 31.12.2010	Loan repayments within 1 year	Loan repayments 2-5 years	Loan repayments over 5 years	Interest rate	Maturity date	Collateral
Pro Kapital Rus:										
Pro Kapital Rus OOO	Odega Anshtalt	RUB	0	16 365	0	0	16 365	8%	09.04.2015	Entity's assets
Dom na Moike OOO	Odega Anshtalt	RUB	108 534	116 298	0	116 298	0	3%+LIBOR	31.12.2013	Entity's assets
			108 534	**132 663**	**0**	**116 298**	**16 365**			
										Entity's assets
Serval:										
Serval S.r.l.	Sinai Company for Touristic Development	USD	4 344	4 684	4 684	0	0	0%	31.12.2011	Entity's assets
Serval S.r.l.	Domina Vip Travel S.r.l.	EUR	5 357	5 357	5 357	0	0	0%	31.12.2011	Entity's assets
			9 701	**10 041**	**10 041**	**0**	**0**			
Immobiliare Novate:										
Immobiliare Novate S.p.A.	Minority shareholders	EUR	9 848	7 197	0	0	7 197	0%	x	Entity's assets
			9 848	**7 197**	**0**	**0**	**7 197**			
		Total	**128 083**	**149 901**	**10 041**	**116 298**	**23 562**			

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NOTE 17 OTHER LONG-TERM DEBT

(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2009	Loan balance as of 31.12.2010	Liability repayments within 1 year	Liability repayments 2-5 years	Liability repayments over 5 years	Interest rate	Comments
Domina Vacanze:									
Domina Vacanze S.p.A.	Customers	EUR	204 085	178 842	0	178 842	0	0%	The volume of timeshare sales agreements concluded with customers, 59.4 million EEK of which has been received from customers (prepayments)
Domina Vacanze S.p.A. subsidiaries	Different creditors	EUR	5 300	5 300	0	5 300	0	0%	Other long-term debt
			209 385	**184 142**	**0**	**184 142**	**0**		
P.K. Sicily:									
P.K. Sicily S.p.A.	Customers	EUR	119 425	203 576	0	203 576	0	0%	The volume of timeshare sales agreements concluded with customers, 144.0 million EEK of which has been received from customers (prepayments)
			119 425	**203 576**	**0**	**203 576**	**0**		
		Total	**328 810**	**387 718**	**0**	**387 718**	**0**		

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NOTE 18 CONVERTIBLE BONDS

Registration date of bonds issued	13.05.1999		13.08.2009		20.01.2010		10.08.2010		16.08.2010		29.11.2010			
Issue price of bond (EUR)	x		4.50		4.50		4.50		4.50		4.50			
Issue price of bond (EEK)	50.00		70.41		70.41		70.41		70.41		70.41			
Bond return per annum (% from issue price)	6%		7%		7%		7%		7%		7%			
Bond interest payment frequency	Once a year		Twice a year		Twice a year		Twice a year		Twice a year		Twice a year			
Latest date for the repurchase of bonds	20.01.2010		13.08.2013		20.01.2014		10.08.2014		16.08.2014		29.11.2014			
Latest date for the exchange of bonds to shares	10.01.2010		31.12.2012		31.12.2012		31.12.2012		31.12.2012		31.12.2012			
Discount rate (%)	11%		7%		7%		7%		7%		7%		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Number of convertible bonds at the beginning of period	**122 537**	**122 537**	**1 164 807**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1 287 344**	**122 537**
Number of convertible bonds issued	0	0	0	1 164 807	382 304	0	840 184	0	536 012	0	422 067	0	2 180 567	1 164 807
Number of repurchased bonds	-122 537	0	0	0	0	0	0	0	0	0	0	0	-122 537	0
Number of convertible bonds at the end of period	**0**	**122 537**	**1 164 807**	**1 164 807**	**382 304**	**0**	**840 184**	**0**	**536 012**	**0**	**422 067**	**0**	**3 345 374**	**1 287 344**
incl. repurchase of convertible bonds in the following period	0	122 537	0	0	0	0	0	0	0	0	0	0	0	122 537

(Th. EEK)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Number of convertible bonds at the beginning of period	6 127	6 127	82 014	0	0	0	0	0	0	0	0	0	88 141	6 127
Principal of convertible bonds issued	0	0	0	82 014	26 918	0	59 157	0	37 740	0	29 718	0	153 533	82 014
Repurchased bonds in repurchase price	-6 127	0	0	0	0	0	0	0	0	0	0	0	-6 127	0
Principal of the bonds issued at the end of the period	0	6 127	82 014	82 014	26 918	0	59 157	0	37 740	0	29 718	0	235 547	88 141
incl. repurchase of convertible bonds in the following period	0	6 127	0	0	0	0	0	0	0	0	0	0	0	6 127
Short-term portion of liabilities on the balance sheet	**0**	**6 127**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6 127**
Long-term portion of liabilities on the balance sheet	**0**	**0**	**82 014**	**82 014**	**26 918**	**0**	**59 157**	**0**	**37 740**	**0**	**29 718**	**0**	**235 547**	**82 014**

The issuance of convertible bonds of AS Pro Kapital Grupp in 1999 is redeemed in accordance with the terms of issue, for the issue price, on 20 January 2010. Redemption fees are paid to the owners in cash because the owners did not exercised the right to exchange the convertible bonds for the Ultimate Parent Company share 1:1.

According to the terms of the emission convertible bonds of AS Pro Kapital Grupp issued during the period 2009-2010 can be converted to shares of the Ultimate Parent Company on 31 December 2010, 31 December 2011 and 31 December 2012 with the rate one convertible bond per share. As of 31 December 2010 the owners of the bonds have not used the right.

During the reporting period the interest expense of the convertible bonds was paid in amount of 10 292 th. EEK (2009: 2 585 Th. EEK) and interest paid for the convertible bonds was in the amount of 5 432 Th. EEK (2009: 368 Th. EEK).

NOTE 19 LEASE OBLIGATIONS

Finance lease – Group as the lessee

The equipment is acquired under the terms of finance lease. During the accounting period principals of finance lease were repaid in the amount of 14 502 Th. EEK (2009: 773 Th. EEK) and interest of finance lease in the amount of 568 Th. EEK (2009: 24 Th. EEK) were paid.

Principals of finance lease for the following periods:

(Th. EEK)	Minimum amount of finance lease payments	Interest expense	Net present value of minimum amount of finance lease payments
Finance lease obligations as of 31.12.2009			
Within 1 year	899	106	793
1 – 5 years	3 582	251	3 331
Over 5 years	844	41	803
Total	**5 325**	**398**	**4 927**
Finance lease obligations as of 31.12.2010			
Within 1 year	7 978	1 423	6 555
1 – 5 years	33 011	3 018	29 993
Over 5 years	1 529	75	1 454
Total	**42 518**	**4 516**	**38 002**

Average interest rate of long-term finance lease differs by contracts remaining between is 5-7% per annum. Contract currency is EUR.

Additional information about non-current assets acquired under the terms of finance lease is presented in Note 10.

Operating lease – Group as the lessee

An administrative building located in Riga, Latvia is rented under the terms of an operating lease and is the most significant leased property. During the accounting period, principals of operating lease in the amount of 8 631 Th. EEK (2009: 13 010 Th. EEK) were repaid.

Operating lease payments for the following periods:

(Th. EEK)	31.12.2010	31.12.2009
Within 1 year	8 098	8 428
1 – 5 years	17 493	25 593
Total	**25 591**	**34 021**

Operating lease – Group as the lessor

The group is a lessor in operating lease of investment property, a leasehold administrative building and other assets belonging to the Group.

During the accounting period, rental income in the amount of 105 139 Th. EEK (2009: 111 148 Th. EEK) was earned from the assets rented out under the terms of operating lease. Direct costs corresponding to the rental income constituted 46 584 Th. EEK (2009: 42 992 Th. EEK).

Rental income from operating lease for the next periods:

(Th. EEK)	31.12.2010	31.12.2009
Within 1 year	43 781	100 626
1 – 5 years	0	287 002
Over 5 years	0	125 574
Total	**43 781**	**513 202**

Additional information about investment property leased out in terms of operating lease is presented in Note 12.

NOTE 20 MINORITY INTEREST

The minority interest of the Group as of 31 December 2010 amounts to 528.5 million EEK (31.12.2009: 535.0 million EEK) and consists of the minority shareholders' portions in the equity of the subsidiary groups' and the minority shareholder's portion in the equity of the subsidiary groups' parent companies. Minority interests in the amount of 413.0 million EEK (31.12.2009: 388.5 million EEK) arises from the Estonian subsidiary group; 37.4 million EEK (31.12.2009: 57.5 million EEK) arises from the Latvian subsidiary group; - 0.3 million EEK (31.12.2009: -6.1 million EEK) arises from the Russian subsidiary group; 77.4 million EEK (31.12.2009: 89.0 million EEK) arises from the Domina Vacanze S.p.A.; -0.1 million EEK (31.12.2009: 0 million EEK) arises from Serval S.r.l and 1.1 million EEK (31.12.2009: 6.1 million EEK) arises from the minority interest in Immobiliare Novate S.p.A.

NOTE 21 EQUITY

Share capital

The share capital in the amount of 531 854 Th. EEK consists of 53 185 422 ordinary shares at a nominal value of 10 EEK per share. According to the articles of association, the maximum number of shares allowed to be issued is 90 000 000.

There were no changes in share capital during the financial year and the previous period.

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 Entity has not issued any preference shares.

On 13 April 2009, AS Pro Kapital Grupp shareholders' extraordinary meeting decided to issue up to 10 000 000 the Ultimate Parent Company's convertible bonds in nominal value of 10 EEK per bond, and increase conditionally the Ultimate Parent Company share capital up to 10 000 000 shares in nominal value of 10 EEK per share due to exchange convertible bonds for shares of the Ultimate Parent Company. On 24 April 2009 the conditional increase of the Ultimate Parent Company's share capital was registered in Commercial Register (see Note 18).

As of 31 December 2010 the owners of convertible bonds have not exercised the right to exchange bonds to shares of AS Pro Kapital Grupp.

Reserves

Reserves in the amount of 45 966 Th. EEK (adjusted 31.12.2009: 45 966 Th. EEK) consist of the statutory legal reserve in the amount of 45 966 Th. EEK (31.12.2009: 45 966 Th. EEK), required according to the Estonian Commercial Code § 336.

Treasury shares

On 30 October 2008, the shareholders' meeting of AS Pro Kapital Grupp decided to allow the entity to acquire 1 000 000 own shares with repurchase price of 60 EEK per share during the period of five years. The Management Board has the right to repurchase own shares in several offer rounds. Acquiring own shares will not cause the decrease of net assets below the total amount of share capital and reserves of which the payments to shareholders are not permitted by the law and articles of association. According to the shareholders' decision the Management Board is obligated to dispose the shares or make a proposal on the shareholders' meeting to decrease the share capital, during the three years' time after the acquiring of own shares. As of 31 December 2010 and 2009, the Ultimate Parent Company has not exercised the right to repurchase the shares.

NOTE 22 COST OF GOODS SOLD, MARKETING EXPENSES, AND ADMINISTRATIVE EXPENSES

Cost of goods sold:

(Th. EEK)	2010	2009
Personnel expenses	188 198	198 366
Depreciation of tangible assets (see Note 10)	29 893	22 089
Depreciation of investment property (see Note 12)	16 179	14 447
Write down of inventories, (-) reversal of write down (see Note 3)	-4 422	25 649
Other	584 238	679 510
Total	**814 086**	**940 061**

Marketing expenses:

(Th. EEK)	2010	2009
Personnel expenses	9 867	25 833
Depreciation of tangible assets (see Note 10)	13	9
Other	66 980	77 338
Total	**76 860**	**103 180**

Administrative expenses:

(Th. EEK)	2010	2009
Personnel expenses	93 524	122 734
Depreciation of tangible assets (see Note 10)	14 758	15 812
Depreciation of investment property (see Note 11)	4 148	3 772
Impairment of non-current assets	0	3
Write down of inventories (see Note 3)	37	0
Other	127 583	134 362
Total	**240 050**	**276 683**

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NOTE 23 FINANCIAL INCOME AND EXPENSE

Financial income:

(Th. EEK)	2010	2009
Interest income	4 762	7 990
Gain from disposal of subsidiary	5 472	9 940
Gain from exchange rate differences	27 273	0
Other financial income	2 436	37
Total	**39 943**	**17 967**

Financial expense:

(Th. EEK)	2010	2009
Interest expense	87 119	67 888
Interest expense of convertible bonds	10 292	2 585
Interest expense of loans and overdrafts	96 160	91 612
Interest expense of capitalized acquisition cost of tangible assets	-14 458	-13 411
Interest expense of capitalized acquisition cost of inventories	-4 875	-12 898
Loss from currency exchange	0	1 923
Other financial expense	2 280	6 641
Total	**89 399**	**76 452**

NOTE 24 INCOME TAX

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. Due to the difference in the income tax concept, the term "taxation base of assets and liabilities" has no economic meaning, and therefore deferred income tax liabilities and assets cannot be accounted for in accordance with IAS 12 "Income Taxes".

In accordance with income tax laws in Latvia, Lithuania, Italy, Germany, Russia and Ukraine, the applicable tax rates in these countries in year 2010 were 15%, 15%, 27.5%, 15%, 20% and 25% (2009: 15%, 20%, 27,5%, 15%, 20% and 25%) on taxable earnings respectively.

(Th. EEK)	31.12.2010	31.12.2009
Loss before income tax (consolidated)	-346 314	-389 306
Estimated income tax respective to the tax rates	-68 184	-47 790
Corrections of estimated income tax:		
Non-deductible expenses (+)	78 513	90 218
Non-taxable income and tax incentive	-49 368	-82 183
Deductions (-)	-2 921	-1 340
Reversal loss carry forward (+)	46 272	48 735
Income tax expenses	4 312	7 640
Deferred income tax expense (details as follows)	289	1 335
Deferred income tax returns (details as follows)	-1 270	-9 491
Effect on income statement	**3 331**	**-516**
Income tax paid (-)	**-5 133**	**-5 400**

Deferred income tax asset and liability (net) movements:

(Th. EEK)	Accelerated tax depreciation	Revaluation of investment property	Deferred tax losses	Total
31 December 2009	**20 552**	**5 560**	**-837**	**25 275**
Effect on income statement:	-83	-682	-216	-981
Income tax expense during the reporting period	0	0	289	289
Income tax reclaims during the reporting period	-83	-682	-505	-1 270
Exchange rate differences	-1	0	0	-1
31 December 2010	**20 468**	**4 878**	**-1 053**	**24 293**

Deferred income tax balances

(Th. EEK)	31.12.2010	31.12.2009
Deferred income tax liability (+)	24 798	25 275
Deferred income tax assets (-)	-505	0
Total	**24 293**	**25 275**

Contingent income tax

The Group's retained earnings as of 31 December 2010 constituted 26 366 Th. EEK (31.12.2009: 381 293 Th. EEK). The maximum possible amount of income tax liability, which could be handled as contingent liability and which could realize as a net dividend on the payout of all retained earnings, is 5 537 Th. EEK (31.12.2009: 80 072 Th. EEK). 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 the payout cannot exceed the retained earnings as of 31 December 2010.

The Ultimate Parent Company has potential opportunity (in case of retained earnings) to pay dividends that are not taxable with income tax in amount of 698 576 Th. EEK because the Ultimate Parent Company has received potentially payable dividends from its subsidiary Pro Kapital Latvia PJSC, who is the resident and taxable person in Republic of Latvia. The part of the profit related to payable dividends is taxed with income tax in Republic of Latvia. The maximum possible income tax free amount that could be considered as contingent asset and could be paid as net dividend is 185 698 Th. EEK (31.12.2009: 185 698 Th. EEK).

NOTE 25 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 01.01.2010 - 31.12.2010	(53 185 422 x 12/12) = 53 185 422
In period 01.01.2009 - 31.12.2009	(53 185 422 x 12/12) = 53 185 422

Net profit/loss per share (in EEK):

2010	-349 719 333 / 53 185 422 = -6.58
2009	-395 033 083 / 53 185 422 = -7.43

The convertible bonds (see Note 18) did not have a dilutive effect on earnings in 2010 and 2009, and therefore they have not been included in the calculation of the diluted net loss per share and the diluted loss per share equals the net loss per share indicator.

NOTE 26 SUBSEQUENT EVENTS

As of 1 January 2011 Estonian official currency is Euro, which changed the functional and presentation currency of the Group and Entities located in Estonia. The change in functional currency is effective for the next period. As of 1 January 2011 the Entities, which functional currency was changed from EEK to EUR, will convert all the accounting balances. Account balances as of 31 December 2010 will be converted to euros according to the currency rate of regulation of European Union Council with official currency rate 15.6466 EEK/EUR.

On 5 January 2011 Pro Kapital Latvia PJSC disposed in intergroup transaction 25% ownership (75% remained) in Pro Kapital Latvia subsidiary group entity Zvaigznes Centrs SIA to Pro Kapital Latvia subsidiary group entity SIA PK Investments. The intergroup purchase-sale transaction has no influence to the assets, liabilities and equity of the Group.

On 5 January 2011 Pro Kapital Latvia PJSC disposed in intergroup transaction 24.73% ownership (75.27% remained) in Pro Kapital Latvia subsidiary group entity Pasaules tirdzniecības centrs "Rīga" SIA to Pro Kapital Latvia subsidiary group entity SIA PK Investments. The intergroup purchase-sale transaction has no influence to the assets, liabilities and equity of the Group.

According to the decision of AS Pro Kapital Grupp shareholders' extraordinary meeting held on 13 April 2009 the Ultimate Parent Company's management offered for subscription 1 000 000 convertible bonds on 8 March 2011 (seventh subscription) with an issue price of 4.5 EUR (appr. 70.4 EEK) per each convertible bond issued. 111 111 convertible bonds were noted in seventh subscription for which the Ultimate Parent Company's received was 500 Th EUR (appr. 7.8 million EEK) in the beginning of the 2011. Issued convertible bonds were noted in Estonian Central Register of Securities on 25 May 2011.

On 17 March 2011, Kristiine Kaubanduskeskus AS, a subsidiary of AS Pro Kapital Eesti, signed a contract for selling of its shopping center in the amount of 105 000 Th. EUR (appr. 1 642 893 Th. EEK). According to the terms of contract the price could change in insignificant amount. The contract entered into force on 2 May 2011. As of 31 December 2010 the book value of the property investment, which is part of disposed operating activities, was 783 025 Th. EEK.

On 17 March 2011 AS Pro Kapital Grupp and AS Pro Kapital Eesti issued a guarantee letter to Kristiine Keskus OÜ of which they assure in solitary the monetary liabilities of Kristiine Kaubanduskeskus AS, entity belongs to Pro Kapital Eesti subsidiary group, to Kristiine Keskus OÜ in case Kristiine Kaubanduskeskus AS has violated the confirmations of the vendor in the contract of sales of the shopping center and according to the contract Kristiine Keskus OÜ can lodge to rise a claim with Kristiine Kaubanduskeskus AS for infracting the contractual confirmations. The guarantee is conditional and the guarantors are responsible in case Kristiine Kaubanduskeskus AS is not able to pay the claim. The guaranteed amount is 5 000 000 EUR (appr. 78.2 million EEK). The guarantee is effective for 18 months from the enforcement of the sales contract, i.e until 2 November 2012.

On 17 March 2011 AS Pro Kapital Grupp and AS Pro Kapital Eesti issued a guarantee letter to Kristiine Keskus OÜ, to assure solitary probable claims related to loan agreement concluded on 9 March 2004

between Kristiine Kaubanduskeskus AS and AS Pro Kapital Eesti. The maximum amount of the liability is the amount of potential claim. The guarantee is valid for 72 months from the enforcement of the sales contract, i.e until 2 May 2017.

On 18 April 2011 the sole shareholder of P.K. Sicily S.p.A, a subsidiary of AS Pro Kapital Grupp to cover the losses of the entity in amount of 3 642 771 EUR (appr. 57.0 million EEK) by decreasing the entity's share capital from 5 000 000 EUR (appr. 78.2 million EEK) to 1 357 229 EUR (appr. 21.2 million EEK) by cancelling 3 642 771 shares in nominal value of 1 EUR (15.6 EEK).

At the same time the equity was increased by share issue up to 5 000 000 EUR (appr. 78.2 million EEK), issuing 3 642 771 shares in nominal value of 1 EUR (appr. 15.6 EEK) per share. According to the decision the payments were made from the reserve contributed in 23 February 2011 by the sole shareholder.

On 2 May 2011 Kristiine Kaubakeskus AS, subsidiary of AS Pro Kapital Eesti, repaid all the bank loans in the amount of 63.4 million EUR (appt. 992.0 million EEK). The mortgages of granting the loans of Kristiine Kaubanduskeskus AS were removed.

NOTE 27 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are considered to be transactions with the higher level Ultimate Parent Company within the Group, 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.

In 2010

Intra-group transactions
The Group companies decided to provide each other with rent and management, accounting, marketing, and administration services. Such transactions amounted to 23.5 million EEK in 2010.

The intra-group loans are disclosed in Note 8. The interest income and expenses from intra-group loans amounted to 80.1 million EEK.

All intra-group transactions have been eliminated from the consolidated financial statements.

Transactions with shareholders
The subsidiaries of Pro Kapital Latvia group have given short-term loans to Svalbork Invest OÜ, the shareholder of the Parent company. As of 31 December 2010 there were loan receivables in the amount of 81.7 million EEK and interest receivables in the amount of 12.7 million EEK. Interest income from loans was in amount of 3.1 million EEK.

AS Pro Kapital Grupp transactions with Parent company's convertible bonds and balances as of 31 December 2010:

(th. EEK)

	Convertible bonds (Issue price)				
Shareholder of Parent company	31.12.2009	Purchase from Parent Company	Sale back to the Parent company	Purchase/sale (net) from others	31.12.2010
Anndare Ltd.	0	0	0	38 859	38 859
Svalbork Invest OÜ	6 127	0	-6 127	0	0
Eurofiduciaria S.r.l.	54 794	87 264	0	1 674	143 732

As of 31 December 2010 Anndare Ltd has made prepayment for convertible bonds to be issued by AS Pro Kapital Grupp in amount of 11 827 thousand kroons.

(th. EEK)

	Interest of convertible bonds				
Shareholder of Parent company	31.12.2009	calculated	paid	31.12.2010	Paid after balance sheet date
Anndare Ltd.	0	733	0	733	-733
Svalbork Invest OÜ	368	0	-368	0	0
Eurofiduciaria S.r.l.	1 482	6 775	-3 384	4 873	-4 873

During the accounting period AS Pro Kapital Grupp purchased from Eurofiducia S.r.l, the Parent company's shareholder, 6,76 % share in subsiaidary Immobiliare Novate S.p.A. with price 613 th. EUR (approximately 9 590 th. EEK) and obtained Eurofiduciaria S.r.l.'s claim to Immobiliare Novate S.p.A. in amount of 169 th. euro (approximately 2 651 th. EEK).

Transactions with management
In 2010, the salaries and bonuses paid to the concern's members of the Management Board and the executive managements amounted to 17.3 million EEK. No other transactions or provisions occurred with the members of the management.

As of 31 December 2010, Giuseppe Prevosti, the member of the Supervisory Council of AS Pro Kapital Grupp, and its related parties held 2.06%; Renato Bullani, member of the Supervisory Council AS Pro Kapital Grupp, held 0.25% of the shares of AS Pro Kapital Grupp; other members of the management did not hold the shares of AS Pro Kapital Grupp in significant quantities.

In 2009

Intra-group transactions
The Group companies provided each other with rent and management, accounting, marketing, and administration services. Such transactions amounted to 49.2 million EEK in 2009. The intra-group loans are disclosed in Note 8. The interest income and expenses from intra-group loans amounted to 87.8 million EEK.

All intra-group transactions have been eliminated from the consolidated financial statements.

Transactions with shareholders
The subsidiaries of Pro Kapital Latvia group have given short-term loans to Svalbork Invest OÜ, the shareholder of the Parent company. As of 31 December 2009 there were loan receivables in the amount of 82.0 million EEK and interest receivables in the amount of 9.6 million EEK. Interest income from loans was in amount of 3.4 million EEK.

AS Pro Kapital Grupp transactions with Parent Company's convertible bonds and balances as of 31 December 2009:

(th. EEK)

	Convertible bonds (issue price)				
Shareholder of Parent company	31.12.2008	Purchase from Parent Company	Sale back to the Parent company	Purchase/sale (net) from others	31.12.2009
Svalbork Invest OÜ	6 127	0	0	0	6 127
Eurofiduciaria S.r.l.	0	54 794	0	0	54 794

(th. EEK)

	Interests of convertible bonds				
Shareholder of Parent company	31.12.2008	calculated	paid	31.12.2009	Paid after balance sheet date
Svalbork Invest OÜ	368	368	-368	368	-368
Eurofiduciaria S.r.l.	0	1 482	0	1 482	-1 482

Transactions with management
In 2009, the salaries and bonuses paid to the concern's members of the Management Board and the executive managements amounted to 19.0 million EEK. No other transactions or provisions occurred with the members of the management.

As of 31 December 2009, the Supervisory Council, the Management Board and the executive managements of the AS Pro Kapital Grupp did not hold the shares of AS Pro Kapital Grupp in significant quantities.

Signed for identification purposes:
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NOTE 28 COLLATERALS AND PLEDGED ASSETS

Name of the pledge	Name of the beneficiary	Obligation amount as of 31.12.2010 (Th. EEK)	Collateral description	Owner of collateral	Type of asset	Book value of collateral as of 31.12.2010 (Th. EEK)
Kristiine Kaubanduskeskus AS	Swedbank	981 028	Kalaranna 1, Tallinn	Pro Kapital Eesti AS	Unfinished construction (inventories)	0
			Ülemiste road 5, Tallinn	Pro Kapital Eesti AS	Investment property	0
			Seebi 24a/ Tondi 53b, Tondi tn 49a, 51d, 51f, 53, 53a, 53c, 55b, 57, Tammsaare tee 56/58, Tallinn	Tondi Kvartal AS	Unfinished construction (inventories)	0
			Põhja avenue. 23, Tallinn	Ilmarise Kvartal OÜ	Land and buildings	0
			Peterburi road 2, Tallinn	Tallinna Moekombinaat AS	Investment property	0
			Endla 45,Tulika 35, 33a/37a and Kotkapoja 7, 9, 11, Tallinn	Kristiine Kaubanduskeskus AS	Investment property	0
Tondi Kvartal AS	Swedbank	18 582	Tondi 51, Tallinn	Tondi Kvartal AS	Finished construction (inventories)	0
			Guarantee contract	AS Pro Kapital Grupp	Entity's assets	0
Pro Kapital Eesti AS	Swedbank	64 019	Põhja avenue21a, 21b, 21 (703/6962), Tallinn	AS Pro Kapital Eesti	Land and buildings	0
			Põhja avenue 21 (6259/6962), Tallinn	Ilmarise Kvartal OÜ	Finished construction (inventories)	0
Investhotel SIA	Swedbank	91 414	Pulkveza Brieza Str. 11, Riia	Investhotel SIA	Land and buildings	0
					Other assets	0
			Guarantee contract	AS Pro Kapital Grupp	Entity's assets	0
PK Invest UAB	Swedbank	150 011	Aguonu str.10, Vilnius	PK Invest UAB	Finished construction (inventories)	0
					Unfinished construction (inventories)	0
			Guarantee contract	AS Pro Kapital Grupp	Entity's assets	0
Domina Vacanze S.p.A	Credito Artigiano Bank	24 369	Cianderils, Largo delle Poste 39, Cortina d'Ampezzo (BL)	Domina Vacanze S.p.A.	Land and buildings	0
	Meliorbanca	224 561	Via Priesnig 10, Tarvisio	Domina Vacanze S.p.A.	Unfinished construction (inventories)	0
			Via A. Maffei 1, Milan	Domina Vacanze S.p.A.	Land and buildings	0
Immobiliare Novate S.p.A.	Credito Artigiano Bank	236 964	Via Don Orione 18/20, Milan	Immobiliare Novate S.p.A.	Land and buildings	0
P.K. Sicily S.p.A.	Credito Siciliano S.p.A.	339 531	Resort Domina Home Zagarella, Santa Flavia, Palermo	P.K.Sicily S.p.A.	Unfinished construction (inventories)	0
			P.K.Sicily S.p.A. shares	AS Pro Kapital Grupp	Securities	0
			Guarantee contract	AS Pro Kapital Grupp	Entity's assets	0
Total		**2 130 479**				**0**

In addition to guarantee letters related to loans of the Group, AS Pro Kapital Grupp has issued guarantee letters as of balance sheet date 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 2 300 000 EUR (appr. 36.0 million EEK);
- To Swedbank to assure the potential liability of Klīversala RE SIA, an entity belonging to Pro Kapital Latvia subsidiary group for Swedbank in amount of 5 681 334 LVL (appr. 125.2 million EEK), as Swedbank 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".

