

# ***AS PRO KAPITAL GRUPP***

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

AS PRO KAPITAL GRUPP

FINANCIAL STATEMENTS

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Parent company of the Group	<b>AS Pro Kapital Grupp</b>
Beginning of the financial year	1 January
End of the financial year	31 December
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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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## COMBINED STATEMENT OF FINANCIAL POSITION

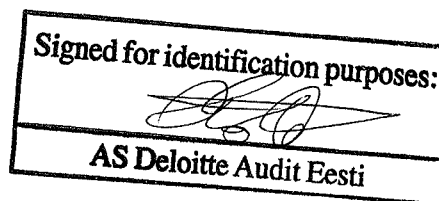
Signed for identification purposes:

AS Deloitte Audit Eesti

(Th. EUR)	Notes	31.12.2011	31.12.2010	31.12.2009	01.01.2009
<b>ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>7</b>	<b>113 472</b>	<b>178 441</b>	<b>167 146</b>	<b>169 356</b>

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

## COMBINED STATEMENT OF FINANCIAL POSITION



(Th. EUR)	Notes	31.12.2011	31.12.2010	31.12.2009	1.01.2009
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
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
<b>Total Current Liabilities</b>		<b>17 817</b>	<b>92 633</b>	<b>22 630</b>	<b>52 192</b>
<b>Non-Current Liabilities</b>					
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
<b>Total Non-Current Liabilities</b>		<b>23 597</b>	<b>19 302</b>	<b>68 771</b>	<b>33 135</b>
<b>Total Liabilities</b>	<b>7</b>	<b>41 414</b>	<b>111 935</b>	<b>91 401</b>	<b>85 327</b>
<b>Equity attributable to equity holders of the parent</b>					
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
<b>Total equity attributable to equity holders of the parent</b>		<b>70 461</b>	<b>36 836</b>	<b>46 355</b>	<b>55 555</b>
<b>Non-controlling interest</b>	<b>21</b>	<b>1 597</b>	<b>29 670</b>	<b>29 390</b>	<b>28 474</b>
<b>Total equity</b>		<b>72 058</b>	<b>66 506</b>	<b>75 745</b>	<b>84 029</b>
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>113 472</b>	<b>178 441</b>	<b>167 146</b>	<b>169 356</b>

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

(Th. EUR)	Notes	2011	2010	2009	2008
<b>Operating income</b>					
Revenue	7, 22	17 449	21 051	21 999	28 818
Cost of goods sold	23	16 407	17 015	17 917	18 901
<b>Gross profit</b>		<b>1 042</b>	<b>4 036</b>	<b>4 082</b>	<b>9 917</b>
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
<b>Operating profit (loss)</b>	<b>7</b>	<b>47 858</b>	<b>-4 983</b>	<b>-1 191</b>	<b>7 331</b>
Financial income	26	4 770	2 120	2 733	2 811
Financial expense	26	2 877	4 174	2 883	4 297
<b>Profit (loss) before income tax</b>		<b>49 751</b>	<b>-7 037</b>	<b>-1 341</b>	<b>5 845</b>
Income tax	27	351	17	26	-897
<b>Profit (loss) for the financial year</b>		<b>50 102</b>	<b>-7 020</b>	<b>-1 315</b>	<b>4 948</b>
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
<b>Other comprehensive profit (loss), net of income tax</b>					
Appropriation to revaluation reserve		11 330	0	0	0
Loss for retranslation of foreign currency		-62	-9	-525	0
<b>Comprehensive profit (loss) for the financial year</b>		<b>61 370</b>	<b>-7 029</b>	<b>-1 840</b>	<b>4 948</b>
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.

