

AS PRO KAPITAL GRUPP

*Consolidated Financial Statements
for the Year Ended 31 December 2009*

AS PRO KAPITAL GRUPP

ANNUAL REPORT

Parent company of the Group	AS Pro Kapital Grupp
Beginning of the financial year	1 January 2009
End of the financial year	31 December 2009
Registration code	10278802
Address	21 Põhja avenue 10414 Tallinn
Telephone	+372 6 144 920
Facsimile	+372 6 144 929
E-mail	prokapital@prokapital.ee
Fields of activity	Activities of holding companies (EMTAK 6420) Buying and selling of own real estate (EMTAK 6810) Renting and operating of own or leased real estate (EMTAK 6820) Management of real estate on a fee or contract basis (EMTAK 6832)
Auditors	AS Deloitte Audit Eesti
Date of preparation of the financial statements	31 May 2010
Documents enclosed with the annual report	Independent sworn auditor's report Proposal for covering loss Revenue allocation by Estonian Classification of Economic Activities 2008

AS PRO KAPITAL GRUPP

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AS PRO KAPITAL GRUPP

MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

AS Pro Kapital Grupp (hereinafter also referred to as "the Ultimate Parent Company") is a holding company, which owns subsidiary groups in Estonia (Pro Kapital Eesti AS), Latvia (Pro Kapital Latvia PJSC), Lithuania (Pro Kapital Vilnius Real Estate UAB), Italy (Domina Vacanze S.p.A., Domina Hotel Group S.p.A.), Russia (Pro Kapital Rus OOO), Ukraine (Pro Kapital Ukraine 3AT), and other subsidiaries not belonging into aforementioned subsidiary groups in Italy (P.K. Sicily S.p.A., Immobiliare Novate S.p.A.) and Germany (Pro Kapital Germany GmbH) (hereinafter also referred to as „the Group“). The Ultimate Parent Company's main fields of activity are to coordinate and control the development and implementation of the subsidiaries' business strategies, to administrate the Group's financial management, business reporting, and to forward information to investors.

The Group's business strategy in the Baltic States, Russia, Ukraine, and Germany is to invest into real estate properties in locations with substantial development potential, to develop them according to market demand and realize the investment. In addition to the main activities, the Group also offers real estate development and maintenance service to third parties. The Group is primarily focused on establishment of shopping centres, hotels and modern, integrated residential areas, through which the development of living environment and infrastructure of corresponding countries is also supported.

The Group's business strategy in Italy is focused on development of hotel real estate, sales of hotel suites and villas, and hotels' management in Italy, Germany, Estonia, and Latvia.

The deterioration in the global economic situation in recent years, has had the most negative impact on the Group's entities involved in hotel management. Consequently, the Group's management has decided to focus primarily in this area on Group-owned hotel management and minimize third-party owned hotel management.

In 2009 on average 659 full-time employees were engaged in the Group (2008: 646). Total salaries and wages amounted to 346.9 million EEK (2008: 318.7 million EEK), including payments to the members of the Group entities' Management Boards and local managements as salaries and bonuses in the amount of 19.0 million EEK (2008: 20.7 million EEK).

The most significant events of the financial year in the Group were as follows:

The Ultimate Parent Company

On 13 April 2009, AS Pro Kapital Grupp shareholders' extraordinary meeting decided to issue up to 10 000 000 convertible bonds of the Ultimate Parent Company in nominal value of 10 EEK for bond, and increase conditionally the Ultimate Parent Company's share capital by up to 10 000 000 shares in nominal value of 10 EEK per share in order to exchange convertible bonds for shares of the Ultimate Parent Company. The bonds shall be offered for subscription until 1 January 2012. Management of the Ultimate Parent Company has the right to offer the above mentioned number of convertible bonds under several subscription periods. The offers of bonds must be carried out so that offers would neither jointly nor separately be deemed as public offering of securities under the terms of the directive 2003/71/EC and applicable laws. The issue price of convertible bond in each separate subscription period is determined by management of the Ultimate Parent Company, but it shall not be less than 4 EUR (appr. 62.6 EEK) per convertible bond. Convertible bonds can be subscribed for in quantity so that the total sum payable based on the issue price is not less than 50 000 EUR (appr. 782.3 th. EEK). The interest rate of convertible bond is 7% per annum from its issue price.