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.

Business risk

The business risk of the Group depends on the development of the real estate markets in Baltic States, Italy and Russia, and on the development of the tourism sector in Europe as well as in Egypt.

The global financial crisis and the accompanying economic crisis in the recent years have been affecting negatively development of the real estate as well as tourism sector. Although at the end of 2009 the global economy showed some signs of economic growth, the positive impact of the real estate development sector is usually occurs with a delay.

Significant risk which would occur with the crisis, the decrease of the substantial purchasing capability of the permanent residence, the increase of the interest rates for mortgage loans and other factors which could decrease the demand for real estate and hotel services and have a negative impact to the Group operating activities, decreasing the sales and rent income as well the gain from development activities, property management services and operating hotels. Changes in financial markets could reduce the Group's business opportunities to involve foreign capital to finance business and to refinance existing financial liabilities.

In order to diversity the business risk, the Group has expanded its business activities into new areas with large development potential, it has continued to develop real estate projects in Sicily (Italy) and Russia.

Taking into consideration the capacity of the real estate projects and favorable position, it can be presumed, that the subsidiary groups are able to retain their position in the market.

The Group's Management believes it is not possible to reliably assess the effects of the ongoing economic crisis, however the management believes that all necessary measurement have been adopted to provide a sustainable development.

Interest risk

Main interest risk rises from long-term liabilities of the Group. In general the interest rates of loans raised by the entities belonging to Group are fixed through Euribor plus a risk margin (Notes 15 and 16). Interest risk appears from Euribor and the volatility of the average market interest rates which affect the Group's interest expenses. The minimum use of financial instruments is used to diversify the interest risk. According to Group's management estimate the expenses related to interest diversification (fixed interest rate) are exceeding the possible losses from the change of interest rate. The estimate based on the Group's financing strategy in the short-term. As of 31.12.2010 the interest bearing liabilities amounted to 47.0% (31.12.2009: 39.7%) from the total of Group capital structure.

Currency risk

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 predominantly in euro (Notes 15, 16 and 17) and majority of Group's income comes from euro based contracts, the Group's management estimates the currency risk to be unimportant and does not consider the usage of financial instruments for diversification proper.

Credit risk

The Credit risk expresses potential loss that occurs, when customers do not fulfill their contractual obligations to the Group. For mitigating the credit risk the payment discipline of the customers is consistently followed.

In general the sales of real estate are financed with clients' prepayments. In case of sales of the real estate under the installment, 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. It may sometimes happen that the ownership is transferred to the buyer but a mortgage is set in favor of the Group entity.

During the reporting period the deterioration of payment discipline of the customers has occurred related to rent of real estate, however the Group has not had to bear significant credit losses.

Based on the assumption of Group's management experience and the analysis of the economic environments' development trends, discounts are made to cover possible losses, if necessary.

According to the estimation of the Group's management the need for further grounding of credit risk resulted from above is minimal.

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 constantly monitors proportion of short-term liabilities and current assets. The Group's working capital has been positive: as of 31.12.2010 the current assets exceeded short-term liabilities by 2.1 times (31.12.2009: 4.3 times).

Group's financial liabilities according to the due date:

(Th. EEK)

			Repayment of liabilities				Repayment of liabilities		
	Note	**31.12.2010**	**within 1 year**	**2-5 years**	**over 5 years**	**Adjusted as of 31.12.2009**	**within 1 year**	**2-5 years**	**over 5 years**
Bank loans	15	2 175 949	1 264 116	837 003	74 830	1 943 904	158 743	1 698 982	86 179
Long-term loans	16	149 901	10 041	116 298	23 562	128 083	9 701	118 382	0
Finance lease liabilities	19	38 002	6 555	29 993	1 454	4 927	793	3 331	803
Convertible bonds	18	235 547	0	235 547	0	88 141	6 127	82 014	0
Trade payables		363 568	363 568	0	0	448 594	448 594	0	0
Other debt		534 523	146 805	387 718	0	407 521	78 711	328 810	0
Total		**3 497 490**	**1 791 085**	**1 606 559**	**99 846**	**3 021 170**	**702 669**	**2 231 519**	**86 982**

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, due to accounting policies used in Group.

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 foreign and equity capital for financing business activities and monitors percentage of equity of total assets in editing financial structure and in assessment of risk. As of 31.12.2010 the equity constitutes 33.3 % (31.12.2009: 40.5 %) of total assets.

For obtaining and improving capital structure the Group has possibility to regulate dividends payable, to return shareholders contributions to share capital, to issue new shares, or to sell assets to decrease liabilities.

NOTE 30 LAW SUITS

Parent company

On 27 May 2010 Aprisco B.V filed a case to Rotterdam court against AS Pro Kapital Grupp related to the issued guarantee letter of which AS Pro Kapital Grupp assures the rental liabilities of the Serval S.r.l arising from the rental agreement of the Rotterdam hotel, concluded on 4 August 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 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. Aprisco has filed alternative claims to the court. Firstly, Aprisco B.V claims the payment of caused loss in amount of 2 300 000 EUR (appr. 36.0 million EEK) or in the amount stated by the court. As an alternative claim, Aprisco B.V claims overdue rental payments in amount of 904 106 EUR (appr. 14.1 million EEK) with accumulated interest for default.

The Management Board of AS Pro Kapital Grupp does not recognize the claim and claims that the guarantee was given to Hotel Blijdorp B.V and not to Aprisco B.V and AS Pro Kapital Grupp was not informed for the transfer of the guarantee letter and therefore Aprisco B.V cannot file the claim related to the guarantee letter. The Management Board of AS Pro Kapital Grupp claims alternatively that according to the guarantee letter Aprisco B.V can claim only unpaid rental payments in amount of 524 000 EUR (appr. 8.2 million EEK), not the potential damage.

As of 31 December 2009 AS Pro Kapital Grupp had no ongoing legal proceedings.

Pro Kapital Latvia subsidiary group

As of 31 December 2010, the parent entity of Pro Kapital Latvia subsidiary group has no ongoing legal proceeding. A legal proceeding ended during the reporting period: it was related to the former employees claim against the entity in matter of the commission fees in total amount of 360 641 Latvian lats (appr. 7 952 th. EEK), and the entity added a claim against the annulment of the appendix of the employment agreement.

On 14 April 2008, the Riga city court called claim against the entity without any legal basis, and the court satisfied the counterclaim of the entity. Afterwards on 12 May 2008 the employee submitted the claim to appeal the decision of the Riga city court. On 29 January 2009, the court annulled the decision of the Riga city court, and dismissed the employee's claim against the entity as well as the entity's claim against the employee.

On 17 April 2009, both parties submitted the decision to cassation. Entity has asked the cancellation of decision made by district court and entity's claim for recognized the agreement appendix as void. Employee has asked the cancellation of decision made by the district court and that the aforementioned commissions to be paid out.

On 15 December 2010 the Supreme Court made a judgment not to proceed the cassation and circuit courts judgment entered in force. The judgment of the Supreme Court is not appealable.

As of 31 December 2010, the entity of Pro Kapital Latvia subsidiary group PK Investments SIA has one ongoing legal arbitration proceeding. On 31 July 2009, the entity submitted an application to Swedish Chamber of Commerce Court of Arbitration with claim against KanAM Grund Kapitalanlagegesellschaft mbH with content to pay 400 000 EUR (appr. 6 259 thousand EEK) and interest amounting to 27 930 EUR (appr. 437 thousand EEK) under the sale contract of Domina Shopping Centre, which KanAM Grund Kapitalanlagegesellschaft mbH held improperly.

In its response to Arbitration KanAM Grund Kapitalanlagegesellschaft mbH announced, that it does not recognize the claim and filed an appeal to Swedish Chamber of Commerce Court of Arbitration for arbitration proceeding against PK Investments SIA for compensation in amount of 8 000 Th. EUR (125 173 Th. EEK) with argument that entity has failed to improve the construction waste in Domina Shopping Centre.

According to the Swedish Chamber of Commerce Court of Arbitration judgment in 31 January 2011, PK Investments SIA has to compensate the caused damages and legal costs to KanAM Grund Kapitalanlagegesellschaft mbH in total amount of 3 800 Th. EUR (appr. 2 671 Th. LVL, i.e 58 878 Th. EEK) and in addition improve the defects of the construction. The possible cost of mentioned construction works is being clarified.

The aforementioned claim of PK Investments SIA against KanAM Grund Kapitalanlagegesellschaft mbH was not satisfied.

The Management Board of PK Investments SIA considers the claim to be unjustified and proceeding for the admission of the judgment of the Swedish Chamber of Commerce Court of Arbitration is in the process in the Riga city court.

PK Investments SIA is the third person included in the legal process in SIA Inexet Latvia claim against KanAM Grund Kapitalanlagegesellschaft mbH for compensation in amount of 150 Th. LVL (appr. 3 306 Th. EEK) because the repairment work made in Domina Shopping center disturbed the business operations and increased the profit of SIA Inexet Latvia. First instance court did not satisfy the claim of SIA Inexet Latvia. In case the proceeding continues and if the claim of SIA Inexet Latvia will be satisfied, there is a potential possibility that KanAM Grund Kapitalanlagegesellschaft mbH will file a claim against PK Investments SIA, who was the operator of the shopping centre and who organized the repairmen works.

The consolidated report of the Group as of 31 December 2010 consist of potential liabilities in amount of 2 671 Th. LVL (appr. 58 878 EEK) for executing the court ruling and for other potential claims in amount of 70 Th. LVL (appr. 1 543 Th. EEK).

As of 31 December 2009 Pro Kapital Latvia subsidiary group entities had two aforementioned ongoing legal proceedings.

Pro Kapital Vilnius subsidiary group

As of 31 December 2010, the entities of Pro Kapital Vilnius subsidiary group had one ongoing legal proceeding, related to termination of the preliminary contract of sale of real estate and return of the prepayment received from a client.

The Group management estimates that the unfinished law suit has no significant effect on the business operations of the Pro Kapital Vilnius subsidiary group companies.

As of 31 December 2009 Pro Kapital Vilnius subsidiary group had no ongoing legal proceedings.

Domina Vacanze subsidiary group

As of 31 December 2010, the entities of Domina Vacanze subsidiary group have 62 unfinished legal proceedings, 4 of which are related to monetary and non-monetary claims of former employees related to termination of the employment relationship, 25 are related to termination of the real estate preliminary sales contracts and the return of money, 6 of which are related to quality services provided by Domina Vacanze subsidiary group, 11 of which are related to unpaid invoices of Domina Vacanze subsidiary group entities for goods and services of law quality and 16 of which are related to client claims related to income received from the sub-lease of clients' timeshares by the Domina Vacanze subsidiary group.

The legal proceedings connected to the real estate are based on the client's request not to terminate the preliminary contract despite of the violation of the conditions by the client or to receive back the agreed payments that are not refundable based on the agreement conditions.

The consolidated Annual report of the group as of 31 December 2010 includes potential liabilities for satisfying possible claims in the amount of 427 th. EUR (appr. 6 681 th. EEK).

As of 31 December 2009, the entities of Domina Vacanze subsidiary group had 33 unfinished legal proceedings, 28 of which are related to termination of the real estate preliminary sales contracts and the return of money, and 5 are related to quality of the services provided by Domina Vacanze subsidiary group.

Serval subsidiary group

As of 31 December 2010, the entities of Serval subsidiary group had three unfinished legal proceedings, one of which are related to a former employee's monetary and non-monetary claims against the entity in relation to lay off of the employee, and two are related to claims of consultancy companies for services which are contracted, however the services have not been provided.

According to the Group management estimates, the above described unfinished law suits have no significant effect on the business operations of the Serval subsidiary group companies.

As of 31 December 2009, the entities of Serval subsidiary group have seven ongoing legal proceedings.

There was no other Court or Arbitration Court proceedings initiated that could significantly affect the business operations of the Group companies.

NOTE 31 FINANCIAL STATEMENTS OF THE ULTIMATE PARENT COMPANY

Balance Sheet

ASSETS

(Th. EEK)	31.12.2010	Adjusted 31.12.2009	01.01.2009
Current assets			
Cash and bank accounts	3 528	3 008	2 767
Accounts receivables			
Accounts receivable	1 486	0	0
Miscellaneous receivables			
Short-term receivables from the Group entities	96 738	86 815	49 738
Other short-term receivables	704	714	0
Total	97 442	87 529	49 738
Accrued income			
Interests	45	9	0
Prepaid expenses			
Prepaid taxes and reclaimable taxes	14	0	569
Prepaid expenses	36	33	3 041
Total	50	33	3 610
Total current assets	**102 551**	**90 579**	**56 115**
Non-current assets			
Long-term financial investments			
Shares in subsidiaries	2 137 460	2 104 649	2 030 105
Long-term receivables from the Group entities	1 078 812	938 331	848 179
Total	3 216 272	3 042 980	2 878 284
Tangible assets (net)	5	20	38
Total non-current assets	**3 216 277**	**3 043 000**	**2 878 322**
TOTAL ASSETS	**3 318 828**	**3 133 579**	**2 934 437**

LIABILITIES AND OWNER'S EQUITY

(Th. EEK)	31.12.2010	Adjusted 31.12.2009	01.01.2009
Current liabilities			
Short-term debt	11 827	6 127	0
Trade payables	125	167	175
Miscellaneous liabilities			
Payables to Group entities	142 980	119 958	822 246
Tax payables	0	122	394
Accrued expenses	7 584	2 841	552
Total current liabilities	**162 516**	**129 215**	**823 367**
Non-current liabilities			
Long-term debt	235 547	82 014	5 851
Other long-term liabilities			
Payables to Group entities	1 008 373	978 944	865 220
Long-term provisions	410	253	101
Total non-current liabilities	**1 244 330**	**1 061 211**	**871 172**
Total liabilities	**1 406 846**	**1 190 426**	**1 694 539**
Share capital in nominal value	531 854	531 854	531 854
Share premium	705 495	705 495	705 495
Reserves	45 966	45 966	46 242
Retained earnings / accumulated deficit	659 838	-43 693	20 971
Profit / loss for the financial year	-31 171	703 531	-64 664
Total owner's equity	**1 911 982**	**1 943 153**	**1 239 898**
TOTAL LIABILITIES AND OWNER'S EQUITY	**3 318 828**	**3 133 579**	**2 934 437**

Signed for identification purposes:
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Income Statement

(Th. EEK)	2010	2009
Operating income		
Revenue	5 529	5 907
Cost of goods and services sold	-43	-107
Gross profit	**5 486**	**5 800**
Marketing expenses	-9	-128
Administrative expenses	-18 755	-23 054
Other income	0	2
Other expense	-8	-11
Operating loss	**-13 286**	**-17 391**
Financial income and expense	-17 885	720 922
Financial income and expense from subsidiaries shares	0	738 839
Interest expense	-54 032	-57 567
Profit / loss from change in currency exchange rate	-15	6 962
Other financial income and expense	36 162	32 688
Profit / loss before income tax	**-31 171**	**703 531**
Income tax	0	0
Profit / loss for the financial year	**-31 171**	**703 531**

Statement of cash flows

(Th. EEK)	2010	2009
OPERATING ACTIVITIES		
Profit /loss for the financial year	-31 171	703 531
Adjustments:		
Depreciation of tangible assets	15	18
Interest income and expense (net)	17 870	24 879
Dividend income	0	-745 814
Change in provisions	157	152
Change in receivables and prepayments made	-2 543	4 708
Changes in payables and prepayments collected	-274	-202
Cash flow used in operating activities	**-15 946**	**-12 728**
INVESTING ACTIVITIES		
Increase of share capital or acquisition of subsidiaries	-9 590	-19 558
Loans granted	-143 783	-95 194
Repayments of loans granted	30 120	16 820
Interest received	2 233	2 398
Interest paid	-20 219	-3 627
Cash flows used in investing activities	**-141 239**	**-99 161**
FINANCING ACTIVITIES		
Loans raised	173 105	130 103
Repayments of loans raised	-15 400	-17 973
Cash flows from financing activities	**157 705**	**112 130**
Net change in cash	**520**	**241**
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	**3 008**	**2 767**
CASH AT THE END OF THE FINANCIAL YEAR	**3 528**	**3 008**

Signed for identification purposes:
AS Deloitte Audit Eesti

Statement of changes in equity

(Th. EEK)	Share capital	Share premium	Reserves	Retained earnings / accumulated deficit	Profit / loss for the financial year	Total
Balance as of 31 December 2008	**531 854**	**705 495**	**46 242**	**20 971**	**-64 664**	**1 239 898**
Cost of subsidiaries shares	X	X	X	X	X	-2 030 104
Book value of the shares in subsidiaries calculated based on equity method	X	X	X	X	X	2 847 497
Adjusted unconsolidated equity 31 December 2008	**X**	**X**	**X**	**X**	**X**	**2 057 291**
Change in the convertible bonds reserve	0	0	7 918	0	0	7 918
Allocation of net loss	0	0	0	-64 664	64 664	0
Result of the financial year	0	0	0	0	703 531	703 531
Balance as of 31 December 2009	**531 854**	**705 495**	**54 160**	**-43 693**	**703 531**	**1 951 347**
Adjustment (change in convertible security reserve)			-8 194			-8 194
Adjusted balance as of 31 December 2009	**531 854**	**705 495**	**45 966**	**-43 693**	**703 531**	**1 943 153**
Cost of subsidiaries shares	X	X	X	X	X	-2 104 649
Book value of the shares in subsidiaries calculated based on equity method	X	X	X	X	X	1 817 029
Adjusted unconsolidated equity 31 December 2009	**X**	**X**	**X**	**X**	**X**	**1 655 533**
Allocation of net loss	0	0	0	703 531	-703 531	0
Result of the financial year	0	0	0	0	-31 171	-31 171
Balance as of 31 December 2010	**531 854**	**705 495**	**45 966**	**659 838**	**-31 171**	**1 911 982**
Cost of subsidiaries shares	X	X	X	X	X	-2 137 460
Book value of the shares in subsidiaries calculated based on equity method	X	X	X	X	X	1 517 055
Adjusted unconsolidated equity 31 December 2010	**X**	**X**	**X**	**X**	**X**	**1 291 577**

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INDEPENDENT SWORN AUDITOR'S REPORT

To the shareholder of AS Pro Kapital Grupp:

We have audited the accompanying consolidated annual accounts (page 9 to 68) of AS Pro Kapital Grupp (hereinafter referred to as "the Parent") and subsidiaries (hereinafter together referred to as "the Group"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Annual Accounts

The Management Board of the Parent is responsible for the preparation and fair presentation of these consolidated annual accounts in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted by European Commission, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated annual account that are free from material misstatement, whether due to fraud or error.

Sworn Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the sworn auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the sworn auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated annual accounts.

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

Basis for Qualified Opinion on Consolidated Financial Statements

The Group has consolidated a subsidiary Multiservice S.r.l.. We were unable to obtain sufficient appropriate audit evidence for consolidated other income in amount of 31 052 933 Estonian kroons and consolidated other expenses in amount of 30 601 965 Estonian kroons arising from the aforementioned subsidiary.

Basis for Qualified Opinion on Financial Position of the Parent

Our audit was conducted for the purpose of forming an opinion on the consolidated annual accounts of the Group. The Estonian Accounting Act requires the disclosure of separate financial statements of the ultimate parent company as an integral part of such consolidated annual accounts. As of 31 December 2010 the unconsolidated balance sheet of the Parent, which is disclosed in Note 31 in the consolidated annual accounts, comprises financial investments into subsidiaries at their cost value 2 137 460 thousand Estonian kroons. According to IAS 36 "Impairment of Assets", the management of the entity shall assess at each reporting date whether there is any indication that entity's assets may be impaired; if such an indication exists, the management shall estimate the recoverable amount of the asset. As of 31 December 2010 the parent company has not performed the impairment test on the described financial investments.

Qualified Opinion

In our opinion, except for the potential effects of the matters referred to in the preceding paragraphs, the consolidated annual accounts present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted by European Commission.

28 June 2011

Veiko Hintsov
Sworn auditor No 328
Deloitte Audit Eesti AS
License No 27

PROPOSAL FOR COVERING LOSS

The Management Board of AS Pro Kapital Grupp proposes to cover the loss for the year 2010 in the amount of 349 719 333 EEK from prior years retained earnings.

31 May 2011

Paolo Vittorio Michelozzi
Member of the Management Board

REVENUE ALLOCATION BY THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES (EMTAK 2008)

The Ultimate Parent Company's revenue for the reporting period is allocated by the fields of activities according to the Estonian Classification of Economic Activities 2008 as follows:

	2010 (Th. EEK)
Activities of head offices (EMTAK 70101)	5 529
Total	**5 529**

AS PRO KAPITAL GRUPP

Consolidated Financial Statements
for the Year Ended 31 December 2009

Parent company of the Group	**AS Pro Kapital Grupp**
Beginning of the financial year End of the financial year	1 January 2009 31 December 2009
Registration code	10278802
Address	21 Põhja avenue 10414 Tallinn
Telephone Facsimile E-mail	+372 6 144 920 +372 6 144 929 prokapital@prokapital.ee
Fields of activity	Activities of holding companies (EMTAK 6420) Buying and selling of own real estate (EMTAK 6810) Renting and operating of own or leased real estate (EMTAK 6820) Management of real estate on a fee or contract basis (EMTAK 6832)
Auditors	AS Deloitte Audit Eesti
Date of preparation of the financial statements	31 May 2010
Documents enclosed with the annual report	Independent sworn auditor's report Proposal fpr covering loss Revenue allocation by Estonian Classification of Economic Activities 2008

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AS Pro Kapital Grupp (hereinafter also referred to as "the Ultimate Parent Company") 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), Italy (Domina Vacanze S.p.A., Domina Hotel Group S.p.A.), Russia (Pro Kapital Rus OOO), Ukraine (Pro Kapital Ukraine 3AT), and other subsidiaries not belonging into aforementioned subsidiary groups in Italy (P.K. Sicily S.p.A., Immobiliare Novate S.p.A.) and Germany (Pro Kapital Germany GmbH) (hereinafter also referred to as „the Group"). The Ultimate Parent Company's 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.

The Group's business strategy in the Baltic States, Russia, Ukraine, and Germany is to invest into real estate properties in locations with substantial development potential, to develop them according to market demand and realize the investment. In addition to the main activities, the Group also offers real estate development and maintenance service to third parties. The Group is primarily focused on establishment of shopping centres, hotels and modern, integrated residential areas, through which the development of living environment and infrastructure of corresponding countries is also supported.

The Group's business strategy in Italy is focused on development of hotel real estate, sales of hotel suites and villas, and hotels' management in Italy, Germany, Estonia, and Latvia.

The deterioration in the global economic situation in recent years, has had the most negative impact on the Group's enities involved in hotel management. Consequently, the Group's management has decided to focus primarly in this area on Group-owned hotel management and minimize third-party owned hotel management.

In 2009 on average 659 full-time employees were engaged in the Group (2008: 646). Total salaries and wages amounted to 346.9 million EEK (2008: 318.7 million EEK), including payments to the members of the Group entities' Management Boards and local managements as salaries and bonuses in the amount of 19.0 million EEK (2008: 20.7 million EEK).

The most significant events of the financial year in the Group were as follows:

The Ultimate Parent Company

On 13 April 2009, AS Pro Kapital Grupp shareholders' extraordinary meeting decided to issue up to 10 000 000 convertible bonds of the Ultimate Parent Company in nominal value of 10 EEK for bond, and increase conditionally the Ultimate Parent Company's share capital by up to 10 000 000 shares in nominal value of 10 EEK per share in order to exchange convertible bonds for shares of the Ultimate Parent Company. The bonds shall be offered for subscription until 1 January 2012. Management of the Ultimate Parent Company has the right to offer the above mentioned number of convertible bonds under several subscription periods. The offers of bonds must be carried out so that offers would neither jointly nor separately be deemed as public offering of securities under the terms of the directive 2003/71/EC and applicable laws. The issue price of convertible bond in each separate subscription period is determined by management of the Ultimate Parent Company, but it shall not be less tham 4 EUR (appr. 62.6 EEK) per convertible bond. Convertible bonds can be subscribed for in quantity so that the total sum payable based on the issue price is not less than 50 000 EUR (appr. 782.3 th. EEK). The interest rate of convetible bond is 7% per annum from its issue price.

Convertible bond can be exchanged for share of the Ultimate Parent Company on 31.12.2010, 31.12.2011 and 31.12.2012.

The Ultimate Parent Company's shareholders' pre-emptive right to submit for the convertible bonds and shares issued upon convension of these bonds is excluded with decision.

On 24 April 2009, the conditional increase of the Ultimate Parent Company's share capital was registered in the Commercial Register.

In accordance with the above-mentioned decision of extraordinary meeting of shareholders, the Ultimate Parent Company's management offered for subscription 3 000 000 convertible bonds on 7 May 2009 and 1 000 000 convertible bonds on 24 September 2009, with an issue price of 4.5 EUR (appr. 70.4 EEK) per convertible bond. In the first subscription period 1 164 807 convertible bonds were subscribed, for which the Ultimate Parent Company received 5 242 thousand EUR (appr. 82.0 million EEK) in the reporting period. On 13 August 2009, the issued convertible bonds were registered in the Estonian Central Register of Securities. In the second subscription period 382 304 convertible bonds were subscribed, for which the Ultimate Parent Comapny received 1 720 thousand EUR (appr. 26.9 million EEK) in January 2010. The issued convertible bonds were represented in the Estonian Central Register of Securites on 20 January 2010.

On 6 July 2009, shareholders' meeting of Domina Hotel Group S.p.A., a subsidiary of AS Pro Kapital Grupp, decided to decrease the entity's share capital by cancellation of shares to cover losses from 10 100 000 EUR (appr. 158.0 million EEK) to 864 519 EUR (appr. 13.5 million EEK), by cancelling 9 235 481 shares with nominal value of 1 EUR (appr. 15.6 EEK). At the same time it was decided to increase the entity's share capital by targeted emission up to 10 100 000 EUR (appr. 158.0 million EEK) by issuing 9 235 481 shares with nominal value of 1 EUR (appr. 15.6 EEK) per share.

In total, 4 773 513 shares were subscribed, so the amount of entity share capital after emission is 5 638 032 EUR (appr. 88.2 million EEK). According to the decision, monetary and non-monetary contributions were made by 30 November 2009.

Domina Vacanze subsidiary group

On 29 January 2009, the liquidation process of Domina Vacanze S.p.A. subsidiary Domina Incentive S.r.l. was completed.

On 3 March 2009, the liquidation process of Domina Vacanze S.p.A. subsidiary Domina Swiss Sagl was completed.

On 29 June 2009, Domina Vacanze S.p.A. and its subsidiary Palumbalza Residence S.r.l. concluded a merger agreement under which the acquiring entity is Domina Vacanze S.p.A. and the entity being acquired was Palumbalza Residence S.r.l. As of the balance sheet date the merger process has been finalised.

On 2 December 2009, Domina Vacanze S.p.A. and Credito Artigiano Bank signed a loan agreement with credit limit 1 600 thousand EUR (appr. 25 035 thousand EEK), with interest rate of 3 months Euribor + 2.25% per annum and due date on 30 January 2013. The loan will be used for the renovation of the hotel building situated in Italy, Cortina d'Ampezzo.

During the reporting period, an agreement between Domina Vacanze S.p.A. and Deutsche Bank was signed, according to which customers, who have signed timeshare purchase agreement with Domina Vacanze S.p.A., are able to get a loan from Deutsche Bank to pay for the above-mentioned purchase. The Management of Domina Vacanze believes this possibility will excite widespread interest among the customers and affects positively the process of selling timeshare.

The liquidation proceedings initiateded by Domina Vacanze S.p.A. before the financial period for the subsidiaries Domina Vacanze GmbH, Prima Classe S.r.l. and Domina Health & Beauty S.r.l. were not concluded as of the balance sheet date.

Domina Hotel Group subsidiary group

On 21 July 2009, Domina Management Sp. z.o.o., a subsidiary of Domina Management AS (a subsidiary of Domina Hotel Group S.p.A.) ended business as hotel operation in hotel "Domina Prestige" located in Poznan in Poland as the result did not meet the objectives proposed.

On 24 September 2009, Domina Management AS, a subsidiary of Domina Hotel Group S.p.A., sold the 100% ownership of Domina Management UAB to Pro Kapital Vilnius Real Estate UAB. The intra-group purchase-sale transaction had no effect on the Group's assets, liabilities and equity.