(Th. EUR)	Notes	2011	2010	2009
<b>Net profit (loss) for the financial year</b>		<b>50 102</b>	<b>-7 020</b>	<b>-1 315</b>
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
<b>Change in cash from (used in) operating activities</b>		<b>-19 394</b>	<b>933</b>	<b>11 286</b>
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
<b>Change in cash from (used in) investing activities</b>		<b>95 764</b>	<b>-14 768</b>	<b>-403</b>
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
<b>Change in cash from (used in) financing activities</b>		<b>-68 927</b>	<b>11 870</b>	<b>-9 604</b>
<b>Net change in cash and cash equivalents</b>		<b>7 443</b>	<b>-1 965</b>	<b>1 279</b>
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.*

AS PRO KAPITAL GRUPP

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			Non-controlling interest	Total equity
						Accumulated profits (losses)	Accumulated profits (losses) separated	Profit (loss) for the financial year		
<b>NBV 01.01.2009</b>	<b>33 992</b>	<b>45 089</b>	<b>2 938</b>	<b>0</b>	<b>-848</b>	<b>116 073</b>	<b>-142 761</b>	<b>1 072</b>	<b>28 474</b>	<b>84 029</b>
Transfer to retained earnings						1 072		-1 072		0
Profit (loss) for the financial year								-3 455	2 140	-1 315
Change in interest in subsidiaries						-5 220			-1 224	-6 444
Foreign currency differences					-525			-525		-525
<b>NBV 31.12.2009</b>	<b>33 992</b>	<b>45 089</b>	<b>2 938</b>	<b>0</b>	<b>-1 373</b>	<b>111 925</b>	<b>-142 761</b>	<b>-3 455</b>	<b>29 390</b>	<b>75 745</b>
Transfer to retained earnings						-3 455		3 455		0
Profit (loss) for the financial year								-7 413	393	-7 020
Change in interest in subsidiaries						-2 097			-113	-2 210
Foreign currency differences					-9					-9
<b>NBV 31.12.2010</b>	<b>33 992</b>	<b>45 089</b>	<b>2 938</b>	<b>0</b>	<b>-1 382</b>	<b>106 373</b>	<b>-142 761</b>	<b>-7 413</b>	<b>29 670</b>	<b>66 506</b>
Transfer to retained earnings						-7 413		7 413		0
Profit (loss) for the financial year								21 931	28 171	50 102
Decrease in share capital	-2 081					2 081				0
Decrease in share capital	-21 274	-45 089	-2 938			69 301				0
Impact of separation (Note 2)						-142 761	142 761			0
Appropriation to revaluation reserve (Note 12)				11 330						0
Change in interest in subsidiaries						112			-56 244	-56 132
Foreign currency differences					252					252
<b>NBV 31.12.2011</b>	<b>10 637</b>	<b>0</b>	<b>0</b>	<b>11 330</b>	<b>-1 130</b>	<b>27 693</b>	<b>0</b>	<b>21 931</b>	<b>1 597</b>	<b>72 058</b>

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

Signed for identification purposes:

AS Deloitte Audit Eesti



**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 view 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 exercises over other entities (subsidiaries), i.e. the parent company has the power to govern, directly or indirectly, the financial and operating policies of other entities so as to obtain benefits from its activities. The comparative financial statements to 31 December 2011, have been

## NOTES TO COMBINED FINANCIAL STATEMENTS

compiled in line with the existence of control over entities as of 31 December 2011 (listed in Note 4 to these financial statements) and in accordance with consolidation principles 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 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*

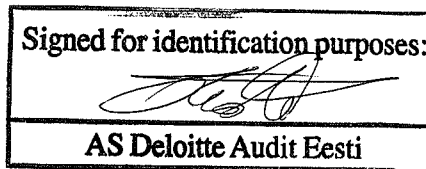
Decision of real estate classification to inventory, property investment or property, plant and equipment is done based on management's intention over the future use of the object. Property is recognized as inventory, if the objective of purchase is connected with development of environment, it is sale 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 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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

**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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

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**

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

## NOTES TO COMBINED FINANCIAL STATEMENTS

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 materially 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.

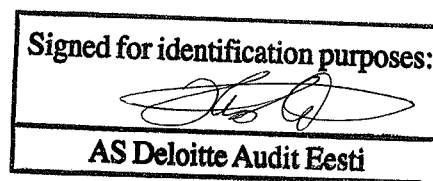
Depreciation of property, plant and equipment commences when the assets are taken into use. Depreciation is calculated on the straight-line method. Depreciation rate to each tangible asset item is determined according to its estimated useful life. Depreciation on revalued buildings is recognised in profit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

## NOTES TO COMBINED FINANCIAL STATEMENTS

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*



## NOTES TO COMBINED FINANCIAL STATEMENTS

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.

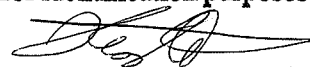
#### *Financial income*

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".