Convertible bond can be exchanged for share of the Ultimate Parent Company on 31.12.2010, 31.12.2011 and 31.12.2012.

The Ultimate Parent Company's shareholders' pre-emptive right to submit for the convertible bonds and shares issued upon conversion of these bonds is excluded with decision.

On 24 April 2009, the conditional increase of the Ultimate Parent Company's share capital was registered in the Commercial Register.

AS PRO KAPITAL GRUPP

MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

In accordance with the above-mentioned decision of extraordinary meeting of shareholders, the Ultimate Parent Company's management offered for subscription 3 000 000 convertible bonds on 7 May 2009 and 1 000 000 convertible bonds on 24 September 2009, with an issue price of 4.5 EUR (appr. 70.4 EEK) per convertible bond. In the first subscription period 1 164 807 convertible bonds were subscribed, for which the Ultimate Parent Company received 5 242 thousand EUR (appr. 82.0 million EEK) in the reporting period. On 13 August 2009, the issued convertible bonds were registered in the Estonian Central Register of Securities. In the second subscription period 382 304 convertible bonds were subscribed, for which the Ultimate Parent Company received 1 720 thousand EUR (appr. 26.9 million EEK) in January 2010. The issued convertible bonds were represented in the Estonian Central Register of Securities on 20 January 2010.

On 6 July 2009, shareholders' meeting of Domina Hotel Group S.p.A., a subsidiary of AS Pro Kapital Grupp, decided to decrease the entity's share capital by cancellation of shares to cover losses from 10 100 000 EUR (appr. 158.0 million EEK) to 864 519 EUR (appr. 13.5 million EEK), by cancelling 9 235 481 shares with nominal value of 1 EUR (appr. 15.6 EEK). At the same time it was decided to increase the entity's share capital by targeted emission up to 10 100 000 EUR (appr. 158.0 million EEK) by issuing 9 235 481 shares with nominal value of 1 EUR (appr. 15.6 EEK) per share.

In total, 4 773 513 shares were subscribed, so the amount of entity share capital after emission is 5 638 032 EUR (appr. 88.2 million EEK). According to the decision, monetary and non-monetary contributions were made by 30 November 2009.

Domina Vacanze subsidiary group

On 29 January 2009, the liquidation process of Domina Vacanze S.p.A. subsidiary Domina Incentive S.r.l. was completed.

On 3 March 2009, the liquidation process of Domina Vacanze S.p.A. subsidiary Domina Swiss Sagl was completed.

On 29 June 2009, Domina Vacanze S.p.A. and its subsidiary Palumbalza Residence S.r.l. concluded a merger agreement under which the acquiring entity is Domina Vacanze S.p.A. and the entity being acquired was Palumbalza Residence S.r.l. As of the balance sheet date the merger process has been finalised.

On 2 December 2009, Domina Vacanze S.p.A. and Credito Artigiano Bank signed a loan agreement with credit limit 1 600 thousand EUR (appr. 25 035 thousand EEK), with interest rate of 3 months Euribor + 2.25% per annum and due date on 30 January 2013. The loan will be used for the renovation of the hotel building situated in Italy, Cortina d'Ampezzo.

During the reporting period, an agreement between Domina Vacanze S.p.A. and Deutsche Bank was signed, according to which customers, who have signed timeshare purchase agreement with Domina Vacanze S.p.A., are able to get a loan from Deutsche Bank to pay for the above-mentioned purchase. The Management of Domina Vacanze believes this possibility will excite widespread interest among the customers and affects positively the process of selling timeshare.

The liquidation proceedings initiated by Domina Vacanze S.p.A. before the financial period for the subsidiaries Domina Vacanze GmbH, Prima Classe S.r.l. and Domina Health & Beauty S.r.l. were not concluded as of the balance sheet date.

Domina Hotel Group subsidiary group

On 21 July 2009, Domina Management Sp. z.o.o., a subsidiary of Domina Management AS (a subsidiary of Domina Hotel Group S.p.A.) ended business as hotel operation in hotel "Domina Prestige" located in Poznan in Poland as the result did not meet the objectives proposed.