On 31 October 2009, Domina Hotel Hungary KFT, as subsidiary of Domina Hotel Group S.p.A., ended business as hotel operator in hotel "Domina Inn Fiesta" located in Budapest in Hungary as the result did not meet the objectives proposed.

Domina Tunisie S.A., a subsidiary of Domina Hotel Group S.p.A., ended the activity in 2007, but as of the balance sheet date the liquidation process has not been started due to the value-added tax was still not refunded by the goverment.

Pro Kapital Eesti subsidiary group

On 16 January 2009, AS Tondi Kvartal, a subsidiary of AS Pro Kapital Eesti, and AS Swedbank signed a loan agreement with credit limit 2 129 thousand EUR (appr. 33 312 thousand EEK), with interest rate of 6 months Euribor + 2.75% per annum and maturity date on 16 January 2010. The loan will be used to refinance previously taken overdraft.

On 5 February 2009, AS Pro Kapital Eesti sold the 3.99% ownership of AS Tallinna Moekombinaat, with sale price of 10 953 thousand EEK, retaining 96.01% ownership,. Profit from the disposal of investment in subsidiary constituted 9 940 thousand EEK in total.

On 23 April 2009, AS Kristiine Kaubanduskeskus, a subsidiary of AS Pro Kapital Eesti, and AS Swedbank signed a loan agreement with credit limit 59 121 thousand EUR (appr. 925 000 thousand EEK), with interest rate of 6 months Euribor + 3.5% per annum and maturity date on 23 April 2014. All previous loan debt from AS Swedbank in total amount of 45 700 thousand EUR (appr. 715 000 thousand EEK) was refinanced by new credit limit. The free loan limit will be used in financing the expansion of the trade centre owned by AS Kristiine Kaubanduskeskus.

On 28 May 2009, AS Tondi Kvartal and OÜ Neotrust, subsidiaries of AS Pro Kapital Eesti, concluded a merger agreement under which the acquiring entity was AS Tondi Kvartal and the entity being acquired was OÜ Neotrust. As a result of the merger, Neotrust OÜ was liquidated, and AS Tondi Kvartal is its legal successor. The merger was registered in Commercial Register on 12 August 2009.

Pro Kapital Latvia subsidiary group

In 2009, Pro Kapital subsidiary group in Latvia continued the development and management of existing real estate projects.

During the reporting period, Neotrust OÜ was liquidated, which legally belonged to the subsidiary group of Pro Kapital Eesti, but in the consolidated financial statements recorded until the end of 2008 in the subsidiary group of Pro Kapital Latvia. As assets of Neotrust OÜ consisted of financial investments into shares of Pasaules tirdzniecības centrs "Rīga" SIA located in Republic of Latvia and liabilities consisted of debt to Pro Kapital Latvia PJSC, therefore the intra-group purchase transaction was made before liquidation by eliminating the financial investment from balance sheet of Neotrust OÜ from Pro Kapital Eesti AS to Pro Kapital Latvia PJSC. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities and equity.

On 12 January 2009, Pro Kapital Latvia PJSC decided to end the activity of subsidiary Kugu Real Estate SIA and start with liquidation process. As of the balance sheet date, the liquidation process has not been finalized.

On 20 July 2009, liquidation process of A-Centrs SIA, a subsidiary of Pro Kapital Latvia PJSC, was started. Decision to end the activity and to start with liquidation process was made by shareholders's meeting of A-Centrs SIA on 29 August 2008. As of the balance sheet date, the liquidation process has not been finalized.

SIA PK Investments, an entity belonging to the Pro Kapital Latvia subsidiary group, continued operational activities as a operator of the Domina Shopping Centre, which was sold by the entity in 2007.

Nekustamo īpašumu sabiedrība Prokurs SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued the sale of renovated apartments in situated Riga, Kugu 26. As of the end of 2009, 6 apartments were not sold, 2 apartments of which were rented out.

Klīversala RE SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued to develop the Trijādības region in Riga. In 2009, the entity was working on the detailed plan of the project, due to the low activities level of real estate market, it was decided not to start with construction works. It is planned to build 86 500 m^2 of dwelling areas and 67 200 m^2 of commercial areas at a total amount of 180 million EUR (appr. 2.8 billion EEK) onto the 56 000 m^2 territory.

Zvaigznes Centrs SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued developing the Brīvības region in Riga. In 2009, the entity was working on the detailed plan of the project, due to the low activity level of real estate market, it was decided not to start with construction works. On the entity owned territory it is planned to renovate 4 600 m^2 of dwelling areas and 1 689 m^2 of commercial areas at a total amount of 6 million EUR (appr. 93.9 million EEK).

Tallina Nekustamie Īpašumi SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued developing the downtown area in Riga, a building permit is scheduled to be received in 2011 after which the construction can begin. On the entity owned territory it is planned to renovate 18 000 m^2 of dwelling and commercial areas.

Pro Kapital Vilnius subsidiary group

In 2009, Pro Kapital subsidiary group in Lithuania continued the development, sale and management of existing real estate projects.

PK Invest UAB, an entity belonging to the Pro Kapital Vilnius subsidiary group continued developing the registered real estate in Aguonu, at the border of the old town of Vilnius. As the first stage of the project, the 16 000 m^2 of commercial and dwelling areas were finished in 2009 with the cost of 25.4 million EUR (appr. 397 million EEK). In the second stage of the project the 13 000 m^2 of commercial and dwelling areas will be finished in 2010.

On 24 September 2009, Pro Kapital Vilnius Real Estate UAB acquired as an intra-group transaction 100% ownership in Domina Management UAB, a subsidiary of Domina Management AS (a subsidiary of Domina Hotel Group S.p.A.). The new activity of the entity, which previously engaged in the operation of the hotel business, is real estate management and administration. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities, and equity.

On 9 December 2009, a loan agreement appendix between PK Invest UAB, a subsidiary of Pro Kapital Vilnius Real Estate UAB, and AB Swedbankas was signed, according to which the credit limit set with the agreement dated on 7 June 2008 was decreased from 20 953 thousand EUR (appr. 327 843 thousand EEK) to 17 380 thousand EUR (appr. 271 938 thousand EEK), with the interest rate of 6 months Euribor + 4.4% per annum. To secrue the loan, a mortgage has been set to the property in Vilnius, Aguonu 10.

Pro Kapital Rus subsidiary group

In 2009, Pro Kapital subsidiary group in Russia continued the development the hotel project in Saint Petersbourg.

On 13 April 2009, Pro Kapital Rus OOO establisshed a subsidiary Domina Rus OOO with the share capital of 10 thousand RUB (appr. 4 thousand EEK). The entity will be dealling with sale of real estate owned by Domina Vacanze subsidiary group in Russia. In 2009, the real estate purchase-sales agreements were not concluded.

On 3 August 2009, extraordinary shareholders' meeting of Dom na Moike OOO, a subsidiary of Pro Kapital Rus OOO, decided to increase the entity's share capital from 90 000 thousand RUB (appr. 32 259 thousand EEK) to 230 000 thousand RUB (appr. 82 439 thousand EEK). According to the decision, the monetary payment in amount the of 18 200 thousand RUB and non-monetary payment in the amount of 71 800 thousand RUB was made for the shares, with the shareholders' claim against the entity.

Pro Kapital Ukraine subsidiary group

As a consequence of global economic recession, Pro Kapital Ukraine 3AT and its subsidiaries PK-1 TOB, PK-2 TOB and PK-3 TOB which were acquired in 2007, did not start real estate development in Ukraine in 2009.

P.K. Sicily S.p.A.

In 2009, P.K. Sicily S.p.A. continued the renovation of toursim and hotel complex named „Zagarella & Sea Palace" in Italy, Sicily. According to the preliminary project, renovation of the hotel complex located on the territory of 28 000 m^2 and containing of 24 000 m^2 of hotel areas, will be completed in stages. As of the end of the reporting period, appr. 60% of the hotel areas were renovated. Selling the hotel property has also began, precontracts are concluded in the amount of 7 633 thousand EUR (appr. 119 430 thousand EEK). Partially renovated hotel will be open to clients in June 2010.

During the financial year, the credit limit by Credito Siciliano S.p.A. was increased from 5 000 thousand EUR (appr. 78 233 thousand EEK) to 13 000 thousand EUR (appr. 203 406 thousand EEK) to develop the hotel.

Pro Kapital Germany GmbH

In 2009, Pro Kapital Germany GmbH continued to rent the hotel named "Kurhaus & Conference Park" located in Germany, Bad Kreuznach to Domina Tourismus GmbH, a subsidiary of Domina Hotel Group S.p.A.

Immobiliare Novate S.p.A.

Immobiliare Novate S.p.A. finalized the construction of 194-room hotel Domina Inn Milano Fiera near the Milan exhibition centre, and started the hotel operation on 7 April 2009.

On 10 January 2009, Immobiliare Novate S.p.A. and Credito Artigiano Bank signed a loan agreement with credit limit of 5 000 thousand EUR (appr. 78 233 thousand EEK), with interest the rate of 3 months Euribor + 1.5% per annum and due date on 31 March 2019. The loan will be used for the development of entity-owned hotel complex.

....
Paolo Vittorio Michelozzi

AS Pro Kapital Grupp
Chairman of the Management Board

Signed for identification purposes:

AS Deloitte Audit Eesti

MANAGEMENT BOARD DECLARATION

The Management Board is declaring its responsibility for the fair and complete preparation of the consolidated annual accounts of AS Pro Kapital Grupp, presented on pages 8 to 64.

The Management Board declares that:

1. The principles used for consolidated financial statements are in accordance with the Estonian Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Commission;
2. The consolidated financial statements present a true and fair view of the assets, liabilities, financial position, economic performance and cash flows of the Group as a whole;
3. The entities belonging to the Group carry their activities as a going concern, except, for those entities under liquidation.

Name	Position	Signature	Date
Paolo Vittorio Michelozzi	Chairman of the Board		31.05.2010
Allan Remmelkoor	Member of the Board		31.05.2010

Signed for identification purposes:

AS Deloitte Audit Eesti

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2009

ASSETS (Th. EEK)	Notes	31.12.2009	31.12.2008
Current assets			
Cash and bank accounts	2	110 145	129 978
Shares and securities	7	146	11
Receivables			
Trade receivables		311 276	317 619
Miscellaneous receivables		182 200	192 098
Accrued income		12 229	11 269
Prepaid expenses		300 004	302 770
incl. Prepaid taxes and taxes reclaimable		210 597	237 071
Inventories	3		
Property held for sale		2 451 442	2 319 349
Other inventories		196 960	109 693
Total		2 648 402	2 429 042
Total current assets		**3 564 402**	**3 382 787**
Non-current assets			
Long-term financial investments			
Shares and securities	7	37 288	66 394
Miscellaneous long-term receivables	9	69 857	103 703
Total		107 145	170 097
Deferred income tax assets	25	0	1 712
Tangible assets	10	1 099 947	1 061 249
Investment property	12	597 817	568 921
Intangible assets	11	33 555	32 689
Total non-current assets		**1 838 464**	**1 834 668**
TOTAL ASSETS		**5 402 866**	**5 217 455**

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

Signed for identification purposes:
AS Deloitte Audit Eesti

AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2009

LIABILITIES AND EQUITY

(Th. EEK)	Notes	31.12.2009	31.12.2008
Current liabilities			
Debt	13	186 747	688 612
Client prepayments		132 996	163 612
Trade payables		448 594	403 740
Taxes payable		24 132	22 008
Accrued expenses		32 621	26 201
Short-term provisions	14	10 575	5 557
Prepaid income		2 153	10 978
Total current liabilities		**837 818**	**1 320 708**
Non-current liabilities			
Long-term debt	14	1 981 497	1 102 280
Other long-term liabilities	14, 17	328 810	141 137
Deferred income tax liability	14, 25	25 275	35 150
Long-term provisions	14	30 736	30 083
Total non-current liabilities		**2 366 318**	**1 308 650**
Total liabilities		**3 204 136**	**2 629 358**
Equity attributable to equity holders of the parent			
Share capital in nominal value	21	531 854	531 854
Share premium		705 495	705 495
Reserves	21	54 160	46 447
Retained earnings		776 326	907 425
Foreign currency differences		-9 075	-2 626
Loss for the financial year		-395 033	-131 304
Total equity attributable to equity holders of the parent		**1 663 727**	**2 057 291**
Minority interest	20	**535 003**	**530 806**
Total equity		**2 198 730**	**2 588 097**
TOTAL LIABILITIES AND EQUITY		**5 402 866**	**5 217 455**

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

Signed for identification purposes:
AS Deloitte Audit Eesti

AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 2009

(Th. EEK)	Notes	2009	2008
Operating income			
Revenue	22	1 014 706	1 341 131
Cost of goods sold	23	940 061	980 899
Gross profit		**74 645**	**360 232**
Marketing expenses	23	103 180	86 049
Administrative expenses	23	276 683	296 299
Other income	22	49 943	147 103
Other expenses		75 546	95 392
Operating profit (loss)		**-330 821**	**29 595**
Financial income	24	17 967	32 706
Financial expense	24	76 452	129 099
Loss before income tax		**-389 306**	**-66 798**
Income tax	25	516	-22 509
Loss for the financial year		**-388 790**	**-89 307**
Net loss attributable to:			
Equity holders of the parent		-395 033	-131 304
Minority interest		6 243	41 997
Other comprehensive profit (loss)			
Profit (loss) for retranslation of foreign currency		-5 702	1 249
Comprehensive loss for the financial year		**-394 492**	**-88 058**
Comprehensive loss attributable to:			
Equity holders of the parent		-401 482	-124 457
Minority interest		6 990	36 399
Share profit (loss) calculated by equity holders of the parent from net loss for the financial year:	26		
Net loss per share (in EEK)		-7,43	-2,47
Diluted net loss per share (in EEK)		-7,43	-2,47

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

Signed for identification purposes:

AS Deloitte Audit Eesti

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 2009

(Th. EEK)	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the financial year		-388 790	-89 307
Adjustments:			
Depreciation of tangible assets	10	37 910	36 155
Depreciation of investment property	12	14 447	14 369
Amortization of intangible assets	11	3 772	3 659
Profit / loss from disposal of ownership in subsidiary (net amounts)	5, 24	-9 940	-7 669
Profit / loss from disposal of tangible assets	10, 11	-5 290	361
Profit / loss from disposal / liquidation of short-term financial investments	7	0	3
Impairment loss of short-term investments	7	0	583
Impairment loss of long-term investments	7	0	2 020
Impairment loss of tangible assets	11	3	13 042
Interest income / expenses (net amounts)	24	59 898	49 652
Change in deferred tax assets	25	1 712	1 238
Change in deferred tax liabilities	25	-9 875	3 760
Change in provisions	14	5 671	17 832
Changes in foreign currency rates		300	30 643
Other non-monetary changes (net amounts)	2	203 715	-97 759
Change in trade receivables and prepayments		21 451	283 306
Inventory and tangible assets held for sale		-179 797	-216 842
Change in liabilities and prepayments collected		-8 559	-1 154
Income tax reclaimed	25	0	1 957
Income tax paid	25	-5 400	-236 038
Total cash flows used in operating activities		**-258 772**	**-190 189**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flow from disposal of subsidiaries	5	10 953	14 782
Acquistion of tangible assets	10, 11, 12, 22	-152 601	-344 062
incl. Acquistion of assets held under finance lease	10	1 616	5 872
Disposal of tangible assets	10	10 095	11 817
Long-term loans granted		-1 696	-44 698
Long-term loans returned		16 252	47 752
Acquistion of short-term financial invetments	7	-135	-591
Disposal / liquidation of short-term financial investments	7	0	1
Acquistion of long-term financial investments	7	-726	-26 087
Disposal of long-term financial investments	7	29 832	0
Interest received		4 586	32 390
Total cash flows used in investing activities		**-81 824**	**-302 824**

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AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 2009

(Th. EEK)	Notes	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Received from issue of convertible bonds	18	82 014	0
Long-term loans raised		464 493	925 760
Repayment of long-term loans		-142 917	-110 978
Financial lease principal paid	19	-773	-2 033
Investments made by minority shareholder into subsidiaries (net amounts)		-3 809	-429 453
Interests paid		-78 245	-84 274
Total cash flows from financing activities		**320 763**	**299 022**
Net change in cash		**-19 833**	**-193 991**
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		**129 978**	**323 969**
CASH AT THE END OF THE FINANCIAL YEAR		**110 145**	**129 978**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 2009

(Th. EEK)	Notes	No of shares (pcs)	Nominal value of share (EEK)	Attributable to equity holders of the parent: Share capital	Share premium	Reserves	Retained earnings	Foreign currency differences	Total	Minority interest	Total equity
31 December 2007		**53 185 422**	**10**	**531 854**	**705 495**	**6 532**	**947 589**	**-9 473**	**2 181 997**	**924 161**	**3 106 158**
Increase in statutory legal reserves				0	0	40 164	-40 164	0	0	0	**0**
Change in reserve of convertible bonds	18,21			0	0	-249	0	0	-249	0	**-249**
Increase of share capital in subsidiaries				0	0	0	0	0	0	165	**165**
Decrease of share capital in subsidiaries				0	0	0	0	0	0	-1 365	**-1 365**
Changes in minority interest due to changes in parent company's participation	5			0	0	0	0	0	0	-301	**-301**
Change in minority interest due to the declaration of dividends in subsidiaries				0	0	0	0	0	0	-428 253	**-428 253**
Comprehensive loss for the financial year				0	0	0	-131 304	6 847	-124 457	36 399	**-88 058**
31 December 2008		**53 185 422**	**10**	**531 854**	**705 495**	**46 447**	**776 121**	**-2 626**	**2 057 291**	**530 806**	**2 588 097**
Change in other reserves				0	0	-205	205	0	0	0	**0**
Change in reserve of convertible bonds	18,21			0	0	7 918	0	0	7 918	0	**7 918**
Increase of share capital in subsidiaries				0	0	0	0	0	0	15 951	**15 951**
Decrease of share capital in subsidiaries				0	0	0	0	0	0	-40	**-40**
Changes in minority interest due to changes in parent company's participation	5			0	0	0	0	0	0	1 016	**1 016**
Changes in minority interest due to liquidation of subsidiary				0	0	0	0	0	0	242	**242**
Change in minority interest due to the declaration of dividends in subsidiaries				0	0	0	0	0	0	-19 962	**-19 962**
Comprehensive loss for the financial year				0	0	0	-395 033	-6 449	-401 482	6 990	**-394 492**
31 December 2009		**53 185 422**	**10**	**531 854**	**705 495**	**54 160**	**381 293**	**-9 075**	**1 663 727**	**535 003**	**2 198 730**

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

NOTE 1. ACCOUNTING POLICIES

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 consolidated financial statements as of 31 December 2009 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").
As of 31 December 2009, the Group consisted of 48 entities, ten of which are direct subsidiaries of the Ultimate Parent Company (hereinafter also referred to as "the parent companies of the subsidiary groups") and 37 were entities controlled by those subsidiaries. Participation in subsidiaries of the Group is presented in Note 4.

2. APPLICATION OF NEW AND REVISED IFRS's

The consolidated financial statements have been compiled under principles of consistency and comparability, meaning adherence to the prior principles the accounting policies and representation will be altered only in case of the require of new or revised international financial reporting standards (IFRS) or the interpretations of the standard issued or if a change of the policy provides a more objective overview of the financial position, the economic performance and cash flows of the Group.

All new and revised standards and IFRIC interpretations issued by IASB that affect the Group and which are effective to the reporting periods starting from 1 January 2009 have been implemented by the Group. According to the management board the implementation of the new and revised standards caused no significant changes in the applicable accounting principles neither in the presentation of information in the financial statements, however in relation to amended standard IAS 1 "Presentation of Financial Statements" is changed the financial statements presentation, and introduced new concepts. Consolidated income statement has been replaced by a consolidated statement of comprehensive income. The latter includes an additional non-owner changes, previously recognized in equity. Also the presentation of a statement of changes in equity changed due to the compilation of consolidated statement of comprehensive income. The statement of changes in equity does not reflect the separate movements of elements in comprehensive income. The term "Balance Sheet" has been replaced the by term "Statement of Financial Position".

The new and revised standards or interpretations of a standard which became effective in the financial year are the following:

- IFRS 8 "Operating Segments". These consolidated annual accounts have not been compiled in accordance with IFRS 8 as it is not mandatory and information about segments is disclosed only for the purpose of its users.
- IFRS 1 (amended) and IAS 27 (amended) - IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 „Consolidated and Separate Financial Statements" amendments "Investment cost made into subsidiary, jointly controlled entity, or associate";
- IFRS 2 (amended), "Share-based Payment";
- IFRS 7 (amended), "Financial Instruments: Disclosures" amendment "Improvements to Financial Instruments disclosures";
- IAS 1 (amended), „Presentation of Financial Statements";
- IAS 23 (amended), „Borrowing Costs";
- IAS 32 (amended) ja IAS 1 (amended) - IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" amendments "Puttable Instruments and Obligations Arising on Liquidation";
- IAS 39 (amended), "Financial Instruments: Recognition and Measurement" amendment "Eligible Hedged Items";

- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction";
- IFRIC 15 "Agreements for the Construction of Real Estate";
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation";
- Amendments in IFRS (issued in May 2008).

IASB is issued an annual omnibus of amendments to its standadards, primarly with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group's management considers that these amendments to standards will have no material effect in the Group's financial statements.

At the date of compilation of these consolidated financial statements, the following standards and interpretations were issued but effective for accounting periods starting after 1 January 2009:

- IFRS 9 "Financial Instruments: Classification and Measurement", is effective for accounting periods starting from 1 January 2013 or later (not adopted by EU at the balance sheet date);
- IFRS 2 (amended), "Share-based Payment", is effective for accounting periods starting on or after 1 January 2010 (not adopted by EU at the balance sheet date);
- IFRS 3 (amended), "Business Combinations", is effective for accounting periods starting on or after 1 July 2009;
- IAS 27 (amended), „Consolidated and Separate Financial Statements", is effective for accounting periods starting on or after 1 July 2009;
- IAS 24 (amended), "Related Party Disclosures", is effective for accounting periods starting on or after 1 January 2011(not adopted by EU at the balance sheet date);
- IAS 32 (amended), "Financial Instruments: Presentation", is effective for accounting periods starting on or after 1 February 2010;
- IAS 39 (amended), "Financial Instruments: Recognition and Measurement" amendment "Eligible Hedged Items", is effective for accounting periods starting on or after 1 July 2009;
- IFRIC 17 "Distribution of Non-cash Assets to Owners", is effective for accounting periods starting on or after 31 October 2009;
- IFRIC 18 "Transfers of Assets from Customers", is effective for accounting periods starting from on or after 31 October 2009r;
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", is effective for accounting periods starting on or after 1 July 2010 (not adopted by EU at the balance sheet date);
- IFRIC 14 (amended), "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", is effective for accounting periods starting on or after 1 January 2011 (not adopted by EU at the balance sheet date);
- IFRIC 12 "Service Concession Arrangements", is effective for accounting periods starting on or after 30 March 2009;
- Amendments in IFRS (issued in April 2009), is effective for accounting periods starting on or after 1 July 2009, partially on or after 1 January 2010 (recent amendments are not adopted by EU at the balance sheet date).

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3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Group for the financial year 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted by European Union, and in accordance with the Estonian Accounting Act.

The consolidated financial statements are prepared on the accrual basis.

The functional and presentation currency of the Group's Financial Statements is Estonian kroon (EEK). These consolidated financial statements of the Group are compiled in thousands of Estonian kroons (Th. EEK), if not specifically referred to another unit of measurement.

The principal accounting policies and estimates used in the preparation of the consolidated financial statements, and which are consitent with these applied in prior year, are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the ultimate parent company and its subsidiaries. Control is achieved, when the parent company has the power to govern the financial and operational policies of an entity, so as to obtain benefits from its activities.

Minority interests of the entities under the control of the ultimate parent company are recorded on a separate line in the consolidated financial statements equity.

Minority interest consists of the equity attributable to minority shareholders as of the business combination date and a proportion of subsidiaries earnings after that date.

In case the parent company has obtained control over a subsidiary during the accounting period, the financial results of that subsidiary are recorded from the date the control was acquired. If the parent company has sold a subsidiary during the accounting period, the financial results of that subsidiary are included in the consolidated financial statements of the Group up to the date of disposal.

The balances and transactions between Group entities and unrealized profits/losses from intra-group transactions are eliminated in the consolidated financial statements.

Business combinations

Business combinations, except for those conducted between the entities under common control, are recorded using the purchase method. Acquistion cost of acquired business combination is measured at the fair value of net assets (purchase price) plus any costs directly attributable to business combination.

In accordance with purchase method, the acquisition cost is allocated to the fair value of acquired identifiable assets, liabilities and contingent liabilities. Negative difference between cost of acquistion and the fair value of net assets acquired is recognized immediately in the income statement as revenue. Positive difference (goodwill) between cost of acquistion and the fair value of net assets acquired is recognized as and asset in the balance sheet.

Adjusted purchase method is used when increasing the ownerhip in the subsidiary by acquiring shares from minority shareholders. Based on adjusted purchase method, the acquistion cost of acquired business combination is measured at net assets book value (i.e. as the acquired assets and liabilities were reflected in the acquired company's balance sheet). The difference between the acquistion cost and the acquired net assets book value are recorded as equity increase or decrease in the acquiring company.

Foreign currency transactions

The subsidiaries of the Group prepare their financial statements for consolidation purposes in local currencies. Foreign currency transactions are recorded on the basis of the foreign currency exchange rates, prevailing on the date of the transaction, of the Central Banks of subsidiary group's country of incorporation. At each balance sheet date the monetary balances are recalculated based on the currency rate prevailing at the balance sheet date, of the Central Banks of subsidiary group's country of incorporation. Non-monetary items recorded at fair value are recalculated based on the currency rate prevailing on the date of the revaluation. Non-monetary items recorded at acquisition price are not recalculated concerning the changes in the foreign currency rate. Gains and losses arising from exchange rate differences are recognised in the income statement for the accounting period.

In consolidation process, assets and liabilities, including the goodwill formed from the acquisition of foreign subsidiaries and revaluations to fair values, are recalculated to the reporting currency based on the currency exchange rates prevailing at the balance sheet date of Bank of Estonia of the country of incorporation of the consolidating company. Income statement lines are recalculated based on the average annual exchange rates. Gains and losses arising from exchange rate differences appeared during the consolidation process are recorded on a separate line in the consolidated company equity.

Differences of currency translation are recognized as income or expense of the period when the transaction occurred, i.e. in case of disposal or liquidation of a subsidiary.

The main foreign currencies and relevant exchange rates according to (the nomination of) Bank of Estonia as applied in the consolidated financial statements are as follows:

(in EEK)	31.12.2009	2009 average	31.12.2008	2008 average
Latvian lats (LVL)	22.0504	22.16819	22.0977	22.27148
Lithuanian litas (LTL)	4.53157	4.53157	4.53157	4.53157
Euro (EUR)	15.6466	15.6466	15.6466	15.6466
Russian ruble (RUB)	0.35843	0.35478	0.37803	0.43011
Ukrainan grivna (UAH)	1.34978	1.39812	1.40595	2.06243

Cash and cash flows

Cash on the balance sheet and cash flow statement comprises cash on hand, bank accounts, and short-term bank deposits (with time term less than three months).

Cash flows from operating activities are presented using the indirect method, according to which the net profit for the financial year is adjusted by the effect of non-monetary transactions, changes in assets and liabilities related to business operations, and income and expenses from financing and investing activities. Cash flows from investing and financing activities are reported based on direct method, presenting gross receipts and disbursements of the accounting period.

Inventories

Inventories are recorded at cost, which comprises purchase price, non-refundable taxes and other direct acquisition expenditures, which are necessary to transfer inventories to their current location and condition. Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, then weighted average cost method is used.

Inventories are stated on the balance sheet at the lower of cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of making the sale. Revaluation of inventories to net realizable value is recognized as expense for the accounting period.

Property held for sale

Real estates (land and buildings) that have been acquired and developed to be sold, are presented on the balance sheet as inventories on the line “Property held for sale” and recognized at cost that comprises of acquisition cost of the real estate and direct expenses (design, construction and technical supervision) necessary to bring the property to the current condition. Borrowing costs from third party loans accrued during the construction period until the issuance of the certificate of occupancy are included in the cost value. Depending on the estimate of the stage of completion, finished and unfinished property for sale is distinguished.

In case the net realizable value of the real estate object is less than its cost value, the real estate object is written down to its net realizable value and the impairment is charged as expense for the accounting period.