## NOTES TO COMBINED FINANCIAL STATEMENTS

*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 (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
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<b>91 117</b>	<b>106 047</b>	<b>96 304</b>	<b>88 341</b>
<b>LIABILITIES AND EQUITY</b>				
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
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>91 117</b>	<b>106 047</b>	<b>96 304</b>	<b>88 341</b>

## AS PRO KAPITAL GRUPP

## NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

## AS PRO KAPITAL GRUPP

## NOTES TO COMBINED FINANCIAL STATEMENTS

## 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 development
Tallinna Mookombinaat AS	Estonia	96,00%	96,00%	100,00%	100,00%	Real estate management
Domina Management AS	Estonia	100,00%	100,00%	96,00%	100,00%	Real estate development
Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	0%	0%	Hotel management
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 development
Pro Kapital Latvia PJSC	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate management
PK Latvia SIA	Latvia	100,00%	100,00%	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība A Centrs SIA <sup>1</sup>	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 <sup>2</sup>	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

<sup>1</sup> Liquidated in 2010

<sup>2</sup> Liquidated in 2010

Signed for identification purposes:

AS Deloitte Audit Eesti

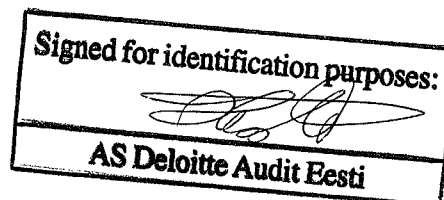
## AS PRO KAPITAL GRUPP

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Th. EUR)	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
<b>Subsidiary</b>									
Pro Kapital Eesti AS	EUR/EEK	17 981	17 981	17 981	17 981	109 017	54 997	54 465	47 028
Imarise Kvartal OÜ	EUR/EEK	286	286	286	286	2 531	2 907	3 141	3 960
Täismaja AS									
(Kristine Kaubanduskus 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 Mookombinaat 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
Kliversala 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 ACQUISITIONS 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)	-	-	-

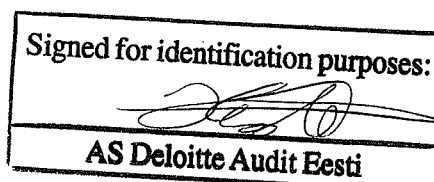
## NOTE 6 DISPOSALS OF SUBSIDIARIES

(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



## NOTE 7. SEGMENT REPORTING

(Th. EUR)	Estonia	Latvia	Lithuania	Germany	Total
<b>2011</b>					
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
<b>Profit (loss) before income tax</b>					<b>49 751</b>
Income tax	0	(330)	(24)	3	(351)
Non-controlling interest					28 171
<b>Net profit (loss) for the financial year attributable to equity holders of the parent</b>					<b>21 931</b>
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)
<b>2010</b>					
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)
<b>Profit (loss) before income tax</b>					<b>(7 037)</b>
Income tax	0	26	(43)	0	(17)
Non-controlling interest					393
<b>Net profit (loss) for the financial year attributable to equity holders of the parent</b>					<b>(7 413)</b>
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)
<b>2009</b>					
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)
<b>Profit (loss) before income tax</b>					<b>(1 341)</b>
Income tax	0	147	(173)	0	(26)
Non-controlling interest					2 140
<b>Net profit (loss) for the financial year attributable to equity holders of the parent</b>					<b>(3 455)</b>
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
<b>Total</b>	<b>8 637</b>	<b>1 194</b>	<b>3 159</b>	<b>1 880</b>

**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
<b>Total</b>	<b>2 865</b>	<b>9 562</b>	<b>11 304</b>	<b>13 165</b>

**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
<b>Total</b>	<b>53 186</b>	<b>58 736</b>	<b>67 935</b>	<b>68 914</b>

Impairment loss recognized (reversed)	3 028	(280)	1 639	-
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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
<b>Total</b>	<b>152</b>	<b>19 949</b>	<b>12 492</b>	<b>10 086</b>

## NOTES TO COMBINED FINANCIAL STATEMENTS

## 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 independent real estate appraiser SIA Newsec Valuation LV and was determined by reference to discounted cash flow method. Current market conditions (at the moment the valuation was performed) were used as assumptions for the valuations performed.