AS PRO KAPITAL GRUPP

MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

On 24 September 2009, Domina Management AS, a subsidiary of Domina Hotel Group S.p.A., sold the 100% ownership of Domina Management UAB to Pro Kapital Vilnius Real Estate UAB. The intra-group purchase-sale transaction had no effect on the Group's assets, liabilities and equity.

On 31 October 2009, Domina Hotel Hungary KFT, as subsidiary of Domina Hotel Group S.p.A., ended business as hotel operator in hotel "Domina Inn Fiesta" located in Budapest in Hungary as the result did not meet the objectives proposed.

Domina Tunisie S.A., a subsidiary of Domina Hotel Group S.p.A., ended the activity in 2007, but as of the balance sheet date the liquidation process has not been started due to the value-added tax was still not refunded by the government.

Pro Kapital Eesti subsidiary group

On 16 January 2009, AS Tondi Kvartal, a subsidiary of AS Pro Kapital Eesti, and AS Swedbank signed a loan agreement with credit limit 2 129 thousand EUR (appr. 33 312 thousand EEK), with interest rate of 6 months Euribor + 2.75% per annum and maturity date on 16 January 2010. The loan will be used to refinance previously taken overdraft.

On 5 February 2009, AS Pro Kapital Eesti sold the 3.99% ownership of AS Tallinna Moekombinaat, with sale price of 10 953 thousand EEK, retaining 96.01% ownership. Profit from the disposal of investment in subsidiary constituted 9 940 thousand EEK in total.

On 23 April 2009, AS Kristiine Kaubanduskeskus, a subsidiary of AS Pro Kapital Eesti, and AS Swedbank signed a loan agreement with credit limit 59 121 thousand EUR (appr. 925 000 thousand EEK), with interest rate of 6 months Euribor + 3.5% per annum and maturity date on 23 April 2014. All previous loan debt from AS Swedbank in total amount of 45 700 thousand EUR (appr. 715 000 thousand EEK) was refinanced by new credit limit. The free loan limit will be used in financing the expansion of the trade centre owned by AS Kristiine Kaubanduskeskus.

On 28 May 2009, AS Tondi Kvartal and OÜ Neotrust, subsidiaries of AS Pro Kapital Eesti, concluded a merger agreement under which the acquiring entity was AS Tondi Kvartal and the entity being acquired was OÜ Neotrust. As a result of the merger, Neotrust OÜ was liquidated, and AS Tondi Kvartal is its legal successor. The merger was registered in Commercial Register on 12 August 2009.

Pro Kapital Latvia subsidiary group

In 2009, Pro Kapital subsidiary group in Latvia continued the development and management of existing real estate projects.

During the reporting period, Neotrust OÜ was liquidated, which legally belonged to the subsidiary group of Pro Kapital Eesti, but in the consolidated financial statements recorded until the end of 2008 in the subsidiary group of Pro Kapital Latvia. As assets of Neotrust OÜ consisted of financial investments into shares of Pasaules tirdzniecības centrs "Rīga" SIA located in Republic of Latvia and liabilities consisted of debt to Pro Kapital Latvia PJSC, therefore the intra-group purchase transaction was made before liquidation by eliminating the financial investment from balance sheet of Neotrust OÜ from Pro Kapital Eesti AS to Pro Kapital Latvia PJSC. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities and equity.

On 12 January 2009, Pro Kapital Latvia PJSC decided to end the activity of subsidiary Kugu Real Estate SIA and start with liquidation process. As of the balance sheet date, the liquidation process has not been finalized.

On 20 July 2009, liquidation process of A-Centrs SIA, a subsidiary of Pro Kapital Latvia PJSC, was started. Decision to end the activity and to start with liquidation process was made by shareholders's meeting of A-Centrs SIA on 29 August 2008. As of the balance sheet date, the liquidation process has not been finalized.

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MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

SIA PK Investments, an entity belonging to the Pro Kapital Latvia subsidiary group, continued operational activities as a operator of the Domina Shopping Centre, which was sold by the entity in 2007.

Nekustamo īpašumu sabiedrība Prokurs SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued the sale of renovated apartments in situated Riga, Kugu 26. As of the end of 2009, 6 apartments were not sold, 2 apartments of which were rented out.