In case the usage purpose of a real estate object changes, the asset is reclassified and the accounting principles attributable to this asset group are implemented from the date of change.

Tangible assets

Assets used for rendering services or for administrative purposes and with useful life of over one year are considered to be tangible assets. Tangible assets are recognized at cost, which comprises purchase price, non-refundable taxes and other expenditures directly related to taking the asset into use.

Tangible assets on the balance sheet are measured at cost less accumulated depreciation and impairment losses.

For buildings recorded as tangible assets, loan interest accrued from third party loans during the construction period are capitalized.

Depreciation of tangible assets commences when the assets are taken into use. Depreciation is calculated on the straight-line method. Depreciation rate to each tangible asset item is determined according to its estimated useful life.

The annual depreciation rates for tangible asset group are as follows:

- Buildings in use 2-5% per annum;
- Machinery and equipment 8-20% per annum;
- Other equipment 20-50% per annum.

Investment property

Land and buildings that are held to generate rental revenue or with the purpose to increase its market value and which are not used in operations of the Group, are reported on the balance sheet as investment property.

Land and buildings, which are planned to be held for a longer period than a year and which have different possibilities to be used are reported also as investment property.

Investment property is recognized at cost, which comprises of purchase price, non-refundable taxes and other expenditures directly related to taking the investment property into use.

For buildings recorded as investment property, loan interest accrued from third party loans during the construction period are capitalized.

Investment properties on balance sheet are recorded at cost less accumulated depreciation and impairment losses.

Depreciation of buildings is calculated on the straight-line method. The annual depreciation rate for buildings is 2 - 5%, land is not depreciated.

In case the usage purpose of the investment property changes, the asset is reclassified on the balance sheet and the accounting principles attributable to this asset group are implemented from the date of change.

Intangible assets

Intangible assets include purchased franchises, patents, licenses, trademarks, usage rights and goodwill.

Franchises, patents, licenses, trademarks and usage rights are recorded at cost less accumulated amortization and impairment losses. Amortizations is calculated on the straight-line method using an annual rate of 20%. Usage rights are amortized using the straight-line method and the maximum length of the amortization period is the period where the asset is being used.

Goodwill presents the positive difference between the acquisition cost paid by the Ultimate Parent Company and the fair value of the acquired identifiable assets, liabilities and contingent liabilities of the subsidiary on the date of the acquisition. Goodwill is recorded on the balance sheet as intangible asset at cost less impairment losses. Goodwill is not amortized; instead impairment test is carried out annually or more often if necessary. Impairment losses are recognized on the income statement as „Administrative expenses“.

Impairment of assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its limited lifetime tangible (including investment property) and intangible assets to determine whether there are any indication that the assets have suffered an impairment loss. For this purpose, the recoverable value of an asset is estimated.

For assets with undefined useful life, irrespective of whether indications of possible impairment loss exist, the impairment test is carried out on every balance sheet date, comparing book value and recoverable value of the asset.

The recoverable value of the asset is the higher of the present value of the future cash flows from the asset (i.e. value in use) or the fair value of the asset less costs of disposal. In estimating value of use, the estimated cash flows are discounted with a rate which expresses the trends of current market value and specific risks related to assets. If necessary, help of independent experts is used in determining the fair value of the asset.

In case the recoverable value is lower than the book value, the asset is recorded on the balance sheet at its recoverable value.

Impairment losses are recorded as expenses of the accounting period.

If the recoverable value of assets previously impaired is increased, the previous impairment loss is cancelled by reversing the impairment loss expense in the reporting period.

Impairment of goodwill

In order to perform impairment test, goodwill is allocated at the time of recognizing business combination to one or more cash generating units, which will presumably benefit from the given goodwill. Impairment test for the cash generating unit, to which goodwill belongs, is carried out in

every reporting period, comparing the book value of the unit and relevant goodwill with their recoverable value.

If the cash generating unit's recoverable value is lower than the total of the carrying amounts of its combining assets and goodwill, the assets belonging to this group should be written down. The goodwill belonging to the cash generating unit is written down first; further all assets belonging to the unit are written down proportionally. Write-down of goodwill is irreversible.

Investments into subsidiaries (in the Ultimate Parent Company's unconsolidated financial statements)

Investments into subsidiaries that are not held for the purpose of sale are recorded at cost in Parent Company's unconsolidated financial statements.

Financial instruments

Financial instruments held to maturity

Investments are recognized on a trade date basis and are initially measured at fair value. At subsequent reporting dates, financial instruments that the entity has expressed intention and ability to hold to maturity are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or exepnse over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial instruments held for sale

Financial investments other than held-to-maturity securities are classified as either investments held for trading or as available-for-sale, and are measured at fair value. Investments in equity instruments that are not traded on the stock exchange and for which the fair value cannot be reliably measured are recorded at cost, less any discounts.

Loans granted and receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Trade receivables recorded in balance sheet are evaluated in light of collectible amounts. Doubtful receivables are recorded as expense for accounting period. Difference between the present and nominal value of collectible amounts is recognized as interest income in the income statements under "Other financial income and expenses" using the corresponding internal interest rate.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Financial expenses, including the transaction costs and the settlement costs, are recorded on an accrual basis. Interest expenses are charged to the income statement as a current period expense, unless the interest expense related to loans obtained to finance development of property or similar assets, in which case the interests are capitalized together with the asset.

Convertible bonds

Convertible bonds that are convertible into shares at bondholder's request are regarded as compound financial instruments, consisting of a liability component and an equity component at the date of issue.

The equity component of convertible bonds is the amount by which the funds received over the course of the issue of the bond will exceed the present value of future interests and principal payments. An interest rate applicable for a similar type non-convertible bond in the market is used as the discount rate in calculating the liability component.

Interest expense from convertible bonds is recorded in the income statement for the reporting period on the basis of actual interest rates. The equity component of the convertible bonds is included in equity under the caption "Reserves".

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, less direct issuing costs.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value when the effect is material.

Pension benefit plans

Pension benefit plans and other provisions in favour of employees are recorded on the balance sheets in accordance with the laws and regulations of the resident country of the subsidiary of the Group.

Other provisions

Potential liabilities and guarantees related to sales of goods and services to clients are recorded at the date of the transaction based on the prior business experience and the probability of the guarantees being realized.

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.

Reserves

Statutory legal reserve is recorded based on the requirements of the Commercial Code of Estonia 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 legal reserve equals at least 1/10 of share capital amount.

Other reserves consist of equity component of convertible bonds.

Revenue recognition

Net sales

Net sales of the Group consists of revenues from the sale of real estate on the basis of sales agreements confirmed by the notary, rental income as well as revenues earned from management, administration services and hotel management services.

In addition to the above, net sales includes revenue at the sales prices of real estate recognized on the basis of related pre-contracts, if the all following conditions apply:

- the real estate object of the related agreement is completed and accepted;
- the client has made contractual down payments according to the payment schedule. The difference between down payment and total contract value is equal to penalties that are applicable in case the contract is declined;
- the agreement stipulates a penalty for declining the agreement, which is large enough to assert that it would be unreasonable for the buyer to decline the agreement.

Revenue from sales is recorded on the accrual basis of accounting in accordance with the revenue principle, when significant risks have been transferred to the buyer, and the sales income and costs incurred in respect of the transaction can be measured reliably.

Other income

Income, which is not related to the main operations of the entities belonging to the Group, is reported as other income.

Financial income

Interest income is recorded on the accrual basis of accounting and dividend income is recorded when the right for a dividend has occurred.

Expenses

Cost of sales

Cost of sales includes the costs of bringing real estate objects 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 (including the cost of depreciation of investment properties) are also recorded in income statement under "Cost of sales".

Marketing expenses

Marketing expenses include selling expenses, i.e. advertising, other marketing and agency fees during the reporting period.

Administrative expenses

Administrative expenses include personnel and office management expenses, research and development expenses, and depreciation and amortization charges.

Other expenses

Expenses, which are not related to the main operations of the entities belonging to the Group, are recorded as other expenses.

Financial expense

Direct interest costs of acquiring properties constructed over long periods of time are capitalized until the property is taken into use. Other interest and financing costs are recorded on the accrual basis of accounting as financial expenses for the reporting period.

Leases

A lease is classified as finance lease when all the risks and rewards incident to ownership are substantially transferred to the lessee. The criteria of contracts, which lead to a lease being classified as finance lease, are the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price, which is expected to be sufficiently lower than the expected fair value at the date the option becomes exercisable, and that at the inception of the lease it is reasonably certain that the option will be exercised;
- the lease term covers the majority (over 75%) of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to approximately the fair value (over 90%) of the leased asset;
- the leased assets are of a specialized nature such that only the lessee is able to use them without major modifications being made.

If the above-mentioned conditions are not met, either individually or in combination, the transaction is recorded as operating lease.

The Group as a lessee

An asset held under finance lease is recognized as an asset and a liability of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. If ownership is to be transferred to the lessee, depreciation is calculated on the regular basis taking into account useful lifetime of the asset. If the leased asset is to be returned to the lessor, then the maximum depreciation period is the leasing period, whereas depreciation is not calculated for the guaranteed residual value.

Lease payments are apportioned between finance charges and reduction of the lease obligation. Financial costs are apportioned for the lease period so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in income statement on the accrual basis of accounting.

Assets held under operating lease are not reported on the balance sheet. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease, irrespectively from disbursements.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Payments due from lessees are allocated to financial income and principal repayments (to decrease the finance lease receivable). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases. Financial income is recorded in income statement on accrual basis.

Assets leased under the terms of operating lease are reported similarly to other assets reported on the balance sheet. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease despite timing and amounts of actual collection of rentals.

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. As of 1 January 2008, the tax rate applicable is 21/79 from the taxable amount.

As a result of such taxation principles, the notion of " tax base of assets and liabilities" has lost its economic meaning and deferred income tax and assets cannot be calculated in accordance with IAS 12 "Income Taxes". Potential income tax liability from the retained earnings, which could otherwise be distributed as dividends, is not recorded in the Statement of Financial Position. Income tax expense to be incurred at the payment of dividends is recognized in the statement of comprehensive income as expense at announcement of dividends or any other distribution of equity.

Other subsidiaries

Profit earned by subsidiaries of the Group is imposed to income tax according to the tax rate stipulated by the resident countries legislation. Deferred income tax liability is accounted from all relevant temporary differences between the tax bases of assets and liabilities and the accountancy value. Deferred income tax assets, that 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 applicable on the balance sheet date is used.

Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Subsequent events

Circumstances that reflect the evaluation of relevant assets and liabilities in the consolidated financial statements are considered, which occurred between the balance sheet date and the date the report was prepared by the management of the Ultimate Parent Company, but are related to the transactions in the reporting period or prior periods. Subsequent events, which do not affect valuation of assets and liabilities, but which will substantially influence the results of the next financial year, are disclosed in the notes to the consolidated financial statements.

Use of judgements, estimates and assumptions

The preparation of the consolidated financial statements assumes judgements, estimates and assumptions by the management board of the Ultimate Parent Company to the Group's assets and liabilities which are not readily apparent from other sources as at the balance sheet date and income earned and expenses covered during the reporting period. These estimates are based on historical experience and the up-to-date information about the state of the Group and considering the plans and risks as at the date of the preparation of the consolidated financial statements. The final results of these economic transactions may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods.

NOTE 2. CASH AND NON-MONETARY TRANSACTIONS IN THE CASH FLOW STATEMENT

Cash and bank accounts recorded in the consolidated statement of financial position and statement of cash flows, with balances as of 31 December 2009 and 2008, were 110 145 Th. EEK and 129 978 Th. EEK, respectively, comprising cash on hand and bank deposits as of the end of the reporting period. Foreign currency accounts have been retranslated into EEK at the Bank of Estonia foreign currency exchange rates prevailing on the balance sheet date.

Line "Other Non-monetary Items (net)" of the consolidated statement of cash flows comprises the following components:

(Th. EEK)	2009	2008
Non-monetary increase in short-term liability	201 085	82 102
Non-monetary decrease in short-term liability	-15 807	-155 064
Non-monetary increase in short-term receivables	-10 357	-27 474
Non-monetary decrease in short-term receivables	28 794	2 677
Total	**203 715**	**-97 759**

NOTE 3. INVENTORIES

Inventory consists of the following components

(Th. EEK)	2009	2008
Property held for sale		
Finished property	1 243 313	849 110
Unfinished property	1 208 129	1 470 239
Other inventories		
Goods bought for resale	6 284	11 872
Prepayments to suppliers	190 676	97 821
Total	**2 648 402**	**2 429 042**

Prepayments by Group companies in relation to the property held for sale are recorded as prepayments to suppliers.

During the accounting period, inventories are revalued in the amount of 25 649 Th. EEK due to the net realization value falling below the acquisition cost (in 2008: 5 792 Th. EEK) (see Note 23).

During the accounting period, interests are capitalized into cost of inventories in the amount of 12 898 Th. EEK (in 2008: 2 489 Th. EEK) (see Note 24).

NOTE 4. ENTITIES BELONGING TO THE CONSOLIDATION GROUP

Name of the entity	Shareholder	Country of incorporation	Share of ownerhsip % 31.12.2008	Share of ownerhip % 31.12.2009	Field of activity
AS Pro Kapital Grupp	Anndare Ltd.	Ireland	57,86%	57,79%	Holding company
	Svalbork Invest OÜ	Estonia	12,86%	12,86%	
	A.F.I. American Financial Investments Ltd.	Liechtenstein	9,57%	9,57%	
Pro Kapital Eesti AS	AS Pro Kapital Grupp	Estonia	100,00%	100,00%	Real estate development
Ilmarise Kvartal OÜ	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Kristiine Kaubanduskeskus AS	Pro Kapital Eesti AS	Estonia	52,00%	52,00%	Real estate development
Tondi Kvartal AS	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Pro Halduse AS	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate management
Tallinna Moekombinaat AS	Pro Kapital Eesti AS	Estonia	100,00%	96,00%	Real estate development
Pro Kapital Vilnius Real Estate UAB	AS Pro Kapital Grupp	Lithuania	100,00%	100,00%	Real estate development
PK Invest UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	Real estate development
Domina Management UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	0,00%	100,00%	Real estate management (acquired from Domina Management AS)
Pro Kapital Latvia PJSC	AS Pro Kapital Grupp	Latvia	100,00%	100,00%	Real estate development
PK Latvia SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība A Centrs SIA	Pro Kapital Latvia AS	Latvia	51,00%	51,00%	Real estate development
Klīversala RE SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Investhotel SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
PK Investments SIA	Pro Kapital Latvia AS	Latvia	67,00%	67,00%	Real estate development
Kugu Real Estate SIA	Pro Kapital Latvia AS	Latvia	70,00%	70,00%	Real estate development
Neotrust OÜ	Pro Kapital Eesti AS	Estonia	100,00%	0,00%	Holding company (merged with Tondi Kvartal AS)

Signed for identification purposes:
AS Deloitte Audit Eesti

Name of the entity	Shareholder	Country of incorporation	Share of owneRhsip % 31.12.2008	Share of ownerhip % 31.12.2009	Field of activity
Pasaules tirdzniecības centrs "Rīga" SIA	Neotrust OÜ	Latvia	100,00%	0,00%	Real estate development
	Pro Kapital Latvia AS		0,00%	100,00%	
Nekustamo īpašumu sabiedrība Prokurs SIA	Pasaules tirdzniecības centrs "Rīga" SIA	Latvia	70,00%	70,00%	Real estate development
Domina Vacanze S.p.A.	AS Pro Kapital Grupp	Italy	88,75%	88,75%	Real estate development, hotel mangement
Domina Case Vacanze S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Real estate development
Palumbalza Residence S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	0,00%	Real estate development (merged with Domina Vacanze S.p.A.)
Domina Hellas E.p.e.	Domina Vacanze S.p.A	Greece	100,00%	100,00%	Hotel management
Computer Service S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Other (IT services)
Domina Health & Beauty S.r.l.	Domina Vacanze S.p.A	Italy	70,00%	70,00%	Real estate development (under liquidation)
Domina Incentive S.r.l.	Domina Vacanze S.p.A	Italy	70,00%	0,00%	Travel services (liquidated)
Prima Classe S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Travel services (under liquidation)
Domina Vacanze GmbH	Domina Vacanze S.p.A a	Austria	100,00%	100,00%	Hotel management (under liquidation)
Domina Swiss Sagl	Domina Vacanze S.p.A	Switzerland	95,00%	0,00%	Hotel management (liquidated)
Immobiliare Novate S.p.A.	AS Pro Kapital Grupp	Italy	90,58%	90,58%	Real estate development, hotel management
Domina Hotel Group S.p.A.	AS Pro Kapital Grupp	Italy	99,90%	99,90%	Hotel management
Domina Management AS	Domina Hotel Group S.p.A.	Estonia	100,00%	100,00%	Hotel management
Domina Management UAB	Domina Management AS	Lithuania	100,00%	0,00%	Hotel management (sold to Pro Kapital Vilnius Real Estate UAB)
Domina Management SIA	Domina Management AS	Latvia	100,00%	100,00%	Hotel management
Domina Management Sp. z.o.o.	Domina Management AS	Poland	100,00%	100,00%	Hotel management

Signed for identification purposes:
AS Deloitte Audit Eesti

Name of the entity	Shareholder	Country of incorporation	Share of ownerhsip % 31.12.2008	Share of ownerhip % 31.12.2009	Field of activity
Domina Hotel Italy S.r.l.	Domina Hotel Group S.p.A.	Italy	100,00%	100,00%	Hotel management
Domina Tourismus GmbH	Domina Hotel Group S.p.A.	Germany	100,00%	100,00%	Hotel management
Domina Hotels Hungary KFT	Domina Hotel Group S.p.A.	Hungary	100,00%	100,00%	Hotel management
Domina Tunisine S.A.	Domina Hotel Group S.p.A.	Tunisia	99,30%	99,30%	Hotel management
Domina Hotel Holland B.V.	Domina Hotel Group S.p.A.	The Netherlands	100,00%	100,00%	Hotel management
Domina Hospitality School S.r.l.	Domina Hotel Group S.p.A.	Italy	100,00%	100,00%	Other (trainings)
Pro Kapital Rus OOO	AS Pro Kapital Grupp	Russia	100,00%	100,00%	Real estate development
Domina Rus OOO	Pro Kapital Rus OOO	Russia	0,00%	100,00%	Real estate management
Dom na Moike OOO	Pro Kapital Rus OOO	Russia	51,00%	51,00%	Real estate development
Pro Kapital Ukraine 3AT	AS Pro Kapital Grupp	Ukraine	100,00%	100,00%	Real estate development
PK-1 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development
PK-2 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development
PK-3 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development
Pro Kapital Germany GmbH	AS Pro Kapital Grupp	Germany	100,00%	100,00%	Real estate development
P.K. Sicily S.p.A.	AS Pro Kapital Grupp	Italy	100,00%	100,00%	Real estate development

Neotrust OÜ

In 2001, the share of Neotrust OÜ was transferred within the Group, as a result of which Pro Kapital Eesti AS acquired from Pro Kapital Latvia PJSC 100% of ownership in the company. The purpose of the transaction was to simplify the planned liquidation of Neotrust OÜ, which, due to legal consideration, was not able to start until the end of 2008.

Due to the intergroup purchase-sale transaction there were no substantive modifications in the Group structure, in the consolidated financial statements the Neotrust OÜ and its subsidiaries assets, liabilities and equity is recorded 100% of ownership of Pro Kapital Latvia as at the end of 2008.

During the reporting period Neotrust OÜ was liquidated. As the assets of Neotrust OÜ consist of financial investment in the shares of a subsidiary located in the Republic of Latvia, and liabilities consist of a debt to Pro Kapital Latvia PJSC, therfore prior to the liquidation of Neotrust OÜ the intra-group purchase transaction of financial investment was made from Pro Kapital Eesti AS to Pro Kapital Latvia PJSC. After that Neotrust OÜ merged with Tondi Kvartal AS, an entity belonging to Pro Kapital Eesti subsidiary group. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities and equity.

The (consolidated) financial data of the subsidiaries are following (all data presented in the currency of the parent of subsidiary group's country of incorporation, full units):

Subsidiary	Currency	Cost as of 31.12.2008	Cost as of 31.12.2009	Net assets as of 31.12.2009	Revenue 2009	Net profit (loss) 2009
AS Pro Kapital Grupp	EEK	X	X	1 663 727 405	1 014 705 864	-395 033 083
Pro Kapital Eesti AS	EEK	281 340 000	281 340 000	852 195 022	198 008 702	6 968 665
Ilmarise Kvartal OÜ	EEK	4 478 348	4 478 348	49 148 272	38 591 068	-12 813 910
Kristiine Kaubanduskeskus AS	EEK	187 862 164	187 862 164	807 410 972	132 242 945	72 173 123
Tondi Kvartal AS	EEK	68 243 610	68 243 610	113 981 930	12 825 114	-22 236 399
Pro Halduse AS	EEK	418 910	418 910	6 506 291	20 318 408	64 696
Tallinna Moekombinaat AS	EEK	201 200 000	193 154 012	148 171 075	0	-51 949 448
Pro Kapital Vilnius Real Estate UAB	EEK	37 156 121	37 156 121	20 840 901	35 503 636	-19 183 092
PK Invest UAB	LTL	3 252 633	3 252 633	-1 781 546	7 743 003	-4 375 707
Domina Management UAB	EUR	2 857	0	0	0	10 299
	LTL	0	147 525	140 255	1 864	-7 268
Pro Kapital Latvia PJSC	EEK	159 402 340	159 402 340	236 406 909	76 384 762	-6 892 824
PK Latvia SIA	LVL	133 580	133 580	56 837	2 640	-22 081
Nekustamo īpašumu sabiedrība A Centrs SIA	LVL	37 710	37 710	527	0	-533
Klīversala RE SIA	LVL	6 688 379	6 688 379	9 489 415	248	-84 954
Tallina Nekustamie Īpašumi SIA	LVL	2 369 899	3 019 899	541 746	0	-187 173
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	LVL	600 000	1 100 000	540 047	6 218	-137 527
Investhotel SIA	LVL	700 000	700 000	1 007 798	618 606	274 082
PK Investments SIA	LVL	6 698 517	6 698 517	6 360 456	2 178 419	-392 034
Kugu Real Estate SIA	LVL	7 000	2 800	422	0	-919
Neotrust OÜ	LVL	1 504	0	0	0	0
Pasaules tirdzniecības centrs "Rīga" SIA	LVL	2 161 870	7 052 883	7 037 378	735 827	203 712
Nekustamo īpašumu sabiedrība Prokurs SIA	LVL	999 320	999 320	1 694 965	522 643	267 365
Domina Vacanze S.p.A.	EEK	1 174 446 259	1 174 446 259	810 400 821	305 456 571	-166 714 290
Domina Case Vacanze srl	EUR	1 355 866	1 355 866	92 042	796 879	-2 608
Palumbalza Residence S.r.l.	EUR	139 348	0	0	0	0

Subsidiary	Currency	Cost as of 31.12.2008	C ost as of 31.12.2009	Net assets 31.12.2009	Revenue 2009	Net profit (loss) 2009
Domina Hellas E.p.e.	EUR	1 197 827	1 197 827	-437 072	0	-69 000
Computer Service S.r.l.	EUR	28 934	28 934	84 299	419 679	6 109
Domina Health & Beauty S.r.l.	EUR	61 571	61 571	0	0	0
Domina Incentive S.r.l.	EUR	35 000	0	0	0	0
Prima Classe S.r.l.	EUR	260 837	260 837	0	0	0
Domina Vacanze GmbH	EUR	1 475 557	1 475 557	0	0	0
Domina Swiss Sagl	EUR	714 758	0	0	0	0
Immobiliare Novate S.p.A.	EEK	135 366 093	135 366 093	64 822 645	23 464 361	-13 375 561
Domina Hotel Group S.p.A.	EEK	162 568 174	162 568 174	-21 876 343	375 767 831	-112 953 170
Domina Management AS	EUR	108 650	108 650	-854 766	3 609 619	-1 608 654
Domina Management SIA	EUR	3 189	3 189	228 375	1 400 756	-705 323
Domina Management Sp. z.o.o.	EUR	10 998	740 754	-330 280	355 313	-344 909
Domina Hotel Italy S.r.l.	EUR	2 370 000	5 027 216	-117 205	12 620 735	-2 712 266
Domina Tourismus GmbH	EUR	280 126	280 126	-227 931	2 894 767	-344 181
Domina Hotels Hungary KFT	EUR	1 246 783	1 246 783	-512 340	1 509 245	-453 110
Domina Tunisine S.A.	EUR	1 542 657	1 542 657	40 404	0	-21 497
Domina Hotel Holland B.V.	EUR	18 000	18 000	-1 019 760	3 664 963	-930 564
Domina Hospitality School S.r.l.	EUR	100 131	150 154	17 356	54 942	-47 784
Pro Kapital Rus OOO	EEK	4 571	4 571	-90 982 424	0	-22 457 457
Domina Rus OOO	RUB	0	10 000	-2 517 487	0	-2 527 487
Dom na Moike OOO	RUB	71 400 000	117 300 000	-34 514 970	0	-25 949 843
Pro Kapital Ukraine 3AT	EEK	1 196 779	1 196 779	441 378	0	-277 107
PK-1 TOB	UAH	37 500	100 000	12 900	0	-50 800
PK-2 TOB	UAH	37 500	100 000	13 100	0	-50 800
PK-3 TOB	UAH	37 500	100 000	13 000	0	-50 900
Pro Kapital Germany GmbH	EEK	391 165	391 165	-817 050	0	350 140
P.K. Sicily S.p.A.	EEK	78 233 000	78 233 000	14 227 435	0	-25 186 942

NOTE 5. ACQUISTIONS, DISPOSALS, INCREASES AND DECREASES OF OWNERSHIP IN SUBSIDIARIES

During the reporting period AS Pro Kapital Grupp decreased the current 99.90% ownership by 0.08% in Domina Hotel Group S.p.A. which belongs to Domina Hotel Group subsidiary group's through non-proportional increase of share capital.

During the reporting period Pro Kapital Eesti AS disposed 3.99% ownership in Tallinna Moekombinaat AS (maintaining 96.01% of the ownership), which develops real estate in Estonia, Tallinn.

The effect of acquisition and disposal and increase and decrease in ownership of subsidiaries' shares to the Group consolidated financial statements is presented below:

	Acquistion (including change in ownerhip)			Disposal (including change in ownerhip)		
(Th. EEK)	Domina Hotel Group S.p.A.	Total 2009	Total 2008	Tallinna Moekombinaat AS	Total 2009	Total 2008
Cash	0	0	0	0	0	850
Receivables	0	0	0	0	0	101
Tangible assets	0	0	0	0	0	15 486
Short-term liabilities	0	0	0	0	0	-33
Long-term liabilities	0	0	0	0	0	-7 212
incl. intra-group	0	0	0	0	0	-7 212
Minority interest	-3	-3	0	1 013	1 013	-301
Goodwill on acquistion	3	3	0	x	x	x
Negative goodwill on acquistion	0	0	0	x	x	x
Loss from disposal of ownership	x	x	x	0	0	0
Profit from disposal of ownership	x	x	x	9 940	9 940	7 669
Acquistion cost / sales price	0	0	0	10 953	10 953	16 560
Paid in cash (-) / cash received (+)	0	0	0	10 953	10 953	15 632
Cash at the moment of acquistion (+) / disposal (-)	x	x	0	x	x	-850
Net cash flow on acquistion / disposal	0	0	0	10 953	10 953	14 782

NOTE 6. SHARES IN SUBSIDIARIES

	Pro Kapital Eesti AS	Pro Kapital Ukraine 3AT	Pro Kapital Rus OOO	Pro Kapital Latvia PJSC	Pro Kapital Vilnius Real Estate UAB	Domina Vacanze S.p.A.	Domina Hotel Group S.p.A.	P.K. Sicily S.p.A.	Pro Kapital Germany GmbH	Immobiliare Novate S.p.A	Total
Number of shares 31 December 2008	**28 134 000**	**505 000**	**1**	**7 000 000**	**4 610**	**60 398 937**	**10 089 900**	**5 000 000**	**1**	**19 021 598**	x
Acquired (extra-group)	0	0	0	0	0	0	4 764 278	0	0	0	x
Disposed / cancelled	0	0	0	0	0	0	-9 226 246	0	0	0	
Number of shares 31 December 2009	**28 134 000**	**505 000**	**1**	**7 000 000**	**4 610**	**60 398 937**	**5 627 932**	**5 000 000**	**1**	**19 021 598**	x
Ownership % at the end of the year	100	100	100	100	100	88,75	99,82	100	100	90,58	x
Ownership % at the beginning of the year	100	100	100	100	100	88,75	99,90	100	100	90,58	x

(Th. EEK)											
Cost as of 31 December 2008	**281 340**	**1 197**	**5**	**159 402**	**37 156**	**1 174 446**	**162 568**	**78 233**	**391**	**135 366**	**2 030 104**
Parent company's share of subsidiary's net assets as of 31 December 2008	**735 822**	**738**	**-70 625**	**1 099 759**	**38 873**	**868 636**	**24 271**	**39 414**	**-1 167**	**111 776**	**2 847 497**
Acquired cost (extra-group)	0	0	0	0	0	0	74 545	0	0	0	74 545
Impairment of goodwill	0	0	0	0	0	0	-3	0	0	0	-3
Foreign currency differences	0	-20	2 100	-8 215	0	79	-393	0	0	0	-6 449
Dividends paid	0	0	0	-738 839	0	0	0	0	0	0	-738 839
Profit under equity method	6 968	0	0	0	0	0	0	0	350	0	7 318
Loss under equity method	0	-277	-22 458	-6 893	-19 183	-166 714	-112 953	-25 187	0	-13 375	-367 040
Parent company's share of subsidiary's net assets as of 31 December 2009	**742 790**	**441**	**-90 983**	**345 812**	**19 690**	**702 001**	**-14 533**	**14 227**	**-817**	**98 401**	**1 817 029**
Cost as of 31 December 2009	**281 340**	**1 197**	**5**	**159 402**	**37 156**	**1 174 446**	**237 113**	**78 233**	**391**	**135 366**	**2 104 649**

According to the decision of shareholders of Domina Hotel Group S.p.A., a subsidiary of Pro Kapital Grupp, the share capital was decreased during the reporting period by cancellation of shares to cover losses by cancelling 9 235 481 shares with nominal value of 1 EUR (appr. 15.6 EEK) per share. At the same time the entity's share capital was increased per share by targeted emission by issuing 4 773 513 new shares with nominal value of 1 EUR (appr. 15.6 EEK). According to the decision monetary and non-monetary payments were made by 30 November 2009. As of 31 December 2009, the entity's share capital amounted to 5 638 032 EUR (appr. 88.2 million EEK), consisting of 5 638 032 shares. 5 627 932 shares belong to AS Pro Kapital Grupp.