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

	Carrying amount 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
<b>Total</b>	<b>21 863</b>	<b>12 049</b>	<b>10 207</b>	<b>14 668</b>

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(Th. EUR)	Land and buildings	Machinery and equipment	Other property, plant and equipment	Construction in progress	Prepay- ments	Total
<b>Cost 01.01.2009</b>	<b>15 025</b>	<b>1 159</b>	<b>1 958</b>	<b>1 350</b>	<b>5</b>	<b>19 497</b>
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
<b>Cost 31.12.2009</b>	<b>11 575</b>	<b>1 148</b>	<b>1 914</b>	<b>0</b>	<b>12</b>	<b>14 649</b>
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
<b>Cost 31.12.2010</b>	<b>13 731</b>	<b>1 315</b>	<b>2 194</b>	<b>0</b>	<b>0</b>	<b>17 240</b>
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
<b>Cost 31.12.2011</b>	<b>21 897</b>	<b>1 324</b>	<b>2 389</b>	<b>0</b>	<b>0</b>	<b>25 610</b>

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

## NOTES TO COMBINED FINANCIAL STATEMENTS

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
<b>Accumulated depreciation 31.12.2009</b>	<b>2 264</b>	<b>423</b>	<b>1 755</b>	<b>4 442</b>
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
<b>Accumulated depreciation 31.12.2010</b>	<b>2 446</b>	<b>673</b>	<b>2 072</b>	<b>5 191</b>
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
<b>Accumulated depreciation 31.12.2011</b>	<b>828</b>	<b>776</b>	<b>2 143</b>	<b>3 747</b>

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

## 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
<b>Total</b>	<b>26 111</b>	<b>26 600</b>	<b>61 785</b>	<b>60 382</b>

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
<b>NBV 01.01.2009</b>	<b>26 120</b>	<b>34 262</b>	<b>60 382</b>
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
<b>NBV 31.12.2009</b>	<b>25 697</b>	<b>36 088</b>	<b>61 785</b>
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
<b>NBV 31.12.2010</b>	<b>26 132</b>	<b>468</b>	<b>26 600</b>
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
<b>NBV 31.12.2011</b>	<b>26 023</b>	<b>88</b>	<b>26 111</b>

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:

## AS PRO KAPITAL GRUPP

## NOTES TO COMBINED FINANCIAL STATEMENTS

(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
<b>Total</b>	<b>14 002</b>	<b>83 271</b>	<b>16 080</b>	<b>44 181</b>

## 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
<b>Total</b>	<b>1 791</b>	<b>3 648</b>	<b>2 825</b>	<b>3 212</b>

## 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
<b>Total</b>	<b>21 462</b>	<b>18 717</b>	<b>67 929</b>	<b>32 246</b>

## 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
<b>Total</b>	<b>14 569</b>	<b>83 408</b>	<b>73 206</b>	<b>71 043</b>

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 Kreuznach	23	0	0	EUR	5,1%
<b>Total</b>	<b>14 569</b>	<b>83 408</b>	<b>73 206</b>		

## AS PRO KAPITAL GRUPP

## NOTES TO COMBINED FINANCIAL STATEMENTS

(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
<b>Total</b>	<b>14 569</b>	<b>83 408</b>	<b>73 206</b>	<b>71 043</b>

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)		Carrying 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
<b>Total</b>		<b>46 273</b>	<b>79 264</b>	<b>79 093</b>

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-purchase 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
<b>Total</b>	<b>11 272</b>	<b>9 367</b>	<b>3 653</b>	<b>392</b>

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.

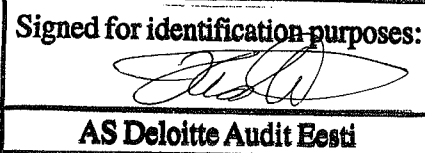
According to the terms of the emission convertible bonds of AS Pro Kapital Grupp issued during the period 2009-2010 can be converted to shares of the Ultimate Parent Company until and 31 December 2012 with the exchange rate one convertible bond per share.