NOTE 7. SHARES AND SECURITIES

(Th. EEK)	Short-term shares	Long-term shares
31.12.2007	**8**	**42 327**
Acquistion	591	26 087
Sale in selling price / liquidation provision	1	0
Profit (loss) from sale / liquidation	-3	0
Impairment	-583	-2 020
Reclassification to short-term	-3	0
31.12.2008	**11**	**66 394**
Acquistion	135	726
Sale in selling price	0	-29 832
Profit (loss) from sale / liquidation	0	0
31.12.2009	**146**	**37 288**

Long-term financial statements held for resale are recorded at cost, because their fair value cannot be estimated reliably.

NOTE 8. LONG-TERM LOANS BETWEEN THE ULTIMATE PARENT AND PARENT COMPANIES OF THE SUBSIDIARY GROUP

(Th. EEK)	**31.12.2009**	**31.12.2008**
Loan granted by the ultimate parent:		
Pro Kapital Latvia	96 356	48 795
Pro Kapital Vilnius	139 462	106 077
Pro Kapital Rus	188 654	157 813
P.K. Sicily	504 113	481 491
Domina Hotel Group	3 851	6 281
Total	**932 436**	**800 457**
Loans raised by the ultimate parent:		
Pro Kapital Eesti	920 331	841 750
Domina Vacanze	58 613	23 470
Total	**978 944**	**865 220**

The annual interest rate of intra-group loans is up to 6%. The intra-group interest income and expenses in the amount of 87 839 Th. EEK (in 2008: 115 494 Th. EEK) are eliminated from the consolidated financial statements.

NOTE 9. MISCELLANEOUS LONG-TERM RECEIVABLES

(Th. EEK)

Creditor	Debtor	Contract currency	Receivable as of 31.12.2008	Receivable as of 31.12.2009	Due within 1 year	Due 2-5 years	Due over 5 years	Interest rate	Comments
Pro Kapital Rus:									
Pro Kapital Rus OOO	WTC Tjumen OOO	EUR	13 123	1 137	0	1 137	0	5%	Loan
Pro Kapital Rus OOO	Pro Kapital Siberia OOO	EUR	3 322	0	0	0	0	x	x
			16 445	**1 137**	**0**	**1 137**	**0**		
Pro Kapital Eesti:									
Ilmarise Kvartal OÜ	Different debtors	EEK	0	860	0	195	665	6%	Long-term trade receivables
Tondi Kvartal OÜ	Different debtors	EEK	0	4 381	0	4 381	0	5%	Long-term trade receivables
			0	**5 241**	**0**	**4 576**	**665**		
Pro Kapital Vilnius:									
PK Invest UAB	Swedbank AB	EUR	0	1 565	0	1 565	0	0%	Deposit with maturity date on 07.12.2011
			0	**1 565**	**0**	**1 565**	**0**		
Domina Vacanze:									
Domina Vacanze S.p.A.	CA Immo GmbH	EUR	15 647	0	0	0	0	x	x
Domina Vacanze S.p.A.	Different debtors	EUR	26 491	27 883	0	27 883	0	0%	Long-term trade receivables
Domina Case Vacanze S.r.l.	Different debtors	EUR	1 570	0	0	0	0	x	x
Domina Vacanze S.p.A subsidiaries	Different debtors	EUR	15 839	16 910	0	16 910	0	0%	Long-term trade receivables
			59 547	**44 793**	**0**	**44 793**	**0**		
Domina Hotel Group:									
Domina Hotel Group S.p.A.	Different debtors	EUR	144	118	0	118	0	0%	Long-term trade receivables
			144	**118**	**0**	**118**	**0**		
P.K. Sicily:									
P.K. Sicily S.p.A.	Different debtors	EUR	27 567	17 003	0	17 003	0	0%	Long-term trade receivables
			27 567	**17 003**	**0**	**17 003**	**0**		
		Total	**103 703**	**69 857**	**0**	**69 192**	**665**		

NOTE 10. TANGIBLE ASSETS

(Th. EEK)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
Cost as of 31.12.2008	**500 414**	**14 068**	**45 012**	**149 083**	**6 484**	**582 235**	**25 901**	**1 323 197**
Additions:								
Acquisition	48 674	5	4 441	15 039	1 616	55 415	5 147	130 337
Capitalized interests	0	0	0	0	0	13 411	0	13 411
Disposals:								
Sold	0	0	-2 537	-22	0	0	0	-2 559
Written off	-1 049	0	-1 069	-6 220	-37	-166	-79	-8 620
Other changes:								
Reclassification	303 706	0	5 267	22 213	0	-330 332	-854	0
Reclassified to/from inventories	-46 609	0	0	-918	0	0	0	-47 527
Reclassified to/from investment property	0	0	0	0	0	-21 481	0	-21 481
Foreign currency differences	-456	-30	-232	-21	0	-9 696	-1 339	-11 774
Cost as of 31.12.2009	**804 680**	**14 043**	**50 882**	**179 154**	**8 063**	**289 386**	**28 776**	**1 374 984**
Accumulated depreciation as of 31.12.2008	**95 726**	**10 392**	**21 725**	**106 124**	**1 098**	**26 883**	**0**	**261 948**
Additions:								
Depreciation charge	18 987	1 009	3 204	13 984	726	0	0	37 910
Disposals:								
Sold	0	0	0	-7	0	0	0	-7
Written off	-195	0	-885	-5 773	-37	0	0	-6 890
Other changes:								
Reclassification	0	0	-102	102	0	0	0	0
Reclassified to/from inventories	-14 899	0	0	-1 200	0	0	0	-16 099
Foreign currency differences	-370	-28	-13	-20	0	-1 394	0	-1 825
Accumulated depreciation as of 31.12.2009	**99 249**	**11 373**	**23 929**	**113 210**	**1 787**	**25 489**	**0**	**275 037**
Carrying value as of 31.12.2008	**404 688**	**3 676**	**23 287**	**42 959**	**5 386**	**555 352**	**25 901**	**1 061 249**
Carrying value as of 31.12.2009	**705 431**	**2 670**	**26 953**	**65 944**	**6 276**	**263 897**	**28 776**	**1 099 947**

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(Th. EEK)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
Sale and write-off								
Sold assets at cost	0	0	2 537	22	0	0	0	2 559
Accumulated depreciation of sold assets	0	0	0	-7	0	0	0	-7
Carrying value of sold assets	0	0	2 537	15	0	0	0	2 552
Sale price of assets	0	0	10 085	10	0	0	0	10 095
Cost of assets written off	1 049	0	1 069	6 220	37	166	79	8 620
Accumulated depreciation of assets written off	-195	0	-885	-5 773	-37	0	0	-6 890
Profit (loss) from sales and write-offs	**-854**	**0**	**7 364**	**-452**	**0**	**-166**	**-79**	**5 813**

For additional information concerning finance lease obligations is presented in Note 19.

For additional information concerning mortgages set to Group's tangible assets is presented in Note 29.

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NOTE 11. INTANGIBLE ASSETS

(Th. EEK)	Goodwill	Patents and trademarks	Licenses	Usage rights	Prepayments for intangible assets	TOTAL
Cost as of 31.12.2008	**4 107**	**10 131**	**23 209**	**26 404**	**2 449**	**66 300**
Additions:						
Acquistions related to subsidiaries	3	0	0	0	0	3
Acquistion	0	1 120	1 632	2 411	0	5 163
Disposals:						
Written off	0	0	-18 439	0	0	-18 439
Other changes:						
Reclassification	0	0	-593	705	-112	0
Impairment	-3	0	0	0	0	-3
Foreign currency differences	0	1	1	0	-1	1
Costs as of 31.12.2009	**4 107**	**11 252**	**5 810**	**29 520**	**2 336**	**53 025**
Accumulated amortization as of 31.12.2008	**0**	**6 752**	**20 708**	**6 151**	**0**	**33 611**
Additions:						
Depreciation charge	0	2 130	1 002	640	0	3 772
Disposals:						
Written off	0	0	-17 916	0	0	-17 916
Other changes:						
Foreign currency differences	0	0	3	0	0	3
Accumulated amortization as of 31.12.2009	**0**	**8 882**	**3 797**	**6 791**	**0**	**19 470**
Carrying amount as of 31.12.2008	**4 107**	**3 379**	**2 501**	**20 253**	**2 449**	**32 689**
Carrying amount as of 31.12.2009	**4 107**	**2 370**	**2 013**	**22 729**	**2 336**	**33 555**
Sales and write-offs						
Write-offs at cost	0	0	18 439	0	0	18 439
Accumulated amortization of assets written off	0	0	-17 916	0	0	-17 916
Loss from sales and write-offs	**0**	**0**	**-523**	**0**	**0**	**-523**

NOTE 12. INVESTMENT PROPERTY

(Th. EEK)	Held on purpose of raise of value	Rented out in term of operating lease	Total
Cost as of 31.12.2008	**33 823**	**638 135**	**671 958**
Additions:			
Acquistion	456	16 645	17 101
Other changes:			
Reclassified to/from inventories	0	4 764	4 764
Reclassified to/from tangible assets	0	21 481	21 481
Foreign currency differences	-6	0	-6
Cost as of 31.12.2009	**34 273**	**681 025**	**715 298**
Accumulated depreciation as of 31.12.2008	**984**	**102 053**	**103 037**
Additions:			
Depreciation charge	133	14 314	14 447
Other changes:			
Foreign currency differences	-3	0	-3
Accumulated depreciation as of 31.12.2009	**1 114**	**116 367**	**117 481**
Carrying value as of 31.12.2008	**32 839**	**536 082**	**568 921**
Carrying value as of 31.12.2009	**33 159**	**564 658**	**597 817**
Fair value	**183 673**	**950 936**	**1 134 609**

On determining the fair value of investment property, the Group management relied on estimates of independent experts and also intra-group analysts.

Additional information about mortgages set on the Group's investment property is presented in Note 29.

A shopping centre owned by the entity Kristiine Kaubanduskeskuse AS belonging into Pro Kapital Eesti subsidiary group, is the most significant investment property leased out under the terms of an operating lease of the Group.

The rental income and the corresponding direct expenses from investment property, leased out under the terms of operating lease:

(Th. EEK)	2009	2008
Rental income	96 059	108 911
Direct operating costs		
Maintenance and depreciaton	14 326	16 736
Other direct costs	11 153	10 548

Rental income of future periods from investment property leased out under the terms of an operating lease:

(Th. EEK)	31.12.2009	31.12.2008
Within 1 year	100 626	98 474
1-5 years	287 002	272 241
Over 5 years	125 574	179 303
Total	**513 202**	**550 018**

The estimated income from operating lease covered with contracts during following periods does not include the future periods and rent areas, which are not covered with contracts, since the mentioned amounts cannot be estimated with sufficient reliability.

NOTE 13. DEBT

(Th. EEK)	Note	31.12.2009	31.12.2008
Unsecured debt		18 303	23 943
Short-term finance lease liability	19	793	596
Redemption of convertible bonds issued in the next period	18	6 127	0
Other short-term debt		11 383	23 347
Current portions of long-term bank loans and overdrafts	15	158 743	660 414
Current portion of long-term loans	16	9 701	4 255
Total		**186 747**	**688 612**

NOTE 14. LONG-TERM LIABILITIES

(Th. EEK)	Note	31.12.2009	31.12.2008
Long-term debt		1 981 497	1 102 280
Non-convertible debts		122 516	103 540
Finance lease obligations	19	4 134	3 488
Long-term loans	16	118 382	100 052
Convertible debt	18	73 820	5 851
Bank loans	15	1 785 161	992 889
Other long-term liabilities	17	328 810	141 137
Deferred income tax liability	25	25 275	35 150
Long-term provisions		30 736	30 083
Total		**2 366 318**	**1 308 650**

Provisions

(Th. EEK)	Pension benefit plans	Other provisions	Total
31.12.2008	**22 803**	**12 837**	**35 640**
Provision added	8 898	6 169	15 067
Provision used	-9 171	-225	-9 396
31.12.2009	**22 530**	**18 781**	**41 311**
incl. short-term provision	0	10 575	10 575
long-term provision	22 530	8 206	30 736

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NOTE 15. BANK LOANS

(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2008	Loan balance as of 31.12.2009	Loan repayments within 1 year	Loan repayments 2-5 years	Loan repayments over 5 years	Interest rate	Maturity date	Collateral
Pro Kapital Eesti:										
Pro Kapital Eesti AS	Swedbank	EUR	72 750	68 496	4 478	64 018	0	2.0%+ 6 months EURIBOR	01.11.2013	Note 29
Kristiine Kaubanduskeskus AS	Swedbank	EUR	697 730	722 385	16 228	706 157	0	3.75%+ 6 months EURIBOR	23.04.2014	Note 29
Tondi Kvartal AS	Swedbank	EEK	33 307	26 795	26 795	0	0	2.75%+ 6 monthsEURIBOR	16.03.2010	Note 29
			803 787	**817 676**	**47 501**	**770 175**	**0**			
Pro Kapital Latvia:										
Pro Kapital Latvia PJSC	Swedbank overdraft	LVL	6	20	20	0	0	x	x	x
Investhotel SIA	Swedbank	EUR	99 779	95 837	4 413	91 424	0	3.0%+ 3 months EURIBOR	01.03.2012	Note 29
			99 785	**95 857**	**4 433**	**91 424**	**0**			
Pro Kapital Vilnius:										
PK Invest UAB	Swedbank	EUR	208 008	231 892	81 660	150 232	0	4.4%+ 6 months EURIBOR	07.12.2011	Note 29
			208 008	**231 892**	**81 660**	**150 232**	**0**			
Domina Vacanze:										
Domina Vacanze S.p.A	Meliorbanca	EUR	11 972	0	0	0	0	x	x	x
Domina Vacanze S.p.A	Meliorbanca	EUR	120 581	184 620	0	184 620	0	2.0% + 3 months EURIBOR	01.01.2012	Note 29
Domina Vacanze S.p.A	Meliorbanca	EUR	54 763	47 714	7 771	39 943	0	2.0% + 3 months EURIBOR	01.07.2015	Note 29
Domina Vacanze S.p.A	Cariparma & Piacenza	EUR	10 320	5 019	5 019	0	0	2.0% + 3 months EURIBOR	22.11.2010	Not collaterised
Domina Vacanze S.p.A	Credito Artigiano Bank	EUR	0	25 035	665	24 370	0	2.25% + 3 months EURIBOR	30.01.2013	Note 29
Domina Vacanze S.p.A. subsidiaries	Overdrafts from different credit institutions	EUR	2	11 008	11 008	0	0	x	x	x
			197 638	**273 396**	**24 463**	**248 933**	**0**			

(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2008	Loan balance as of 31.12.2009	Loans repayments within 1 year	Loans repayments 2-5 years	Loans repayments over 5 years	Interest rate	Maturity date	Borrower
Pro Kapital Rus:										
Dom na Moike OOO	Swedbank	EUR	80 446	78 591	0	78 591	0	5.8%+3 months EURIBOR	06.02.2014	Note 29
			80 446	**78 591**	**0**	**78 591**	**0**			
Immobiliare Novate:										
Immobiliare Novate S.p.A.	Credito Artigiano Bank	EUR	185 406	164 167	0	117 349	46 818	1.25% +3 months EURIBOR	31.12.2017	Note 29
Immobiliare Novate S.p.A.	Credito Artigiano Bank	EUR	0	78 233	0	38 872	39 361	1.5% +3 months EURIBOR	31.03.2019	Note 29
Immobiliare Novate S.p.A.	Credito Artigiano Bank overdraft	EUR	0	686	686	0	0	x	x	x
			185 406	**243 086**	**686**	**156 221**	**86 179**			
P.K. Sicily:										
P.K. Sicily S.p.A.	Credito Siciliano S.p.A.	EUR	78 233	203 406	0	203 406	0	1.35% +3 months EURIBOR	30.01.2013	Note 29
			78 233	**203 406**	**0**	**203 406**	**0**			
		Total	**1 653 303**	**1 943 904**	**158 743**	**1 698 982**	**86 179**			

NOTE 16. LONG-TERM LOANS

(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2008	Loan balance as of 31.12.2009	Loan repayments within 1 year	Loan repayments 2-5 years	Loan repayments Over 5 years	Interest rate	Maturity date	Collateral
Pro Kapital Rus:										
Dom na Moike OOO	Odega Anshtalt	RUB	90 205	108 534	0	108 534	0	3%+LIBOR	31.12.2013	Entity's assets
			90 205	**108 534**	**0**	**108 534**	**0**			
Domina Hotel Group:										
Domina Hotel Group S.p.A.	Sinai Company for Touristic Development	EUR	4 255	4 344	4 344	0	0	0%	31.12.2010	Entity's assets
Domina Hotel Group S.p.A.	Domina Vip Travel S.r.l.	EUR	0	5 357	5 357	0	0	0%	31.12.2010	Entity's assets
			4 255	**9 701**	**9 701**	**0**	**0**			
Immobiliare Novate:										
Immobiliare Novate S.p.A.	Minority shareholders	EUR	9 847	9 848	0	9 848	0	0%	x	Entity's assets
			9 847	**9 848**	**0**	**9 848**	**0**			
		Total	**104 307**	**128 083**	**9 701**	**118 382**	**0**			

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NOTE 17. OTHER LONG-TERM DEBT

(Th. EEK)

Borrower	Creditor	Contract currency	Loan balance as of 31.12.2008	Loan balance as of 31.12.2009	Liability repayments within 1 year	Liability repayments 2-5 years	Liability repayments over 5 years	Interest rate	Comments
Domina Vacanze:									
Domina Vacanze S.p.A.	Customers	EUR	66 583	204 085	0	204 085	0	0%	The volume of timeshare sales agreements concluded with customers, 66.4 milion EEK of which has been received from customers (prepayments)
Domina Vacanze S.p.A. subsidiaries	Different creditors	EUR	5 300	5 300	0	5 300	0	0%	Other long-term debt
			71 883	**209 385**	**0**	**209 385**	**0**		
P.K. Sicily:									
P.K. Sicily S.p.A.	Customers	EUR	69 254	119 425	0	119 425	0	0%	The volume of timeshare sales agreements concluded with customers, 74.3 milion EEK of which has been received from customers (prepayments)
			69 254	**119 425**	**0**	**119 425**	**0**		
		Total	**141 137**	**328 810**	**0**	**328 810**	**0**		

NOTE 18. CONVERTIBLE BONDS

Registration date of bonds issued	**13.05.1999**		**13.08.2009**	
Issue price of bond (EUR)	x		4,50	
Issue price of bond (EEK)	50,00		70,41	
Bond return per annum (% from issue price)	6%		7%	
Bond interest payment frequency	Once a year		Twice a year	
Lates date for the repurchase of bonds	20.01.2010		13.08.2013	
Discount rate (%)	11%		11%	
	2009	**2008**	**2009**	**2008**
Number of convertible bonds at the beginning of period	**122 537**	**122 537**	**0**	**0**
Number of convertible bonds issued	0	0	1 164 807	0
Number of convertible bonds at the end of period	**122 537**	**122 537**	**1 164 807**	**0**
incl. repurchase of convertible bonds in the following period	122 537	0	0	0

(Th. EEK)	2009	Discounted 2009	2008	Discounted 2008	2009	Discounted 2009	2008	Discounted 2008
Principal of the bonds issued at the beginning of the period	6 127		6 127		0		0	
Principal of convertible bonds issued	0		0		82 014		0	
Principal of the bonds issued at the end of the period	6 127	6 127	6 127	5 520	82 014	59 480	0	0
incl. repurchase of convertible bonds in teh following period	6 127		0		0		0	
Interest payable at the end of the period	0	0	368	331	17 223	14 340	0	0
Short-term portion of liabilities on the balance sheet	**6 127**		**0**		**0**		**0**	
Long-term portion of liabilities on the balance sheet		**0**		**5 851**		**73 820**		**0**
Equity portion on the balance sheet		**0**		**276**		**8 194**		**0**

The issuance of convertible bonds of AS Pro Kapital Grupp in 1999 are redeemed in accordance with the terms of issue, for the issue price, on 20 January 2010. Redemption fees are paid to the owners of convertible bonds, who have not exercised the right to exchange the convertible bonds for the Ultimate Parent Company share 1:1 until 10 January 2010. As of 31 December 2009 and 31 December 2008 the owners of convertible bonds had not used the right.

According to the terms of the emission convertible bonds of AS Pro Kapital Grupp issued during the reporting period can be converted to shares of the Ultimate Parent Company on 31 December 2010, 31 December 2011 and 31 December 2012 with the rate one convertible bond per share.

NOTE 19. LEASE OBLIGATIONS

Finance lease – Group as the lessee

The equipment is acquired under the terms of finance lease. During the accounting period principals of finance lease were repaid in the amount of 773 Th. EEK (2008: 2 033 Th. EEK) and interest of finance lease in the amount of 24 Th. EEK (2008: 22 Th. EEK) were paid.

Principals of finance lease for the following periods:

(Th. EEK)	Minimum amount of finance lease payments	Interest expense	Net present value of minimum amount of finance lease payments
Finance lease obligations as of 31.12.2008			
Within 1 year	813	217	596
1 – 5 years	2 970	534	2 436
Over 5 years	1 100	48	1 052
Total	**4 883**	**799**	**4 084**
Finance lease obligations as of 31.12.2009			
Within 1 year	899	106	793
1 – 5 years	3 582	251	3 331
Over 5 years	844	41	803
Total	**5 325**	**398**	**4 927**

Average interest rate of long-term finance lease differs by contracts remaining between is 3-9% per annum. Contract currency is EUR.

Additional information about non-current assets acquired in terms of finance lease is presented in Note 10.

Operating lease – Group as the lessee

An administrative building located in Riga, Latvia is rented under the terms of an operating lease and is the most significant leased property. During the accounting period, principals of operating lease in the amount of 13 010 Th. EEK (2008: 11 939 Th. EEK) were repaid.

Operating lease payments for the following periods:

(Th. EEK)	31.12.2009	31.12.2008
Within 1 year	8 428	11 582
1 – 5 years	25 593	46 120
Over 5 years	0	3 811
Total	**34 021**	**61 513**

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Operating lease – Group as the lessor

The group is a lessor in operating lease of investment property, a leashold administrative building and other assets belonging to the Group.

During the accounting period, rental income in the amount of 111 148 Th. EEK (2008: 125 940 Th. EEK) was earned from the assets rented out under the terms of operating lease. Direct costs corresponding to the rental income constituted 42 992 Th. EEK (2008: 55 071 Th. EEK).

Rental income from operating lease for the next periods:

(Th. EEK)	31.12.2009	31.12.2008
Within 1 year	100 626	98 473
1 – 5 years	287 002	272 242
Over 5 years	125 574	179 303
Total	**513 202**	**550 018**

Additional information about investment property leased out in terms of operating lease is presented in Note 12.

NOTE 20. MINORITY INTEREST

The minority interest of the Group as of 31 December 2009 amounts to 535.0 million EEK (31.12.2008: 530.8 million EEK) and consists of the minority shareholders' portions in the equity of the subsidiary groups' and the minority shareholder's portion in the equity of the subsidiary groups' parent companies. Minority interests in the amount of 388.5 million EEK (31.12.2008: 352.9 million EEK) arises from the Estonian subsidiary group; 57.5 million EEK (31.12.2008: 78.8 million EEK) arises from the Latvian subsidiary group; -6.1 million EEK (31.12.2008: -18.3 million EEK) arises from the Russian subsidiary group; 0 million EEK (31.12.2008: -0.2 million EEK) arises from the Domina Vacanze subsidiary group; 89.0 million EEK (31.12.2008: 110.1 million EEK) arises from the Domina Vacanze S.p.A.; 6.1 million EEK (31.12.2008: 7.5 million EEK) arises from the minority interest in Immobiliare Novate S.p.A.

NOTE 21. EQUITY

Share capital

The share capital in the amount of 531 854 Th. EEK consists of 53 185 422 ordinary shares at a nominal value of 10 EEK per share. According to the articles of association, the maximum number of shares allowed to be issued is 90 000 000.

There were no changes in share capital during the financial year and the previous period.

Owners of AS Pro Kapital Grupp shares has 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 Entity has not issued any preference shares.

On 13 April 2009, AS Pro Kapital Grupp shareholders' extraordinary meeting decided to issue up to 10 000 000 the Ultimate Parent Company's convertible bonds in nominal value of 10 EEK per bond, and increase conditionally the Ultimate Parent Company share capital up to 10 000 000 shares in nominal value of 10 EEK per share due to exchange convertible bonds for shares of the Ultimate Parent Company. The bonds shall be offered for subscription until 1 January 2012. The convertible bond can be exchanged for share of the ultimate parent company on 31.12.2010, 31.12.2011, and 31.12.2012.

The Ultimate Parent Company's shareholders pre-emptive right to note the convertible bonds and the exchange of bonds to issued shared is excluded with decision.

On 24 April 2009 the conditional increase of the Ultimate Parent Company's share capital was registered in Commercial Register.

Reserves

Reserves in the amount of 54 160 Th. EEK (31.12.2008: 46 447 Th. EEK) consist of the statutory legal reserve in the amount of 45 966 Th. EEK (31.12.2008: 45 966 Th. EEK), required according to the Estonian Commercial Code § 336, and other reserves in the amount of 8 194 Th. EEK (31.12.2008: 481 Th. EEK).

As other reserves are recorded capital reserves in the amount of 8 194 Th. EEK (31.12.2008: 276 Th. EEK), which comprise of convertible bonds equity portion in accordance with the IAS 32 "Financial Instruments: Disclosure and Presentation". The convertible bonds equity reserve increased by 7 918 Th. EEK (in 2008: decreased by 249 Th. EEK) during the financial year. The equity share of the convertible bonds represents the option value of converting bonds into ordinary shares (see Note 18).

Treasury shares

On 30 October 2008, the shareholders' meeting of AS Pro Kapital Grupp decided to allow the entity to acquire 1 000 000 own shares with repurchase price of 60 EEK per share during the period of five years. The Management Board has the right to repurchase own shares in several offer rounds. Acquiring own shares will not cause the decrease of net assets below the total amount of share capital and reserves of which the payments to shareholders are not permitted by the law and articles of association. According to the shareholders' decision the Management Board is obligated to dispose the shares or make an proposal on the shareholders' meeting to decrease the share capital, during the three years time after the acquiring own shares. As of 31 December 2009 and 2008, the Ultimate Parent Company has not exercised the right to repurchase the shares.

NOTE 22. SEGMENT REPORTING

Segment information is presented by business and geographical segments.

Geographical segments are considered the primary segments, which is also the basis for intra-group reporting. Net profit, assets and liabilities of a segment include records, which are directly related to the particular segment and allocation of which among the segments is sufficiently justified.

Geographical segments

The Group sells real estate and provides services, such as real estate rental, development, and administration services in Estonia, Latvia, Lithuania, Italy, Germany, Russia and Ukraine.

The Italian subsidiaries belonging to Domina Hotel Group subsidiary group provide hotel management also in Germany, Hungary, Tunisia, the Netherlands, Poland, Estonia and Latvia, but considering that the sales of the described services is less than 10% from Group's turnover the current geographical segments are presented among the figures for the whole Italian geographical segment.

Net sales by geographical segments reflect real estate transactions performed within the respective geographical region. Segment assets are classified according to the same principle.

Business segments

Business segments of the Group are the following:

- Sale of property
  Sales of residential, commercial and trade areas, hotels, hotel suites, villas, and time-shares purchased and/or developed by the Group entities.

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- Real estate rent
  Rental services provided by the Group entities.

- Real estate development and administration services
  Management services related to the management and development of real estate and also hotel operating services provided by the Group entities to third parties.

Geographical segments – primary segment reporting

(Th. EEK)	Estonia	Latvia	Lithuania	Russia	Ukraine	Germany	Italy	Total
2009								
Revenue	198 128	76 385	35 504	0	0	0	704 689	1 014 706
Other income	6 013	13 933	596	1 543	0	0	27 858	49 943
Segment operating profit (loss)	-3 340	-27 673	-17 892	-13 655	-285	-4 600	-263 376	-330 821
Net financial income (expenses)	-28 711	1 412	-1 351	-9 698	8	0	-20 145	-58 485
Loss from continuing operations								**-389 306**
Income tax	0	2 294	-2 699	0	0	0	-111	-516
Minority interest								-6 243
Net loss								**-395 033**
Assets	1 034 040	512 296	437 991	279 448	576	44 983	3 093 532	5 402 866
Liabilities	931 163	127 327	278 839	187 837	135	442	1 678 393	3 204 136
Acquistion of non-current assets	18 104	17	410	45 804	0	61	88 205	152 601
Depreciation/amortization	-16 822	-5 720	-666	-36	0	-1 873	-31 012	-56 129
2008								
Revenue	321 042	93 292	807	0	0	0	925 990	1 341 131
Other income	4 032	65 223	9	0	0	0	77 839	147 103
Segment operating profit (loss)	86 038	31 661	-5 432	-7 741	-125	2 438	-77 244	29 595
Net financial income (expenses)	-46 365	4 016	-8 247	-37 189	366	0	-8 974	-96 393
Loss from continuing operations								**-66 798**
Income tax	0	11 972	2 064	0	91	0	8 382	22 509
Minority interest								-41 997
Net loss								**-131 304**
Assets	1 078 973	549 897	418 473	244 290	756	46 590	2 878 476	5 217 455
Liabilities	853 183	142 313	273 520	175 361	18	361	1 184 602	2 629 358
Acquistion of non-current assets	43 997	1 626	79	68 405	0	-307	230 262	344 062
Depreciation/amortization	-18 739	-6 339	-671	-30	0	-1 870	-26 534	-54 183

Business segments – secondary segment reporting

(Th. EEK)

Business segment	Field of activity according to the Estonian Classification of Economic Activities	Revenue 2009	%	Revenue 2008	%
Real estate sale	Buying and selling of own real estate (EMTAK 68100)	260 654	26%	561 512	42%
Real estate rent	Renting and operating of own or leased real estate (EMTAK 68200)	111 148	11%	125 940	9%
Real estate development and administration service (incl. hotel management service)	Management of real estate on a fee or contract basis (EMTAK 68320)	642 904	63%	653 679	49%
Total		**1 014 706**	**100%**	**1 341 131**	**100%**

NOTE 23. COST OF GOODS SOLD, MARKETING EXPENSES, AND ADMINISTRATIVE EXPENSES

Cost of goods sold:

(Th. EEK)	2009	2008
Personnel expenses	198 366	215 929
Depreciation of tangible assets (Note 10)	22 089	20 380
Depreciation of investment property (Note 12)	14 447	14 369
Impairment of non-current assets	0	9 118
Write down of inventories (Note 3)	25 649	0
Other	679 510	721 103
Total	**940 061**	**980 899**

Marketing expenses:

(Th. EEK)	2009	2008
Personnel expenses	25 833	13 692
Depreciation of tangible assets (Note 10)	9	0
Other	77 338	72 357
Total	**103 180**	**86 049**

Administrative expenses:

(Th. EEK)	2009	2008
Personnel expenses	122 734	89 114
Depreciation of tangible assets (Note 10)	15 812	15 775
Amortization of intangible assets (Note 11)	3 772	3 659
Impairment of non-current assets	3	3 924
Write down of inventories (Note 3)	0	5 792
Other	134 362	178 035
Total	**276 683**	**296 299**

NOTE 24. FINANCIAL INCOME AND EXPENSE

Financial income:

(Th. EEK)	2009	2008
Interest income	7 990	24 398
Gain from disposal of subsidiary	9 940	7 669
Other financial income	37	639
Total	**17 967**	**32 706**

Financial expense:

(Th. EEK)	2009	2008
Interest expense	67 888	74 050
Interest expense of convertible bonds	2 585	368
Interest expense of loans and overdrafts	91 612	90 684
Interest expense of capitalized acquistion cost of tangible assets	-13 411	-14 513
Interest expense of capitalized acquistion cost of inventories	-12 898	-2 489
Loss from currency exchange	1 923	50 527
Other financial expense	6 641	4 522
Total	**76 452**	**129 099**

NOTE 25. INCOME TAX

According to the income tax law of Estonia, earned profits of entities are not taxed with income tax, however, dividend payments and other ways of distributing profits are taxed. Due to the difference in the income tax concept, the term "taxation base of assets and liabilities" has no economic meaning, and therefore deferred income tax liabilities and assets cannot be accounted for in accordance with IAS 12 "Income Taxes".

In accordance with income tax laws in Latvia, Lithuania, Italy, Germany, Russia and Ukraine, the applicable tax rates in these countries in year 2009 were 15%, 20%, 27.5%, 15%, 20% and 25% (2008: 15%, 15%, 27.5%, 15%, 24% and 25%) on taxable earnings respectively.

(Th. EEK)	**31.12.2009**	**31.12.2008**
Loss before income tax (consolidated)	-389 306	-66 798
Estimated income tax respective to the tax rates	-47 790	100 305
Corrections of estimated income tax:		
Non-deductible expenses (+)	90 218	28 858
Non-taxable income and tax incentive	-82 183	-138 711
Deductions (-)	-1 340	-2 593
Reversal loss carry forward (+)	48 735	29 691
Income tax expenses	7 640	17 550
Deferred income tax expense (details as follows)	1 335	5 064
Deferred income tax returns (details as follows)	-9 491	-105
Effect on income statement	**-516**	**22 509**
Income tax paid (-)	**-5 400**	**-236 038**
Income tax reclaimed (+)	**0**	**1 957**

Deferred income tax asset and liability (net) movements:

(Th. EEK)	**Accelerated tax depreciation**	**Revaluation of investment property**	**Deferred tax losses**	**Total**
31 December 2008	**27 103**	**8 258**	**-1 923**	**33 438**
Effect on income statement:	-6 546	-2 698	1 088	-8 156
Income tax expense during the reporting period	247	0	1 088	1 335
Income tax reclaims during the reporting period	-6 793	-634	0	-7 427
Income tax changes during the reporting period	0	-2 064	0	-2 064
Exchange rate differences	-5	0	-2	-7
31 December 2009	**20 552**	**5 560**	**-837**	**25 275**

Deferred income tax balances

(Th. EEK)	**31.12.2009**	**31.12.2008**
Deferred income tax liability (+)	25 275	35 150
Deferred income tax assets (-)	0	-1 712
Total	**25 275**	**33 438**

Contingent income tax

The Group's retained earnings as of 31 December 2009 constituted 381 293 Th. EEK (31.12.2008: 776 121 Th. EEK). The maximum possible amount of income tax liability, which could be handled as contingent liability and which could realize as a net dividend on the payout of all retained earnings, is 80 072 Th. EEK (31.12.2008: 162 985 Th. EEK). 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 the payout cannot exceed the retained earnings as of 31 December 2009.

NOTE 26. EARNINGS PER SHARE

Earnings per share is 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 01.01.2009 - 31.12.2009	(53 185 422 x 12/12) = 53 185 422
In period 01.01.2008 - 31.12.2008	(53 185 422 x 12/12) = 53 185 422

Net profit/loss per share (in EEK):

2009	-395 033 083 / 53 185 422 = -7,43
2008	-131 304 191 / 53 185 422 = -2,47

The convertible bonds (see Note 18) did not have a dilutive effect on earnings in 2009 and 2008, and therefore they have not been included in the calculation of the diluted net profit (loss) per share. As a result, the diluted profit (loss) per share equals the net profit (loss) per share indicator.

NOTE 27. SUBSEQUENT EVENTS

With regard to the termination of operator contract on January 2010 SIA PK Investments, an entity belonging to the Pro Kapital Latvia subsidiary group ended operational activities as operator of the Domina Shopping Centre, which was sold by the entity in 2007.

On 28 February 2010, Domina Hotel Italy S.r.l., a subsidiary of Domina Hotel Group S.p.A. ended business as hotel operator in hotel "Domina Hotel Palace" located in Bar, Italy as the result did not meet the objectives proposed.

On 3 March 2010, Domina Hotel Group S.p.A. sold the 100% ownership of Domina Hospitality School S.r.l., which trained employees involved to Domina Hotel Group subsidiary group at the cost of 30 thousand EUR (appr. 469 thousand EEK). Profit from disposal of subsidiary constituted a total amount of 12 thousand EUR (appr. 188 thousand EEK).

On 11 March 2010, a loan agreement (concluded on 16 January 2009) appendix between AS Tondi Kvartal, a subsidiary of AS Pro Kapital Eesti, and AS Swedbank was signed to set new maturity date on 16 January 2012, other conditions of the loan are not amended.

On 13 April 2010, the liquidation process of A-Centrs SIA, a subsidiary of Pro Kapital Latvia PJSC was completed.

According to the decision of shareholders' extraordinary meeting held on 13 April 2009 the Ultimate Parent Company's management offered for subscription 1 500 000 convertible bonds on 27 April 2010 with an issue price of 4.5 EUR (appr. 70.4 EEK) per each convertible bond issued. Subscription period lasts until 30 June 2010.

On 30 April 2010, Domina Hotel Italy S.r.l., a subsidiary of Domina Hotel Group S.p.A. ended business as hotel operator in hotel "Domina Inn Malpensa" located near the Malpensa airport, in Italy as the result did not meet the objectives proposed.
On 6 May 2010, the liquidation process of Domina Vacanze GmbH, a subsidiary of Domina Vacanze was completed.

On 25 May 2010, the liquidation process of Kugu Real Estate SIA, a subsidiary of Pro Kapital Latvia PJSC was completed.

NOTE 28. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are considered to be transactions with the higher level Ultimate Parent Company within the Group, 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.

In 2009

Intra-group transactions
The Group companies provided each other with rent and management, accounting, marketing, and administration services. Such transactions amounted to 49.2 million EEK in 2009.

The intra-group loans are disclosed in Note 8. The interest income and expenses from intra-group loans amounted to 87.8 million EEK.

All intra-group transactions have been eliminated from the consolidated financial statements.

Transactions with shareholders
The subsidiaries of Pro Kapital Latvia group has given short-term loans to Svalbork Invest OÜ, the shareholder of AS Pro Kapital Grupp. As of 31 December 2009 there were loan receivables in the amount of 82.0 million EEK and interest receivables in the amount of 9.6 million EEK. Interest income from loans was in amount of 3.4 million EEK.

Transactions with management
In 2009, the salaries and bonuses paid to the members of the Management Board and the executive managements amounted to 19.0 million EEK. No other transactions or provisions occurred with the members of the management.

As of 31 December 2009, the Supervisory Council, the Management Board and the executive managements of the AS Pro Kapital Grupp did not hold the shares of AS Pro Kapital Grupp in significant quantities.

In 2008

Intra-group transactions
The Group companies provided each other with rent and management, accounting, marketing, and administration services. Such transactions amounted to 49.4 million EEK in 2008.

The intra-group loans are disclosed in Note 8. The interest income and expenses from intra-group loans amounted to 115.5 million EEK.

All intra-group transactions have been eliminated from the consolidated financial statements.

Transactions with shareholders
The subsidiaries of Pro Kapital Latvia group has given short-term loans to Svalbork Invest OÜ, the shareholder of AS Pro Kapital Grupp. As of 31 December 2008 there were loan receivables in amount of 99.5 million EEK and interest receivables in amount of 6.9 million EEK. Interest income from loans was in the amount of 11.4 million EEK.

Transactions with management
In 2008, the salaries and bonuses paid to the members of the Management Board and the executive managements amounted to 20.7 million EEK. No other transactions or provisions occurred with the members of the management.

As of 31 December 2008 the Supervisory Council, the Management Board and the executive managements of the AS Pro Kapital Grupp held no shares in AS Pro Kapital Grupp.

NOTE 29. COLLATERALS AND PLEDGED ASSETS

Name of the pledgor	Name of the beneficiary	(in Th. EEK) Obligation amount as of 31.12.2009	Collateral description	Owner of collateral	Type of asset	(Th. EEK) Book value of collateral as of 31.12.2009
Kristiine Kaubanduskeskus AS	Swedbank	722 385	Kalaranna 1, Tallinn	Pro Kapital Eesti AS	Unfinished construction (inventories)	76 000
			Seebi 24a/ Tondi 53b, Tondi 49a, 51d, 51f, 53, 53a, 53c, 55b, 57, Tammsaare road 56/58, Tallinn	Tondi Kvartal AS	Unfinished construction (inventories)	129 182
			Põhja avenue. 23, Tallinn	Ilmarise Kvartal OÜ	Land and buildings	5 072
					Finished construction (inventories)	38 809
			Endla 45,Tulika 33a/37a and Kotkapoja 7, 9, 11, Tallinn	Kristiine Kaubanduskeskus AS	Investment property	518 812
Tondi Kvartal AS	Swedbank	26 795	Tondi 51, Tallinn	Tondi Kvartal AS	Finished construction (inventories)	50 514
Pro Kapital Eesti AS	Swedbank	68 496	Põhja avenue. 21a, 21b, 21 (703/6962), Tallinn	AS Pro Kapital Eesti	Land and buildings	59 008
			Põhja avenue 21 (6259/6962), Tallinn	Ilmarise Kvartal OÜ	Finished construction (inventories)	45 795
Investhotel SIA	Swedbank	95 837	Pulkveza Brieza Str. 11, Riga	Investhotel SIA	Land and buildings	31 882
					Machinery and equipment	7 305
					Other tangible assets	309
					Current assets	81 005
PK Invest UAB	Swedbank	231 892	Aguonu str.10, Vilnius	PK Invest UAB	Finished construction (inventories)	353 006
					Unfinished construction (inventories)	59 247
Domina Vacanze S.p.A	Credito Artigiano Bank	25 035	Cianderils, Largo delle Poste 39, Cortina d'Ampezzo (BL)	Domina Vacanze S.p.A.	Land and buildings	15 174
	Meliorbanca	232 334	Via Priesnig 10, Tarvisio	Domina Vacanze S.p.A.	Finished construction (inventories)	253 372
			Via A. Maffei 1, Milan	Domina Vacanze S.p.A.	Land and buildings	58 904
Immobiliare Novate S.p.A.	Credito Artigiano Bank	242 400	Via Don Orione 18/20, Milan	Immobiliare Novate S.p.A.	Land and buildings	365 509
P.K. Sicily S.p.A.	Credito Siciliano S.p.A.	203 406	Resort Zagarella & Sea Palace, Santa Flavia, Palermo	P.K.Sicily S.p.A.	Unfinished construction (inventories)	626 725
			P.K.Sicily S.p.A. shares	AS Pro Kapital Grupp	Securities	14 228
Dom na Moike OOO	Swedbank	78 591	Bolsaja Morskaja 54, Petersbourg	Dom na Moike OOO	Unfinished construction	206 833
			Dom na Moike OOO share	Pro Kapital Rus OOO	Securities	-6 309
Total		**1 927 171**				**2 990 382**

NOTE 30. 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.

Business risk

The business risk of the Group depends on the development of the real estate markets in Baltic States, Italy and Russia, and on the development of the tourism sector in Europe as well as in Egypt.

The global financial crisis and the accompanying economic crisis have been affected negatively development of the real estate as well as tourism sector. Although at the end of 2009 the global economy showed some signs about economic growth, the positive impact of the real estate development sector is usually occurs with a delay.

Significant risk which would occur with the crisis, the decrease of the substantial purchasing capability of the permanent residence, the increase of the interest rates for mortgage loans and other factors which could decrease the demand for real estate and hotel services and have a negative impact to the Group operating activities, decreasing the sales and rent income as well the gain from development activities, property management services and operating hotels. Changes in financial markets could reduce the Group's business opportunities to involve foreign capital to finance business and to refinance existing financial liabilities.

The Group has diversified the risk deriving from the fluctuation of purchasing-power on the Baltic real estate market by the co-operation with the real estate brokers in Italy, who are looking for clients interested in long-term real estate investments in the Baltic States. The Group has expanded its business activities into new areas with large development potential, it has continued to develop real estate projects in Sicily (Italy) and Russia.

Taking into consideration the capacity of the real estate projects and favourable position, it can be presumed, that the subsidiary groups are able to retain their position in the market.

The Group's Management believes it is not possible to reliably assess the effects of the ongoing economic crisis, however the management believes that all necessary measurement have been adopted to provide a sustainable development.

Interest risk

Main interest risk rises from long-term liabilities of the Group. In general the interest rates of loans raised by the entities belonging to Group are fixed through Euribor plus a risk margin (Notes 15 and 16). An interest risk appears from Euribor and the volatility of the average market interest rates which affect the Group's interest expenses. The minimum use of financial instruments are used to diversify the interest risk. According to Group's management estimate the expenses related to interest diversification (fixed interest rate) are exceeding the possible losses from the change of interest rate. The estimate based on the Group's financing strategy in the short-term. As of 31.12.2009 the interest bearing liabilities amounted to 39.7% (31.12.2008: 33.5%) from the total of Group capital structure.

Currency risk

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 predominantly in euro (Notes 15, 16 and 17) and majority of Group's income comes from euro based contracts, the Group's management estimates the currency risk to be unimportant and does not consider the usage of financial instruments for diversification proper.

Credit risk

The Credit risk expresses potential loss that occurs, when customers do not fulfill their contractual obligations. For mitigating the credit risk the payment discipline of the customers is consistently followed.

In general the sales of real estate are financed 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. It may sometimes happen that the ownership is transferred to the buyer but a mortgage is set in favour of the Group entity.

During the reporting period the deterioration of payment discipline of the customers has occurred related to rent of real estate, however the Group has not had to bear significant credit losses.

Based on the assumption of Group's management experience and the analysis of the economic environments' development trends, discounts are made to cover possible losses, if necessary.

According to the estimation of the Group's management the need for further grounding of credit risk resulted from above is minimal.

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, due to accounting policies used in Group.

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.

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 constantly monitors proportion of short-term liabilities and current assets. The Group's working capital has been positive: as of 31.12.2009 the current assets exceeded short-term liabilities by 4.3 times (31.12.2008: 2.6 times).

Group's financial liabilities according to the due date:

(Th. EEK)

			Repayment of liabilities				**Repayment of liabilities**		
	Note	**31.12.2009**	**within 1 year**	**2-5 years**	**over 5 years**	**31.12.2008**	**within 1 year**	**2-5 years**	**over 5 years**
Bank loans	15	1 943 904	158 743	1 698 982	86 179	1 653 303	660 414	674 299	318 590
Long-term loans	16	128 083	9 701	118 382	0	104 307	4 255	100 052	0
Finance lease liabilities	19	4 927	793	3 331	803	4 084	596	2 436	1 052
Convertible bonds	18	79 947	6 127	73 820	0	5 851	0	5 851	0
Trade payables		448 594	448 594	0	0	403 740	403 740	0	0
Other debt		407 521	78 711	328 810	0	218 250	77 113	141 137	0
Total		**3 012 976**	**702 669**	**2 223 325**	**86 982**	**2 389 535**	**1 146 118**	**923 775**	**319 642**

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 foreign and equity capital for financing business activities and monitors percentage of equity capital from balance sheet volume in editing financial structure and in assessment of risk. As of 31.12.2009 the equity capital constitutes 40.7 % (31.12.2008: 49.6 %) from balance sheet volume.

For obtaining and improving capital structure the Group has possibility to regulate dividends payable, to return shareholders contributions to share capital, to issue new shares, or to sell assets to decrease liabilities.

NOTE 31. LAW SUITS

Pro Kapital Eesti subsidiary group

As of 31 December 2009, the entities of Pro Kapital Eesti subsidiary group have no ongoing legal proceedings.

As of 31 December 2008, the entities of Pro Kapital Eesti subsidiary group had an ongoing legal proceeding related to the non-compliance of a client's liabilities arising from the termination of the real estate finance lease. Litigation which ended with agreement of the parties, was not accompanied by any costs to the entity.

Pro Kapital Latvia subsidiary group

As of 31 December 2009, the parent entity of Pro Kapital Latvia subsidiary group has an ongoing legal proceeding related to the former employees claim against the entity in matter of the commission fees in total amount of 360 641 Latvian lats (appr. 7 952 Th. EEK), and the entity added a claim against the annulment of the appendix of the employment agreement.

On 14 April 2008, the Riga city court called claim against the entity without any legal basis, and the court upheld a claim against the entity. Afterwards on 12 May 2008 the employee submitted the claim to appeal the decsion of the Riga city court. On 29 January 2009, the court annulled the decision of the Riga city court, and dismissed the employee's claim the against entity as well as the entity's claim against the employee.

On 17 April 2009, both parties submitted the decision to cassation. Entity has asked the cancellation of decision made by district court and entity's claim for recognize the agreement appendix as trivial. Employee has asked the cancellation of decision made by the district court and that the aforementioned commissions to be paid out. Cassations by both parties is expected to come up for discussion on summer-autumn 2010.

The Group management estimates above described unfinished law suits to be unsubstantiated, therefore any potential liabilities are not included to the annual accounts related to the law suits.

As of 31 December 2009, the entity of Pro Kapital Latvia subsidiary group PK Investments SIA has one ongoing legal arbitration proceeding. On 31 July 2009, the entity submitted an application to Swedish Chamber of Commerce Court of Arbitration with claim against KanAM Grund Kapitalanlagegesellschaft GmbH with content to pay 400 000 EUR (appr. 6 259 thousand EEK) and interest amounting to 27 930 EUR (appr. 437 thousand EEK) under the sale contract of Domina Shopping Centre, which KanAM Grund Kapitalanlagegesellschaft GmbH held improperly.

KanAM Grund Kapitalanlagegesellschaft GmbH announced its response to Arbitration, that it does not recognize the claim and intends to claim compensations from PK Investments SIA in the amount of 1 011 600 EUR (appr. 15 828 thousand EEK) with argument that entity has failed to improving the construction waste in Domina Shopping Centre. KanAM Grund Kapitalanlagegesellschaft GmbH has further argued that it would require a return of overpayment of purchase price in the amount of 271 236 EUR (appr. 4 244 thousand EEK). Entity notes that KanAM Grund Kapitalanlagegesellschaft GmbH does not request Arbitration by an arbital tribunal or the conduct of their claims. Entity does not know whether KanAM Grund Kapitalanlagegesellschaft GmbH present the claim to Arbitration of the presentation of which it has noticed..

The management of the Group estimates the above described possible claim to be unsubstantiated, however the Group's consolidated financial statements contain contingent liabilities to repair the possible construction errors amounting to 200 000 Latvian lats (appr. 4 410 thousand EEK).

As of 31 December 2008, the entities of Pro Kapital Latvia subsidiary group had one legal proceeding ongoing, the aforementioned law suit.

Domina Vacanze subsidiary group

As of 31 December 2009, the entities of Domina Vacanze subsidiary group have 33 unfinished legal proceedings, 28 of which are subject about termination of the real estate preliminary sales contracts and the return of money, and 5 are on the subject of quality services provided by Domina Vacanze subsidiary group

The legal proceedings connected to the real estate are based on the client's request not to terminate the preliminary contract despite of the violation of the conditions by the client or to receive back the agreed payments that are not refundable based on the agreement conditions.

The Group management estimates on the described unfinished law suits described above have no significant effect on the business operations of the Domina Vacanze subsidiary group companies.

As of 31 December 2008, the entities of Domina Vacanze subsidiary group had 21 unfinished legal proceedings, which involved the termination of the real estate preliminary sales contracts and the return of money.

Domina Hotel Group subsidiary group

As of 31 December 2009, the entities of Domina Hotel Group subsidiary group had 7 unfinished legal proceedings, 5 of which are on the subject of former employees of monetary and non-monetary claims against entities in relation to lay off of employees, and 2 are on the subject of consultancy claims for services which are contracted, however the services had not taken place.

According to the Group management estimates, the above described unfinished law suits have no significant effect on the business operations of the Domina Hotel Group subsidiary group companies.

As of 31 December 2009, the entities of Domina Hotel Group subsidiary group have no ongoing legal proceedings.

There were no other Court or Arbitration Court proceedings initiated that could significantly affect the business operations of the Group companies.