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
<b>Number of convertible bonds at the beginning of period</b>	<b>3 345 374</b>	<b>1 287 344</b>	<b>122 537</b>	-
Number of convertible bonds issued	680 384	2 180 567	1 164 807	-
Number of repurchased bonds	-	-122 537	-	-
<b>Number of convertible bonds at the end of period</b>	<b>4 025 758</b>	<b>3 345 374</b>	<b>1 287 344</b>	<b>122 537</b>

(Th. EUR)	2011	2010	2009	2008
<b>Value of convertible bonds at the beginning of period</b>	<b>9 366</b>	<b>3 654</b>	<b>392</b>	-
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	-	-
<b>Principal of the bonds issued at the end of the period</b>	<b>11 271</b>	<b>9 366</b>	<b>3 654</b>	<b>392</b>

<b>Short-term portion of liabilities on the balance sheet at the end of the period</b>	-	-	<b>392</b>	-
<b>Long-term portion of liabilities on the balance sheet at the end of the period</b>	<b>11 271</b>	<b>9 366</b>	<b>3 261</b>	<b>392</b>

**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, whereas 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.

**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
<b>Total</b>	<b>1 597</b>	<b>29 670</b>	<b>29 390</b>	<b>28 474</b>

**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
<b>Total</b>	<b>17 449</b>	<b>21 051</b>	<b>21 999</b>	<b>28 818</b>

**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
<b>Total</b>	<b>16 407</b>	<b>17 015</b>	<b>17 917</b>	<b>18 901</b>

(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
<b>Total</b>	<b>16 407</b>	<b>17 015</b>	<b>17 917</b>	<b>18 901</b>

**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
<b>Total</b>	<b>352</b>	<b>609</b>	<b>1 103</b>	<b>1 276</b>

(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
<b>Total</b>	<b>5 237</b>	<b>4 029</b>	<b>4 130</b>	<b>3 558</b>

## NOTE 25 OTHER INCOME AND OTHER EXPENSES

<b>Other income</b> (Th. EUR)	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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
<b>Total</b>	<b>54 280</b>	<b>219</b>	<b>1 357</b>	<b>4 473</b>

<b>Other expenses</b> (Th. EUR)	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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
<b>Total</b>	<b>1 875</b>	<b>4 600</b>	<b>1 397</b>	<b>2 225</b>

## NOTE 26 FINANCIAL INCOME AND EXPENSES

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

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

## 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
<b>Income tax expense</b>	<b>23</b>	<b>9</b>	<b>79</b>	<b>698</b>
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
<b>Effect on income statement</b>	<b>-351</b>	<b>-17</b>	<b>-26</b>	<b>897</b>
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
<b>Total</b>	<b>1 592</b>	<b>419</b>	<b>445</b>	<b>551</b>

## 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

**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	$(53\,185\,422 \times 12/12) = 53\,185\,422$
In period 01.01.2010 - 31.12.2010	$(53\,185\,422 \times 12/12) = 53\,185\,422$
In period 01.01.2009 - 31.12.2009	$(53\,185\,422 \times 12/12) = 53\,185\,422$
In period 01.01.2008 - 31.12.2008	$(53\,185\,422 \times 12/12) = 53\,185\,422$

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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

**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
<b>Total</b>	<b>516</b>	<b>19 895</b>	<b>12 696</b>	<b>10 337</b>

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
<b>Total</b>	<b>18 785</b>	<b>12 119</b>	<b>1</b>	<b>13</b>

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 collateralised.



**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 pursues conservative financing policy, targeting for high ratio of equity in its projects, as compared to the industry standards. Company's goal is to use external financing so as to avoid interest and loan covenant related risk during low economic periods and to have sufficient additional external financing capacity in case attractive business opportunities occur. The 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 covenants, as well as interest rate risks are taken into consideration. If any special conditions are set in external financing agreement (rental income, ratio of rented/vacant space, etc.), 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.

## NOTES TO COMBINED FINANCIAL STATEMENTS

*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 employment 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 arbitration 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 lodged the appeal but the hearing has not been announced yet in the Court of Appeal of Lithuania.

AS PRO KAPITAL GRUPP

NOTES TO COMBINED FINANCIAL STATEMENTS

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.

AS PRO KAPITAL GRUPP

NOTES TO COMBINED FINANCIAL STATEMENTS

**INDEPENDENT CERTIFIED AUDITOR'S REPORT ON COMBINED FINANCIAL STATEMENTS**

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## 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  
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