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NOTE 32. FINANCIAL STATEMENTS OF THE ULTIMATE PARENT COMPANY

Balance Sheet

ASSETS

(Th. EEK)	31.12.2009	31.12.2008
Current assets		
Cash and bank accounts	3 008	2 767
Miscellaneous receivables		
Short-term receivables from the Group entities	86 815	49 738
Other short-term receivables	714	0
Total	87 529	49 738
Accrued income		
Interests	9	0
Prepaid expenses		
Prepaid taxes and reclaimable taxes	0	569
Prepaid expenses	33	3 041
Total	33	3 610
Total current assets	**90 579**	**56 115**
Non-current assets		
Long-term financial investments		
Shares in subsidiaries	2 104 649	2 030 105
Long-term receivables from the Group entities	938 331	848 179
Total	3 042 980	2 878 284
Tangible assets (net)	20	38
Total non-current assets	**3 043 000**	**2 878 322**
TOTAL ASSETS	**3 133 579**	**2 934 437**

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LIABILITIES AND OWNER'S EQUITY

(Th. EEK)	**31.12.2009**	**31.12.2008**
Current liabilities		
Short-term debt	6 127	0
Trade payables	167	175
Miscellaneous liabilities		
Payables to Group entities	119 958	822 246
Tax payables	122	394
Accrued expenses	2 841	552
Total current liabilities	**129 215**	**823 367**
Non-current liabilities		
Long-term debt	73 820	5 851
Other long-term liabilities		
Payables to Group entities	978 944	865 220
Long-term provisions	253	101
Total non-current liabilities	**1 053 017**	**871 172**
Total liabilities	**1 182 232**	**1 694 539**
Share capital in nominal value	531 854	531 854
Share premium	705 495	705 495
Reserves	54 160	46 242
Retained earnings / accumulated deficit	-43 693	20 971
Profit / loss for the financial year	703 531	-64 664
Total owner's equity	**1 951 347**	**1 239 898**
TOTAL LIABILITIES AND OWNER'S EQUITY	**3 133 579**	**2 934 437**

Income Statement

(Th. EEK)	2009	2008
Operating income		
Revenue	5 907	6 108
Cost of goods and services sold	-107	-265
Gross profit	**5 800**	**5 843**
Marketing expenses	-128	-757
Administrative expenses	-23 054	-16 126
Other income	2	345
Other expense	-11	-62
Operating loss	**-17 391**	**-10 757**
Financial income and expense	720 922	-53 907
Financial income and expense from subsidiaries shares	738 839	0
Interest expense	-57 567	-84 972
Profit / loss from change in currency exchange rate	6 962	-42
Other financial income and expense	32 688	31 107
Profit / loss before income tax	**703 531**	**-64 664**
Income tax	0	0
Profit / loss for the financial year	**703 531**	**-64 664**

Statement of cash flows

(Th. EEK)	2009	2008
OPERATING ACTIVITIES		
Profit /loss for the financial year	703 531	-64 664
Adjustments:		
Depreciation of tangible assets	18	16
Interest income and expense (net)	24 879	54 038
Dividend income	-745 814	0
Gain / loss from liquidation of short-term investments	0	-173
Change in provisions	152	0
Change in receivables and prepayments made	4 708	2 048
Changes in payables and prepayments collected	-202	474
Cash flow used in operating activities	**-12 728**	**-8 261**
INVESTING ACTIVITIES		
Increas of share capital or acquistion of subsidiaries	-19 558	0
Short-term investment liquidation portion	0	2
Acquistion of tangible assets	0	-21
Loans granted	-95 194	-74 675
Repayments of loans granted	16 820	30 502
Interest received	2 398	4 056
Interest paid	-3 627	-60 941
Cash flows used in investing activities	**-99 161**	**-101 077**
FINANCING ACTIVITIES		
Loans raised	130 103	375 497
Repayments of loans raised	-17 973	-268 674
Cash flows from financin activities	**112 130**	**106 823**
Net change in cash	**241**	**-2 515**
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	**2 767**	**5 282**
CASH AT THE END OF THE FINANCIAL YEAR	**3 008**	**2 767**

Signed for identification purposes:
AS Deloitte Audit Eesti

Statement of changes in equity

(Th. EEK)	Share capital	Share premium	Reserves	Retained earnings / accumulated deficit	Profit / loss for the financial year	Total
Balance as of 31 December 2007	**531 854**	**705 495**	**6 327**	**94 475**	**-33 340**	**1 304 811**
Cost of subsidiaries shares	X	X	X	X	X	-1 953 749
Book value of the shares in subsidiaries calculated based on equity method	X	X	X	X	X	2 830 935
Adjusted unconsolidated equity 31 December 2007	**X**	**X**	**X**	**X**	**X**	**2 181 997**
Increase of statutory legal reserve	0	0	40 164	-40 164	0	0
Change in the convertible bonds reserve	0	0	-249	0	0	-249
Allocation of net loss	0	0	0	-33 340	33 340	0
Result of the financial year	0	0	0	0	-64 664	-64 664
Balance as of 31 December 2008	**531 854**	**705 495**	**46 242**	**20 971**	**-64 664**	**1 239 898**
Cost of subsidiaries shares (Note 6)	X	X	X	X	X	-2 030 104
Book value of the shares in subsidiaries calculated based on equity method (Note 6)	X	X	X	X	X	2 847 497
Adjusted unconsolidated equity 31 December 2008	**X**	**X**	**X**	**X**	**X**	**2 057 291**
Change in the convertible bonds reserve	0	0	7 918	0	0	7 918
Allocation of net loss	0	0	0	-64 664	64 664	0
Result of the financial year	0	0	0	0	703 531	703 531
Balance as of 31 December 2009	**531 854**	**705 495**	**54 160**	**-43 693**	**703 531**	**1 951 347**
Cost of subsidiaries shares (Note 6)	X	X	X	X	X	-2 104 649
Book value of the shares in subsidiaries calculated based on equity method (Note 6)	X	X	X	X	X	1 817 029
Adjusted unconsolidated equity 31 December 2009	**X**	**X**	**X**	**X**	**X**	**1 663 727**

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INDEPENDENT SWORN AUDITOR'S REPORT

To the Shareholders of AS Pro Kapital Grupp:

Report on the Financial Statements

We have audited the accompanying consolidated annual accounts (page 8 to 64) of AS Pro Kapital Grupp and subsidiaries (hereinafter also referred together to as "the Group"), which comprise the statement of financial position as of 31 December 2009, and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibilities for the Consolidated Annual Accounts

Management Board is responsible for the preparation, true and fair presentation of the consolidated annual accounts in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted by European Commission. The responsibility includes: designing and maintaining an internal control environment relevant to assure the true preparation and fair presentation of consolidated annual accounts which are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Sworn Auditor's Responsibilities

Our responsibility is to express an opinion on the consolidated annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. The standards require us to comply with ethical requirements, plan and perform the audit to obtain reasonable assurance on whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence regarding the numbers and disclosures presented in the consolidated annual accounts. The volume and content of the procedures selected depends on the judgment made by the sworn auditor, including the assessment on risks of material misstatement in the consolidated annual accounts, whether due to fraud or error. While making the risk assessment the sworn auditor considers if the internal control environment is relevant to provide true preparation and fair presentation of the consolidated annual accounts in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control environment. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated annual accounts.

We believe that the audit evidence, which is obtained by us, is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated annual accounts of the Group, present fairly, in material respects, the financial position of the Group as of 31 December 2009, and its financial performance and cash flows for the financial year then ended in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted by European Commission.

Emphasis of Matter

Without qualifying our opinion we draw attention to the matter that the real estate markets where the Group operates, has been influenced by the global financial crisis and economic downturn, which has caused insufficient liquidity and very passive purchase demand. The impact of the deterioration of the real estate market on the Group is currently difficult to predict, and creates an uncertainty as to the fairness of valuation of the Group's assets (investment properties, inventories and long-term loan receivables). The value of respective assets presented in the consolidated annual accounts is based on the management's estimates as of the consolidated annual accounts' preparation date. The final net realizable value of the recorded assets may differ from the estimates used.

Reporting on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the consolidated annual accounts taken as a whole. The financial information of the parent company AS Pro Kapital Grupp disclosed in Note 32 to the consolidated annual accounts is presented due to the requirements of the Estonian Accounting Act, and this is not a required part of the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by European Commission.

As further disclosed in Note 32 to the consolidated annual accounts, the unconsolidated balance sheet of the ultimate parent company AS Pro Kapital Grupp includes investments into subsidiaries as of 31 December 2009, which are reported at cost in the amount of 2 104 649 thousand EEK. According to IAS 36 "Impairment of Assets", an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset. As of 31 December 2009 the parent company has not made an estimate of the recoverable amount of the above mentioned assets. In Note 6 to the consolidated annual accounts is included detailed information regarding the financial investments of the ultimate parent company.

In our opinion, except for the possible impact of the matter described in the paragraph above, the unconsolidated financial information of the parent company AS Pro Kapital Grupp, as disclosed in Note 32 to the consolidated annual accounts, is prepared, in all material respects, in accordance with the requirements of the Estonian Accounting Act.

09 June 2010

Veiko Hintsov
Sworn auditor No 328
Deloitte Audit Eesti AS
License No 27

AS PRO KAPITAL GRUPP

PROPOSAL FOR COVERING LOSS

The Management Board of AS Pro Kapital Grupp proposes to cover the loss for the year 2009 in the amount of 395 033 083 EEK from prior years retained earnings.

31 May 2010

Paolo Vittorio Michelozzi
Chairman of the Management Board

REVENUE ALLOCATION BY THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES (EMTAK 2008)

The Ultimate Parent Company's revenue for the reporting period is allocated by the fields of activities according to the Estonian Classification of Economic Activities 2008 as follows:

	2009 (Th. EEK)
Activities of head offices (EMTAK 70101)	5 907
Total	**5 907**

NEWSEC

INVESTMENT VALUE SUMMARY

PRO KAPITAL PROPERTY PORTFOLIO
Estonia, Germany, Latvia and Lithuania

Prepared for

AS PRO KAPITAL GRUPP

6th July, 2012

General

THE FOLLOWING SUMMARY IS GIVEN AS A GENERAL GUIDE TO THE APPRAISAL OF THE INVESTMENT VALUE OF THE PROPERTIES INDICATED IN THE FULL INVESTMENT VALUE REPORTS OF EACH PROPERTY AND SHOULD BE READ AND ANALYSED IN CONJUNCTION WITH THE SAID FULL INVESTMENT VALUE REPORTS. THIS SUMMARY IS NOT THE FULL INVESTMENT VALUE REPORTS AND SHOULD BE READ MERELY AS AN INTRODUCTION TO THE SAME.

THE SUMMARY AND RESPECTIVE FULL INVESTMENT VALUE REPORTS REFLECT THE INVESTMENT VALUE OF THE PROPERTIES. THE INVESTMENT VALUE OF THE PROPERTIES IS BASED ON THE WEIGHTED AVERAGE COST OF CAPITAL, DEVELOPMENT PARAMETERS OF THE PROPERTIES, OTHER DATA, ASSUMPTIONS AND DOCUMENTATION PROVIDED BY AS PRO KAPITAL GRUPP AS SPECIFIED IN THE FULL INVESTMENT VALUE REPORTS. NEITHER THIS SUMMARY NOR THE FULL INVESTMENT VALUE REPORTS PRESENT THE MARKET VALUE AND/OR FAIR VALUE OF THE PROPERTIES, OR THE BOOK VALUE OF THE PROPERTIES REFLECTED IN THE FINANCIAL ACCOUNTS OF AS PRO KAPITAL GRUPP. NEITHER THE VALUERS NOR ANY OF THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR ADVISERS TAKE ANY RESPONSIBILITY IN THIS REGARD.

1 The assignment

1.1 Objective / Client

In accordance with the instructions received from **AS PRO KAPITAL GRUPP** (the **Client**), **NEWSEC** (the **Valuer**) have been instructed to appraise the **Investment Value** of the properties indicated in section “1.5 Properties under valuation” below (the **Properties**), located in Estonia, Germany, Latvia and Lithuania.

Project is led by Ugnius Meidus MRICS, Head of Valuations, NEWSEC Baltics.

The valuation is required for the purposes of the Initial Public Offering of the shares of **AS PRO KAPITAL GRUPP** (the **Client**) on the **NASDAQ OMX Tallinn Stock Exchange** (the **IPO**).

We are assessing the Investment Value of the Properties in accordance with RICS Valuation – Professional Standards (Incorporating the International Valuation Standards), 2012 (the Red Book), as follows:

> *“Investment value is the value of an asset to the owner or a prospective owner for individual investment or operational objectives”.*

The Valuer hereby consents that this Investment Value Summary is included (either by reference or as an annex) to the prospectus prepared by the Client in relation to the IPO.

1.2 Terms and conditions

We have prepared the summary of the Investment Values of the Properties (the **Investment Value Summary**). Respective Full Investment Value Reports are presented separately to this Investment Value Summary.

Valuation is made in accordance with RICS Valuation – Professional Standards (Incorporating the International Valuation Standards), 2012. RICS Valuation – Professional Standards are globally recognized and acceptable.

According to the Red Book RICS Valuation – Professional Standards are fully compliant with the International Valuation Standards (IVS). The purpose of the RICS standards is to provide users of valuation services with confidence that a valuation provided by an RICS qualified valuer has been undertaken in compliance with the highest professional standards. It also assures users that the valuation is independent, objective and consistent with internationally recognized standards set by the International Valuation Standards Council (IVSC).

The IVSC publishes and periodically reviews the International Valuation Standards (IVS) that set out internationally accepted, high level valuation principles and definitions. These have been adopted, supplemented (where appropriate) by RICS and reflected in successive Red Book editions as part of RICS' overall framework of standards, which is backed by a comprehensive scheme of regulation to ensure effective implementation and delivery.

While some RICS standards are occasionally presented in a different way than the IVS, the principles, objectives and defined terms are the same. RICS has adopted the IVS, therefore, even though there are some differences in the detailed requirements of IVS and the RICS standards, these differences exceed the requirements of IVS. Thus RICS considers that a valuation, which is undertaken in accordance with the Red Book, is also compliant with the IVS.

We hereby confirm that NEWSEC and its valuers (listed in section "1.4 Project team") comply with the requirements of RICS Valuation – Professional Standards (Incorporating the International Valuation Standards), 2012.

Our valuation is based on the information, assumptions and documentation, which we have obtained from the Client and which are specified in the respective Full Investment Value Reports. We have relied on this being correct and complete and on there being no undisclosed matters, which would affect our valuation.

For estimation of the Investment Value the WACC (weighted average cost of capital) was provided to us by the Client in cooperation with its advisers PORTA FINANCE, UAB. WACC forms the discount rate used in our valuation.

Income Approach (Discounted Cash Flow Method and / or Residual Method) was used for estimation of the Investment Value of the Properties, detailed calculations of the Investment Value by these methods are set in the respective Full Investment Value Reports.

For hotel valuations all equipment and intangible assets necessary for operation of a hotel are assumed to be undetachable part of the building and are included in the valuation or as a fully-equipped operational entity having regard to trading potential.

To the best of knowledge and belief of the Valuer, having taken all reasonable care to ensure that such is the case, the information contained in this Investment Value Summary, for which it is responsible, is in accordance with the facts and contains no omissions likely to affect its import.

We do not have any conflict of interest in providing the requested valuation services. The Valuer will not benefit from this valuation instruction rather than through the receipt of the valuation fee.

NEWSEC

1.3 Conflict of interest

Hereby, the Valuers declare that neither they nor NEWSEC as legal entities have any conflict of interest while performing valuation of the Properties, and benefit from the valuation process only through receiving a fixed pre-agreed fee from the Client. Fee received by the Valuer for valuation procedure is not related to the valuation results.

We hereby confirm that NEWSEC and its valuers (listed in section "1.4 Project team") are independent from the Client.

1.4 Project team

Full Investment Value Reports were prepared by NEWSEC, except of property at Kurhaus str. 28, Bad Kreuznach, Germany (prepared by CUSHMAN & WAKEFIELD HOSPITALITY acting as subcontractor for NEWSEC).

NO.	PROJECT	VALUER (qualification, no. of certificate)	OFFICE ADDRESS
1	Tondi Quarter (Estonia)	**Aleksander Sibul** (Certified Valuer, VH 171211; MRICS, 1301782), **Ugnius Meidus** (MRICS, 1274638).	Roseni 7, Tallinn, EE - 10111, Estonia
2	Kalaranna Residential Complex (Estonia)	**Aleksander Sibul** (Certified Valuer, VH 171211; MRICS, 1301782), **Ugnius Meidus** (MRICS, 1274638).	Roseni 7, Tallinn, EE - 10111, Estonia
3	Peterburi Rd. Shopping Centre (Estonia)	**Aleksander Sibul** (Certified Valuer, VH 171211; MRICS, 1301782), **Ugnius Meidus** (MRICS, 1274638).	Roseni 7, Tallinn, EE - 10111, Estonia
4	Šaltinių Namai Residential Complex (Lithuania)	**Ugnius Meidus** (MRICS, 1274638).	Saltoniskiu str. 2, Vilnius, LT-08126 Lithuania
5	Tallinas St. Residential Complex (Latvia)	**Ilze Krieviņa** (Certified Valuer, 123), **Ugnius Meidus** (MRICS, 1274638).	Zala str. 1, Riga, LV-1010, Latvia
6	Zvaigznes Centre (Latvia)	**Ilze Krieviņa** (Certified Valuer, 123), **Ugnius Meidus** (MRICS, 1274638).	Zala str. 1, Riga, LV-1010, Latvia
7	Klīversala Residential Complex (Latvia)	**Ilze Krieviņa** (Certified Valuer, 123), **Ugnius Meidus** (MRICS, 1274638).	Zala str. 1, Riga, LV-1010, Latvia
8	Domina Inn Riga Hotel (Latvia)	**Ilze Krieviņa** (Certified Valuer, 123), **Ugnius Meidus** (MRICS, 1274638).	Zala str. 1, Riga, LV-1010, Latvia
9	Ilmarine Quarter (Estonia)	**Aleksander Sibul** (Certified Valuer, VH 171211; MRICS, 1301782), **Ugnius Meidus** (MRICS, 1274638).	Roseni 7, Tallinn, EE - 10111, Estonia
10	Domina Inn Ilmarine Hotel (Estonia)	**Aleksander Sibul** (Certified Valuer, VH 171211; MRICS, 1301782), **Ugnius Meidus** (MRICS, 1274638).	Roseni 7, Tallinn, EE - 10111, Estonia
11	Domina Hotel and Kurhaus (Germany)	**Frederic Le Fichoux** (MRICS, 1291555), **Jonathan Hallett** (MRICS, 0095571).	Na Prikope 1, 110 00 Praha 1, Czech Republic

1.5 Properties under valuation

All the Properties under valuation are owned freehold, except of Šaltinių Namai Residential Complex (Lithuania; land for further development is state leasehold, already built premises – freehold).

List of the Properties under valuation is set in table below.

NO.	PROJECT	TYPE	COUNTRY, CITY	Gross Area / Gross Buildable Area, sq.m
1	Tondi Quarter	Development land	Estonia, Tallinn	116,040[1]
2	Kalaranna Residential Complex	Development land	Estonia, Tallinn	40,780[1]
3	Peterburi Rd. Shopping Centre	Development land	Estonia, Tallinn	174,400[2]
4	Šaltinių Namai Residential Complex	Apartments, commercial premises; Development land	Lithuania, Vilnius	6,064[3] / 22,143[1,4]
5	Tallinas St. Residential Complex	Development land	Latvia, Riga	25,307[1]
6	Zvaigznes Centre	Development land	Latvia, Riga	23,131[1]
7	Klīversala Residential Complex	Development land	Latvia, Riga	62,760[1]
8	Domina Inn Riga Hotel	Hotel	Latvia, Riga	2,705
9	Ilmarine Quarter	Apartments	Estonia, Tallinn	1,027
10	Domina Inn Ilmarine Hotel	Hotel	Estonia, Tallinn	3,985
11	Domina Hotel and Kurhaus	Hotel	Germany, Bad Kreuznach	3,383[5]

[1]Onground, approx.
[2]Incl. underground and multifloor parking.
[3]Net saleable.
[4]Brutto area (area of inside perimeter (incl. partitions etc.).
[5]Total bedroom area.

1.6 Assumptions

We are assessing the Investment Value of the Properties in accordance with RICS Valuation – Professional Standards (Incorporating the International Valuation Standards), 2012, as follows:

> *"Investment value is the value of an asset to the owner or a prospective owner for individual investment or operational objectives".*

Estimation of the Investment Value of the Properties is based on the following assumptions provided to us by the Client:

1. Tondi Quarter
    a. Financing. Weighted average cost of capital (WACC) – 10.33% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Developer is the Client.
    c. Development parameters of the property: Detail planning, construction volumes, construction, times schedule, constructional permits etc., areas, finish, etc. provided by

the Client (the detail planning or developing plans or the legal issues related to the subject has not been checked by the Valuer)
    d. Development and sales periods / timing of the project.
2. Kalaranna Residential Complex
    a. Financing. WACC – 10.33% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Construction volumes, construction/selling times schedule
    c. Development parameters of the property: Detail planning, constructional permits etc., areas, finish, etc. provided by the Client (the detail planning or developing plans or the legal issues related to the subject has not been checked by the Valuer).
    d. Developer is the Client.
3. Peterburi Rd. Shopping Centre
    a. Financing. Weighted average cost of capital WACC – 10.33% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Developer is the Client.
    c. Development parameters of the property: Detail planning, constructional permits etc., areas, finish, etc. provided by the Client (the detail planning or developing plans or the legal issues related to the subject has not been checked by the Valuer).
    d. Development and sales periods / timing of the project.
4. Šaltinių Namai Residential Complex
    a. Financing. Weighted average cost of capital (WACC) – 12.29% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Developer is the Client.
    c. Construction volumes (preliminary architectural drawings and summary of saleable, brutto (GBA) areas), development periods / timing, construction/selling times schedule.
    d. Detail planning, constructional permits, areas, finish provided by the Client (the detail planning or developing plans or the legal issues related to the subject has not been checked by the Valuer).
    e. List of remaining unsold apartments, premises, parking places and garages (Stage 1A, 1B) (property units, areas etc. or the legal issues related to the subject has not been checked by the Valuer).
    f. Remaining VAT to be paid for Stage 1A (figure provided by the Client).
5. Tallinas St. Residential Complex
    a. Financing. Weighted average cost of capital (WACC) – 13.52% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Construction volumes, development periods / timing, construction/selling times schedule.
    c. Detail planning, constructional permits etc., areas, finish, etc. provided by the Client (the detail planning or developing plans or the legal issues related to the subject has not been checked by the Valuer).
    d. Developer is the Client.
6. Zvaigznes Centre
    a. Financing. Weighted average cost of capital (WACC) – 13.52% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Construction volumes, development periods / timing, construction/selling times schedule.
    c. Detail planning, constructional permits etc., areas, finish, etc. provided by the Client (the detail planning or development plans or the legal issues related to the subject has not been checked by the Valuer).
    d. Developer is the Client.
7. Klīversala Residential Complex
    a. Financing. Weighted average cost of capital (WACC) – 13.52% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Construction volumes, development periods / timing, construction/selling times schedule.

    c. Detail planning, constructional permits etc., areas, finish, etc. provided by the Client (the detail planning or developing plans or the legal issues related to the subject has not been checked by the Valuer).
    d. Developer is the Client.
8. Domina Inn Riga Hotel
    a. Financing. Weighted average cost of capital (WACC) – 11.72% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Hotel revenue during the years 2008 – 2011 and revenue forecast until 2015.
    c. Hotel operator and property owner are related companies.
9. Ilmarine Quarter
    a. Financing. Weighted average cost of capital (WACC) – 10.33% (based on figure provided by the Client in April, 2012).
    b. Developer is the Client.
    c. Current and future redevelopment parameters of the property provided by the Client (the detail planning or developing plans or the legal issues related to the subject has not been checked by the Valuer).
10. Domina Inn Ilmarine Hotel
    a. Financing. Weighted average cost of capital (WACC) – 8.88% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April 2012).
    b. Hotel revenue during the years 2008 – 2011 and revenue forecast until 2015.
    c. Hotel operator and property owner are related parties.
11. Domina Hotel and Kurhaus
    a. Financing. Weighted average cost of capital (WACC) – 7.33% (based on figure provided by the Client in cooperation with its advisers PORTA FINANCE, UAB in April, 2012).
    b. Valuation of the Property considering the existing operating structure (i.e. operated by the usufruct company with compensation paid for the use of the Domina name).
    c. Valuation of the Property considering it is operated by the usufruct company with the right to use the Domina hotel brand upon payment of 1% of room revenue as a license fee.

2 Background material

2.1 Inspections

We have inspected the Properties in Estonia and Lithuania in April, 2012, the Properties in Latvia were inspected in June, 2012 (as date of the valuation is April, 2012, the valuation has been done based on the assumption that physical condition of the Properties have not changed since the date of estimations). The Properties were inspected by NEWSEC local representatives in Estonia, Latvia and Lithuania. The Property at Bad Kreuznach, Germany was inspected by representative of CUSHMAN & WAKEFIELD HOSPITALITY in April, 2012. Inspection and valuation dates listed in section “3.2 Valuation summary”.

2.2 Provided information

For estimation of the Investment Value of the Properties the WACC (weighted average cost of capital) was provided by the Client in cooperation with its advisers PORTA FINANCE, UAB. WACC forms the discount rate used in our valuation. Remaining assumptions for estimation of the Investment Value of the Properties provided to us by the Client are listed in section “1.6 Assumptions**”**.

List of documentation / information provided to us by the Client in relation to the valuation are listed in respective Full Investment Value Reports.

3 Valuation

3.1 Valuation methodology

Discounted cash flow method is normally applied to establish the value of income-generating properties to be acquired by an investor. This method also relies on market data that are used to determine the current economic volumes of rent rates and expenses that form the basis of the estimated net income. Applying discounted cash flow method the value of the property is calculated by summing up the present values of future cash flows, discounted at a discount rate. Using the discounted cash flow method to value, first of all, one must consider the overall income, from which the respective amounts are subtracted considering the losses for vacancies and levies, expenses and provisions. The resulting net income is discounted at a specific rate, which is proportional to the risks related to the title to the subject property.

Residual method For the purpose of evaluation of projects under development, the residual value method is used. This method is applied to establish the value of a vacant land site or of a land site and buildings that are prepared for redevelopment. Market Value according to Residual method generally is used to evaluate properties with possible future development. According to this method construction costs and other expenses for development of property together with assumed allowance for developer's profit, sale incomes after development are being calculated.

For estimation of the Investment Value of the Properties the WACC (weighted average cost of capital) was provided by the Client in cooperation with its advisers PORTA FINANCE, UAB. WACC forms the discount rate used in our valuation. Project timing schedule (development and sales periods / timing etc.) and other assumptions, documentation / information were provided to us by the Client.

3.2 Valuation summary

PROJECT	DATE OF INSPECTION	DATE OF VALUATION	OWNERSHIP	INVESTMENT VALUE, EUR	VALUTION REPORT NO.
Tondi Quarter (Estonia)	10th April, 2012	10th April, 2012	Freehold	31,100,000	EE-12-06-25-202
Kalaranna Residential (Estonia) Complex	10th April, 2012	10th April, 2012	Freehold	26,100,000	EE-12-06-25-201
Peterburi Rd. Shopping Centre (Estonia)	11th April, 2012	11th April, 2012	Freehold	43,890,000	EE-12-06-25-203
Šaltinių Namai Residential Complex (Lithuania)	6th April, 2012	6th April, 2012	Freehold / leasehold	17,310,000*	LT-12-06-23-5264
Tallinas St. Residential Complex (Latvia)	20th June, 2012	4th April, 2012	Freehold	5,400,000	LV-12-07-02-0163
Zvaigznes Centre (Latvia)	21st June, 2012	4th April, 2012	Freehold	3,400,000	LV-12-07-02-0164
Klīversala Residential Complex (Latvia)	20th June, 2012	4th April, 2012	Freehold	29,900,000	LV-12-07-02-0165

Domina Inn Riga Hotel (Latvia)	21st June, 2012	11th April, 2012	Freehold	7,180,000	LV-12-07-02-0160
Ilmarine Quarter (Estonia)	10th April, 2012	10th April, 2012	Freehold	1,070,000	EE-12-06-25-199
Domina Inn Ilmarine Hotel (Estonia)	10th April, 2012	10th April, 2012	Freehold	7,190,000	EE-12-06-25-200
Domina Hotel and Kurhaus (Germany)	4th – 5th April, 2012	25th June, 2012	Freehold	7,490,000	dated 25th June, 2012
TOTAL:				**180,030,000**	

All the Properties under valuation are owned freehold, except of Šaltinių Namai Residential Complex (Lithuania; land for further development is state leasehold, already built premises – freehold).

Note on Domina Hotel and Kurhaus (Germany):

- PRO KAPITAL Germany GmbH (a 100% subsidiary of the Client) is the owner of a hereditary building right (building title) entitling it to own Domina Hotel and Kurhaus buildings on four land plots. PRO KAPITAL Germany GmbH leases Domina Hotel and Kurhaus from Domina Tourismus GmbH (another 100% subsidiary of the Client). The former also operates the Domina Hotel and Kurhaus hotel.

Distribution of the Total Investment Value of the Properties according to ownership basis:

1. 1 **leasehold** property (part of project Šaltinių Namai Residential Complex, Lithuania), whereas its value amounts to **EUR 8,040,000**.
2. 11 **freehold** properties (remaining projects), whereas the aggregate of their values amounts to **EUR 171,990,000**.

3.3 Book Value vs. Investment Value

In particular, all the Properties in the Full Investment Value Reports and this Investment Value Summary are valued at the Investment Value using the DCF model while in the Client's financial accounts significant part of the Properties are classified (booked) as inventories and are valued at acquisition cost, which might differ significantly from the value implied by the DCF model due to the timing of acquisition of the Properties, prevailing market circumstances, assumptions applied in the DCF model and other reasons. The Properties classified (booked) as tangible assets and investment property in the Client's financial accounts are valued at fair value, which also might differ from the Investment Value indicated in the Full Investment Value Reports and this Investment Value Summary due to application of different assumptions in the DCF model and other reasons.

The presented Investment Value of the Properties is not a Book Value of the Properties. The Book Value of the Properties, as indicated in the reviewed by certified auditor Client's semi-annual accounts of 30th June, 2012, is equal to EUR 95,497,000. The Book Value has been determined and calculated by the Client at its sole responsibility and reported to the Valuer. The Valuer has neither calculated nor verified the Book Value of the Properties and thus is not liable for the correctness or truthfulness thereof.

Assumptions, techniques and methodologies used for the purpose of the valuation of the Investment Value of the Properties differ from the ones used by the Client when preparing the accounts (financial statements) of the Client. Therefore, the Investment Value of the Properties indicated in this Investment Value Summary differs from the Book Value for the same Properties indicated in the Client's accounts.

Summary table of the Book Values and the Investment Values of the Properties is presented below.

PROJECT	Type of asset as of 31st March, 2012, EUR	Project BOOK VALUE as of 30th June, 2012, EUR	INVESTMENT VALUE, EUR
	AS PRO KAPITAL GRUPP		NEWSEC
Tondi Quarter	Inventories	10,206,000	31,100,000
Kalaranna Residential Complex	Inventories	4,927,000	26,100,000
Peterburi Rd. Shopping Centre	Investment property	26,000,000	43,890,000
Šaltinių Namai Residential Complex	Inventories	14,412,000	17,310,000
Tallinas St. Residential Complex	Inventories	6,501,000	5,400,000
Zvaigznes Centre	Inventories	2,469,000	3,400,000
Klīversala Residential Complex	Inventories	8,869,000	29,900,000
Domina Inn Riga Hotel	Land and buildings	5,837,000	7,180,000
Ilmarine Quarter	Inventories	1,611,000	1,070,000
Domina Inn Ilmarine Hotel	Land and buildings	6,037,000	7,190,000
Domina Hotel and Kurhaus	Land and buildings	8,628,000	7,490,000
TOTAL:		**95,497,000**	**180,030,000**

3.4 Key parameters

Parameter / Project	Tondi Quarter (Estonia)	Kalaranna Residential Complex (Estonia)
Property / Stage	128,390 sq.m development land / Projecting works started	60,958 sq.m development land / Not started
Purpose	Residential / commercial	Residential / commercial
Gross Buildable Area onground excl. parking	116,040 sq.m	40,780 sq.m
Net Sellable Area	71,280 sq.m residential 12,182 sq.m commercial	27,600 sq.m residential 5,413 sq.m commercial
Parking	1,450 units	708 units
Construction start / end	2013 / 2022	2014 / 2017
Development costs	EUR 118,084,748	EUR 58,685,043
WACC	10.33%	10.33%
Investment Value	**EUR 31,100,000**	**EUR 26,100,000**

Parameter / Project	Peterburi Rd. Shopping Centre (Estonia)	Šaltinių Namai Residential Complex (Lithuania)
Property / Stage	53,291 sq.m development land / Projecting works started	6,064 sq.m apartments, commercial premises / Completed 9,518 sq.m development land / Projecting works started
Purpose	Commercial	Residential / commercial
Gross Buildable Area onground excl. parking	174,400 sq.m[1]	22,143 sq.m[2]
Net Sellable / Gross Leaseable Area	55,000 sq.m commercial 22,880 sq.m office	20,343 sq.m residential 2,713 sq.m commercial
Parking	1,549 units	337 units
Construction start / end	2013 / 2017	2012/2020
Development costs	EUR 121,698,996	EUR 22,572,617
WACC	10.33%	12.29%
Investment Value	**EUR 43,890,000**	**EUR 17,310,000**

[1]Incl. underground and multifloor parking.
[2]Brutto area (area of inside perimeter (incl. partitions etc.).

Parameter / Project	Tallinas St. Residential Complex (Latvia)	Zvaigznes Centre (Latvia)
Property / Stage	17,071 sq.m development land / Projecting works started	16,970 sq.m development land / Not started
Purpose	Residential / commercial	Residential / commercial
Gross Buildable Area onground excl. parking	25,307 sq.m	23,131 sq.m
Net Sellable Area	17,650 sq.m residential 1,195 sq.m commercial	11,277 sq.m residential 6,672 sq.m commercial
Parking	355 units	321 units
Construction start / end	2013 / 2017	2013 / 2016
Development costs	EUR 29,092,114	EUR 23,952,142
WACC	13.52%	13.52%
Investment Value	**EUR 5,400,000**	**EUR 3,400,000**

Parameter / Project	Klīversala Residential Complex (Latvia)
Property / Stage	51,674 sq.m development land / Not started
Purpose	Residential / commercial
Gross Buildable Area onground excl. parking	62,760 sq.m
Net Sellable Area	31,600 sq.m residential 18,320 sq.m commercial
Parking	830 units
Construction start / end	2015 / 2019
Development costs	EUR 91,407,657
WACC	13.52%
Investment Value	**EUR 29,900,000**

Parameter / Project	Domina Inn Riga Hotel (Latvia)	Ilmarine Quarter (Estonia)
Property / Stage	2,705 sq.m hotel / Completed	1,026 sq.m apartments, commercial premises / Completed
Purpose	Hotel	Residential
Gross Area	2,705 sq.m	1,027 sq.m
Number of rooms	88	22
Occupancy rate	75%	n/a
ADR	EUR 45.4	n/a
WACC	11.72%	10.70%
Investment Value	**EUR 7,180,000**	**EUR 1,070,000**

Parameter / Project	Domina Inn Ilmarine Hotel (Estonia)	Domina Hotel and Kurhaus (Germany)
Property / Stage	3,985 sq.m Hotel / Completed	3,717 sq.m hotel / Completed
Purpose	Hotel	Hotel
Gross Area	3,985 sq.m	3,383 sq.m[1]
Number of apartments / rooms	105	120
Occupancy rate	65%	55%
ADR	EUR 42.5	EUR 74.5
WACC	8.88%	7.33%
Investment Value	**EUR 7,190,000**	**EUR 7,490,000**

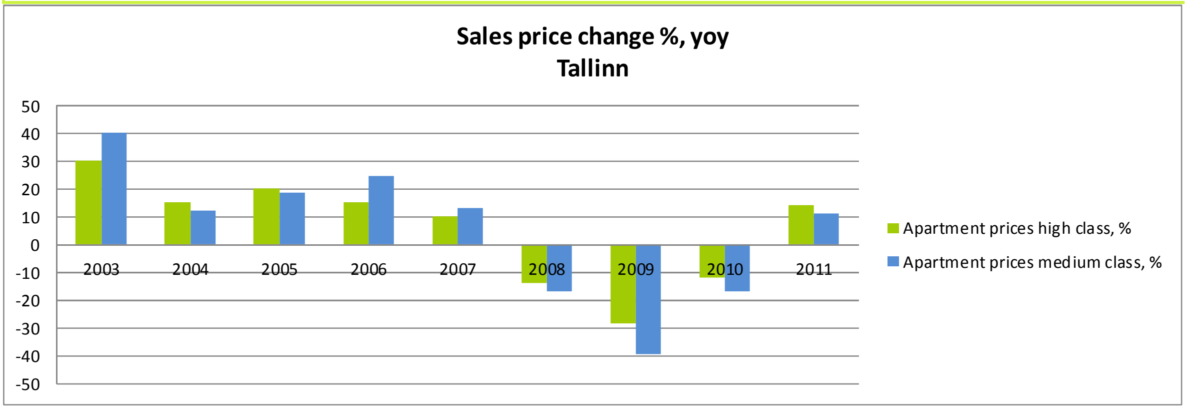
[1]Total bedroom area.

Detailed calculations of the Investment Value of the Properties by Discounted Cash Flow Method / Residual Method are set in respective Full Investment Value Reports.

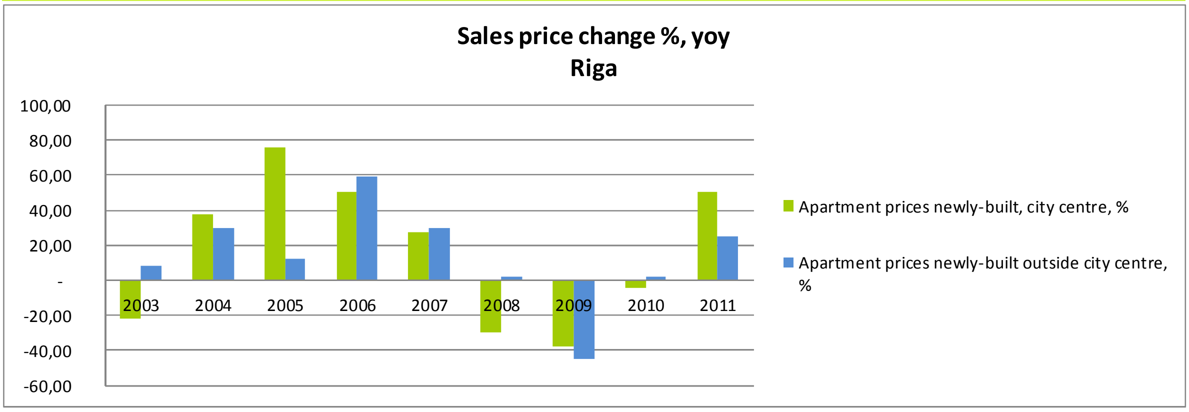
3.5 Historical price development

Historical residential price development presented below (source – NEWSEC).

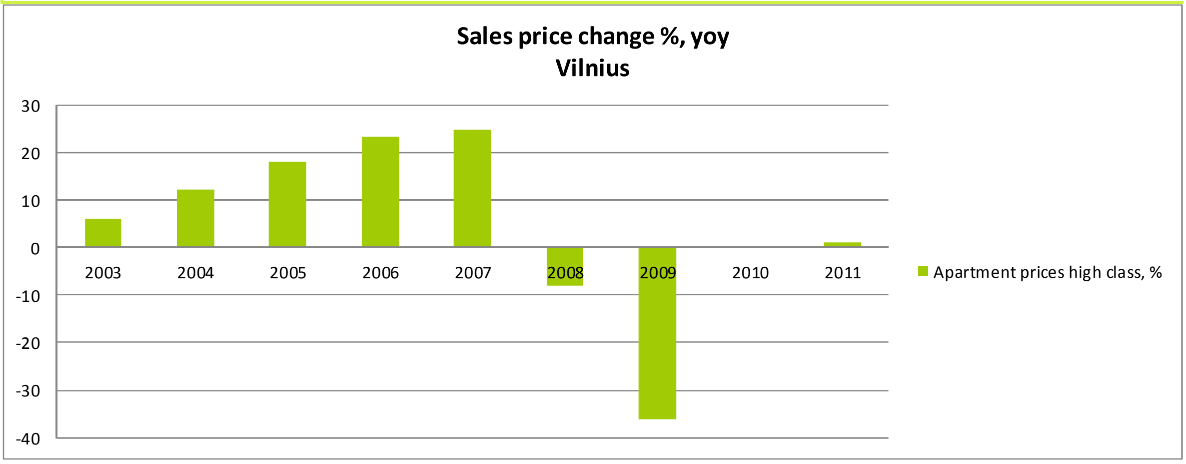
Tallinn	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apartment prices high class, %	30	15	20,2	15,3	10,2	-13,9	-28,5	-12	14,2
Apartment prices medium class, %	40	12,2	18,7	24,5	13,3	-16,8	-39,5	-17,1	11,3



Riga	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apartment prices newly-built, city centre, %	- 22,00	37,50	76,00	50,00	27,20	- 30,00	- 37,30	- 4,10	50,00
Apartment prices newly-built outside city centre, %	8,50	30,00	12,50	59,00	29,50	2,00	- 44,50	2,00	25,20



Vilnius	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apartment prices high class, %	6	12,3	18,2	23,5	24,8	-8	-36	0,2	1,2



3.6 Investment Value Scenarios

According to the Client's request, the valuation includes three different scenarios of the Investment Value of the Properties – Base scenario, Pessimistic scenario and Optimistic scenario (except of Domina Inn Riga Hotel (Latvia) and Domina Hotel and Kurhaus (Germany)). Base scenario was chosen as a basis of the final Investment Value estimation.
Residential market development scenarios are modeling based on Baltic's macro situation and future forecast and historical data and economy and upper class residential development.

The Baltic countries have shown a strong recovery from the deep recession of recent years. These problems have gradually been solved through internal devaluation and increased competitiveness:

- Exports have been the single most important engine but domestic demand is now starting to increase in importance;
- Estonia is showing the fastest recovery due to improving competitiveness, its ability to reform and good government finances. Confidence in the country's economic recovery was also strengthened by the adoption of the euro in 2011;
- Latvia and Lithuania have experienced export-led recoveries partially driven by entries to new foreign markets and are expected to keep on growing in 2012-2014.

Results:

- Competitiveness is improving in the Baltic region (but the recovery will be weakened by the global downturn and the region's weak demographic development);
- As the internal imbalances are solved, the region is expected to continue its progress up the economic ladder.

Additionally we used calculations with sustainable level of apartment prices, up to which the market price level is controllable and "normal", according many factors, like:

- Income;
- Unemployment;
- Bank financing and requirements for equity;
- Size of apartments;
- Location, orientation;
- LTV ratio.

Detail value estimations according to the Base scenario, Pessimistic scenario and Optimistic scenario are set in respective Full Investment Value Reports.

Main scenarios' inputs are presented in summary table as appendix to this Investment Value Summary. Estimated values according to the Pessimistic scenario and Optimistic scenario inputs are presented in the respective Full Investment Value Reports.

3.7 Signature(s)

The contents of this Investment Value Summary are intended to the Client and for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before the Investment Value Summary or any part of its contents are reproduced or referred to in any document, circular or statement or disclosed orally to a third party (except for the permitted disclosure referred to in section "1.1 Objective/Client"), our written approval as to the form and content of such publication or disclosure must first be obtained. For avoidance of doubt, such approval is required whether or not this firm is referred to by name and whether or not our Investment Value Summary is combined with others.

Our opinion of the Investment Value is based upon the scope of work and valuation assumptions as detailed in this Investment Value Summary and respective Full Investment Value Reports. We point out that this is our opinion on the Investment Value, on the basis of market evidence as at the date of valuation, and assumption provided by the Client. This valuation should not be used for loan security or other purposes. This valuation of the Investment Value is prepared for the purposes of the IPO of the Client. This valuation of the Investment Value is not Market Value or Fair Value or Book Value and should not be regarded as such.

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Appendix. Main Base scenario, Pessimistic scenario and Optimistic scenario inputs

BASE SCENARIO - INVESTMENT VALUE			Starting price	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tondi Quarter	Yearly sales index (nominal)			5.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Value - EUR 31.100.000	Net sales price/m2		**1846**	1938	2035	2117	2201	2267	2335	2405	2478	2552	2628	2707
	Construction index (nominal)			2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Construction cost/m2		**750**	769	788	808	828	849	870	892	914	937		
	Yearly inflation			3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Kalaranna Residential Complex	Yearly sales index (nominal)			5.0%	4.5%	3.0%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Value - EUR 26.100.000	Net sales price/m2		**2888**	3032	3169	3264	3378	3480	3584	3691				
	Construction index (nominal)			2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Construction cost/m2		**1050**	1076	1103	1131	1159	1188						
	Yearly inflation			3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Tallinas St. Residential Complex	Yearly sales index (nominal)			5.0%	5.0%	4.5%	4.0%	4.0%	4.0%					
Value - EUR 5.400.000	Net sales price/m2		**1800**	1890	1985	2074	2157	2243	2333					
	Construction index (nominal)			2.4%	2.5%	3.0%	2.5%	2.5%						
	Construction cost/m2, incl. indirect costs		**762**	780	800	824	844	865						
	Construction cost/m2, above ground (direct)		**830**	850	871	897	920	943						
	Yearly inflation			2.4%	3.8%	4.0%	5.0%	5.0%	4.5%					
Kliversala Residential Complex	Yearly sales index (nominal)			7.0%	6.0%	5%	5.0%	4%	4%	3%	3%			
Value - EUR 29.900.000	Net sales price/m2		**2650**	2836	3006	3156	3314	3446	3584	3692	3802			
	Construction index (nominal)			2.4%	2.5%	3.0%	2.5%	2.5%	2.5%	2.5%				
	Construction cost/m2, incl. indirect costs		**830**	850	871	897	920	943	966	990				
	Construction cost/m2, above ground (direct)		**940**	963	987	1016	1042	1068	1094	1122				
	Yearly inflation			2.4%	3.8%	4.0%	5.0%	5.0%	4.5%	3.0%	3.0%			
Zvaigznes Centre	Yearly sales index (nominal)			5.0%	5.0%	4.5%	4.0%	4.0%						
Value - EUR 3.400.000	Net sales price/m2		**1400**	1470	1544	1613	1677	1745						
	Construction index (nominal)			2.4%	2.5%	3.0%	2.5%							
	Construction cost/m2, incl. indirect costs		**697**	714	732	754	772							
	Construction cost/m2, above ground (direct)		**740**	758	777	800	820							
	Yearly inflation			2.4%	3.8%	4.0%	5.0%							
Saltiniu Namai Residential Complex	Yearly sales index (nominal)			4.1%	4.2%	4.5%	5.0%	4.0%	4.0%	2.5%	2.5%	2.5%		
Value - EUR 17.310.000	Net sales price/m2	Stage 1A (full finish)	**2,038**	2,038	2,121	2,210	2,310	2,425	2,522	2,623	2,689	2,756		
		Stage 1B (full finish)	**1,936**	1,936	2,015	2,100	2,194	2,304	2,396	2,492	2,554	2,618		
		Stage 2 (full finish)	**2,205**	2,205	2,296	2,392	2,500	2,625	2,730	2,839	2,910	2,983		
	Construction index (nominal)			2.00%	2.80%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		
	Construction cost/m2	Stage 1A (full finish)	**219**	224	226	226	225	225	225	225	225	225		
		Stage 1B (full finish)	**626**	638	643	644	641	641	641	641	641	641		
		Stage 2 (full finish)	**753**	768	774	776	772	772	772	772	772	772		
	Yearly inflation			2.00%	2.80%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		

NEWSEC

BASE SCENARIO - INVESTMENT VALUE			Starting price	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Peterburi Rd. Shopping Centre	Yearly rental index (nominal)			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%			
Value - EUR 43.890.000	Av. monthly rent - retail EUR /m2		**15.7**	16.2	16.7	17.2	17.7	18.2	18.7	19.3	19.9			
	Av. monthly rent - Office EUR /m2		**10.0**	10.3	10.6	10.9	11.3	11.6	11.9	12.3	12.7			
	Av. monthly rent - parking EUR /m2		**20.0**	20.6	21.2	21.9	22.5	23.2	23.9	24.6	25.3			
	Construction index (nominal)			2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
	Construction cost/m2 - Phase 1	Retail Building	**700**	718	740									
		Parkings	**400**	410	423									
	Construction cost/m2 - Phase 2	Office Building	**750**	769	793	813	834							
		Parkings	**400**	412	424	437	450							
	Yearly inflation			3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%			
	Exit yield - Retail									7.0%				
	Exit yield - Office									7.5%				
Ilmarine Residence														
Value - EUR 1.070.000	Net sales price/m2		**1509**											
Domina Inn Riga Hotel	Room rate growth (nominal)			10%	10%	7.5%	5%	5%	5%					
Value - EUR 7.180.000	Room rate (Eur)		**45.4**	49.9	54.9	59.1	62.0	65.1	68.4					
	Exit yield 2018								8.0					
Domina Inn Ilmarine Hotel	Room rate growth (nominal)			10%	8%	7%	5%	3%						
Value - EUR 7.190.000	Room rate (Eur)		**42.5**	46.8	50.5	54.0	56.7	58.4						
	Exit yield 2017							8.0						

PESSIMISTIC SCENARIO		Starting price	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tondi Quarter	Yearly sales index (nominal)		5.0%	3.6%	2.4%	3.4%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Value - EUR 28.170.000	Net sales price/m2	**1846**	1938	2008	2056	2126	2188	2253	2321	2391	2462	2536	2612
	Construction index (nominal)		2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Construction cost/m2	**750**	769	788	808	828	849	870	892	914	937		
	Yearly inflation		3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Kalaranna Residential Complex	Yearly sales index (nominal)		4.6%	3.2%	2.1%	3.3%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Value - EUR 24.400.000	Net sales price/m2	**2888**	3021	3118	3183	3288	3377	3468	3562				
	Construction index (nominal)		2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Construction cost/m2	**1050**	1076	1103	1131	1159	1188						
	Yearly inflation		3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Tallinas St. Residential Complex	Yearly sales index (nominal)		4.6%	4.7%	4.2%	3.9%	4.0%	4.0%					
Value - EUR 5.100.000	Net sales price/m2	**1800**	1883	1971	2054	2134	2220	2308					
	Construction index (nominal)		2.4%	2.5%	3.0%	2.5%	2.5%						
	Construction cost/m2, incl. indirect costs	**762**	780	800	824	844	865						
	Construction cost/m2, above ground (direct)	**830**	850	871	897	920	943						
	Yearly inflation		2.4%	3.8%	4.0%	5.0%	5.0%	4.5%					
Kliversala Residential Complex	Yearly sales index (nominal)		4.2%	4.5%	4.0%	3.5%	4.0%	4.0%	3.0%	3.0%			
Value - EUR 26.600.000	Net sales price/m2	**2650**	2761	2886	3001	3106	3230	3359	3460	3564			
	Construction index (nominal)		2.4%	2.5%	3.0%	2.5%	2.5%	2.5%	2.5%				
	Construction cost/m2, incl. indirect costs	**830**	850	871	897	920	943	966	990				
	Construction cost/m2, above ground (direct)	**940**	963	987	1016	1042	1068	1094	1122				
	Yearly inflation		2.4%	3.8%	4.0%	5.0%	5.0%	4.5%	3.0%	3.0%			

PESSIMISTIC SCENARIO			Starting price	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Zvaigznes Centre	Yearly sales index (nominal)			4.6%	4.7%	4.2%	3.9%	4.0%						
Value - EUR 3.300.000	Net sales price/m2		**1400**	1464	1533	1598	1660	1726						
	Construction index (nominal)			2.4%	2.5%	3.0%	2.5%							
	Construction cost/m2, incl. indirect costs		**697**	714	732	754	772							
	Construction cost/m2, above ground (direct)		**740**	758	777	800	820							
	Yearly inflation			2.4%	3.8%	4.0%	5.0%							
Saltiniu Namai Residential Complex	Yearly sales index (nominal)			4.1%	3.8%	3.5%	3.8%	3.6%	4.1%	2.5%	2.5%	2.5%		
Value - EUR 16.770.000	Net sales price/m2	Stage 1A (full finish)	**2,038**	2,038	2,121	2,202	2,279	2,365	2,450	2,548	2,612	2,678		
		Stage 1B (full finish)	**1,936**	1,936	2,015	2,092	2,165	2,247	2,328	2,421	2,482	2,544		
		Stage 2 (full finish)	**2,205**	2,205	2,296	2,383	2,466	2,560	2,652	2,758	2,827	2,898		
	Construction index (nominal)			2.00%	2.80%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		
	Construction cost/m2	Stage 1A (full finish)	**219**	224	226	226	225	225	225	225	225	225		
		Stage 1B (full finish)	**626**	638	643	644	641	641	641	641	641	641		
		Stage 2 (full finish)	**753**	768	774	776	772	772	772	772	772	772		
	Yearly inflation			2.00%	2.80%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		
Peterburi Rd. Shopping Centre	Yearly rental index (nominal)			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%			
Value - EUR 40.500.000	Av. monthly rent - retail EUR /m2		**15.7**	16.2	16.7	17.2	17.7	18.2	18.7	19.3	19.9			
	Av. monthly rent - Office EUR /m2		**10.0**	10.3	10.6	10.9	11.3	11.6	11.9	12.3	12.7			
	Av. monthly rent - parking EUR /m2		**20.0**	20.6	21.2	21.9	22.5	23.2	23.9	24.6	25.3			
	Construction index (nominal)			2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
	Construction cost/m2 - Phase 1	Retail Building	**700**	718	740									
		Parkings	**400**	410	423									
	Construction cost/m2 - Phase 2	Office Building	**750**	769	793	813	834							
		Parkings	**400**	412	424	437	450							
	Yearly inflation			3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%			
	Exit yield - Retail									7.25%				
	Exit yield - Office									7.75%				
Ilmarine Residence														
Value - n/a	Net sales price/m2		**1509**											
Domina Inn Riga Hotel	Room rate growth (nominal)													
Value - n/a	Room rate (Eur)		**45.4**											
	Exit yield 2018													
Domina Inn Ilmarine Hotel	Room rate growth (nominal)			8.0%	7.0%	6.0%	5.0%	3.0%						
Value - EUR 6.550.000	Room rate (Eur)		**42.5**	45.9	49.1	52.1	54.7	56.3						
	Exit yield 2017							8.0						

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OPTIMISTIC SCENARIO			Starting price	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tondi Quarter	Yearly sales index (nominal)			8.0%	7.0%	5.0%	5.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Value - EUR 37.860.000	Net sales price/m2		**1846**	1994	2133	2240	2352	2446	2519	2595	2673	2753	2836	2921
	Construction index (nominal)			2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Construction cost/m2		**750**	769	788	808	828	849	870	892	914	937		
	Yearly inflation			3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Kalaranna Residential Complex	Yearly sales index (nominal)			7.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Value - EUR 28.800.000	Net sales price/m2		**2888**	3090	3245	3374	3509	3650	3796	3948				
	Construction index (nominal)			2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	Construction cost/m2		**1050**	1076	1103	1131	1159	1188						
	Yearly inflation			3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Tallinas St. Residential Complex	Yearly sales index (nominal)			5.0%	10.0%	7.0%	5.0%	4.0%	4.0%					
Value - EUR 7.300.000	Net sales price/m2		**1800**	1890	2079	2225	2336	2429	2526					
	Construction index (nominal)			2.4%	2.5%	3.0%	2.5%	2.5%						
	Construction cost/m2, incl. indirect costs		**762**	780	800	824	844	865						
	Construction cost/m2, above ground (direct)		**830**	850	871	897	920	943						
	Yearly inflation			2.4%	3.8%	4.0%	5.0%	5.0%	4.5%					
Kliversala Residential Complex	Yearly sales index (nominal)			7.0%	10.0%	8.0%	6.0%	4.0%	4.0%	3.0%	3.0%			
Value - EUR 34.000.000	Net sales price/m2		**2650**	2836	3119	3369	3571	3714	3862	3978	4097			
	Construction index (nominal)			2.4%	2.5%	3.0%	2.5%	2.5%	2.5%	2.5%				
	Construction cost/m2, incl. indirect costs		**830**	850	871	897	920	943	966	990				
	Construction cost/m2, above ground (direct)		**940**	963	987	1016	1042	1068	1094	1122				
	Yearly inflation			2.4%	3.8%	4.0%	5.0%	5.0%	4.5%	3.0%	3.0%			
Zvaigznes Centre	Yearly sales index (nominal)			5.0%	10.0%	7.0%	5.0%	4.0%						
Value - EUR 4.400.000	Net sales price/m2		**1400**	1470	1617	1730	1817	1889						
	Construction index (nominal)			2.4%	2.5%	3.0%	2.5%							
	Construction cost/m2, incl. indirect costs		**697**	714	732	754	772							
	Construction cost/m2, above ground (direct)		**740**	758	777	800	820							
	Yearly inflation			2.4%	3.8%	4.0%	5.0%							
Saltiniu Namai Residential Complex	Yearly sales index (nominal)			5.0%	10.0%	7.0%	5.5%	5.0%	4.0%	2.5%	2.5%	2.5%		
Value - EUR 19.690.000	Net sales price/m2	Stage 1A (full finish)	**2,038**	2,038	2,139	2,353	2,518	2,657	2,789	2,901	2,974	3,048		
		Stage 1B (full finish)	**1,936**	1,936	2,032	2,236	2,392	2,524	2,650	2,756	2,825	2,895		
		Stage 2 (full finish)	**2,205**	2,205	2,315	2,547	2,725	2,875	3,019	3,140	3,218	3,299		
	Construction index (nominal)			2.00%	2.80%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		
	Construction cost/m2	Stage 1A (full finish)	**219**	224	226	226	225	225	225	225	225	225		
		Stage 1B (full finish)	**626**	638	643	644	641	641	641	641	641	641		
		Stage 2 (full finish)	**753**	768	774	776	772	772	772	772	772	772		
	Yearly inflation			2.00%	2.80%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		

OPTIMISTIC SCENARIO			Starting price	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Peterburi Rd. Shopping Centre	Yearly rental index (nominal)			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%			
Value - EUR 48.200.000	Av. monthly rent - retail EUR /m2		**15.7**	16.2	16.7	17.2	17.7	18.2	18.7	19.3	19.9			
	Av. monthly rent - Office EUR /m2		**10.0**	10.3	10.6	10.9	11.3	11.6	11.9	12.3	12.7			
	Av. monthly rent - parking EUR /m2		**20.0**	20.6	21.2	21.9	22.5	23.2	23.9	24.6	25.3			
	Construction index (nominal)			2.5%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%			
	Construction cost/m2 - Phase 1	Retail Building	**700**	718	740									
		Parkings	**400**	410	423									
	Construction cost/m2 - Phase 2	Office Building	**750**	769	793	813	834							
		Parkings	**400**	412	424	437	450							
	Yearly inflation			3.5%	3.5%	4.0%	4.0%	3.5%	2.7%	2.7%	2.7%			
	Exit yield - Retail									6.70%				
	Exit yield - Office									7.25%				
Ilmarine Residence														
Value - n/a	Net sales price/m2		**1509**											
Domina Inn Riga Hotel	Room rate growth (nominal)													
Value - n/a	Room rate (Eur)		**45.4**											
	Exit yield 2018													
Domina Inn Ilmarine Hotel	Room rate growth (nominal)			10.0%	10.0%	8.0%	5.0%	5.0%						
Value - EUR 7.940.000	Room rate (Eur)		**42.5**	46.8	51.4	55.5	58.3	61.2						
	Exit yield 2017							8.0						