Klīversala RE SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued to develop the Trijādības region in Riga. In 2009, the entity was working on the detailed plan of the project, due to the low activities level of real estate market, it was decided not to start with construction works. It is planned to build 86 500 m² of dwelling areas and 67 200 m² of commercial areas at a total amount of 180 million EUR (appr. 2.8 billion EEK) onto the 56 000 m² territory.

Zvaigznes Centrs SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued developing the Brīvības region in Riga. In 2009, the entity was working on the detailed plan of the project, due to the low activity level of real estate market, it was decided not to start with construction works. On the entity owned territory it is planned to renovate 4 600 m² of dwelling areas and 1 689 m² of commercial areas at a total amount of 6 million EUR (appr. 93.9 million EEK).

Tallina Nekustamie Īpašumi SIA, an entity belonging to the Pro Kapital Latvia subsidiary group continued developing the downtown area in Riga, a building permit is scheduled to be received in 2011 after which the construction can begin. On the entity owned territory it is planned to renovate 18 000 m² of dwelling and commercial areas.

Pro Kapital Vilnius subsidiary group

In 2009, Pro Kapital subsidiary group in Lithuania continued the development, sale and management of existing real estate projects.

PK Invest UAB, an entity belonging to the Pro Kapital Vilnius subsidiary group continued developing the registered real estate in Aguonu, at the border of the old town of Vilnius. As the first stage of the project, the 16 000 m² of commercial and dwelling areas were finished in 2009 with the cost of 25.4 million EUR (appr. 397 million EEK). In the second stage of the project the 13 000 m² of commercial and dwelling areas will be finished in 2010.

On 24 September 2009, Pro Kapital Vilnius Real Estate UAB acquired as an intra-group transaction 100% ownership in Domina Management UAB, a subsidiary of Domina Management AS (a subsidiary of Domina Hotel Group S.p.A.). The new activity of the entity, which previously engaged in the operation of the hotel business, is real estate management and administration. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities, and equity.

On 9 December 2009, a loan agreement appendix between PK Invest UAB, a subsidiary of Pro Kapital Vilnius Real Estate UAB, and AB Swedbankas was signed, according to which the credit limit set with the agreement dated on 7 June 2008 was decreased from 20 953 thousand EUR (appr. 327 843 thousand EEK) to 17 380 thousand EUR (appr. 271 938 thousand EEK), with the interest rate of 6 months Euribor + 4.4% per annum. To secure the loan, a mortgage has been set to the property in Vilnius, Aguonu 10.

Pro Kapital Rus subsidiary group

In 2009, Pro Kapital subsidiary group in Russia continued the development the hotel project in Saint Petersburg.

On 13 April 2009, Pro Kapital Rus OOO established a subsidiary Domina Rus OOO with the share capital of 10 thousand RUB (appr. 4 thousand EEK). The entity will be dealing with sale of real estate owned by Domina Vacanze subsidiary group in Russia. In 2009, the real estate purchase-sales agreements were not concluded.

AS PRO KAPITAL GRUPP

MANAGEMENT REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

On 3 August 2009, extraordinary shareholders' meeting of Dom na Moike OOO, a subsidiary of Pro Kapital Rus OOO, decided to increase the entity's share capital from 90 000 thousand RUB (appr. 32 259 thousand EEK) to 230 000 thousand RUB (appr. 82 439 thousand EEK). According to the decision, the monetary payment in amount the of 18 200 thousand RUB and non-monetary payment in the amount of 71 800 thousand RUB was made for the shares, with the shareholders' claim against the entity.

Pro Kapital Ukraine subsidiary group

As a consequence of global economic recession, Pro Kapital Ukraine 3AT and its subsidiaries PK-1 TOB, PK-2 TOB and PK-3 TOB which were acquired in 2007, did not start real estate development in Ukraine in 2009.

P.K. Sicily S.p.A.

In 2009, P.K. Sicily S.p.A. continued the renovation of tourism and hotel complex named „Zagarella & Sea Palace” in Italy, Sicily. According to the preliminary project, renovation of the hotel complex located on the territory of 28 000 m² and containing of 24 000 m² of hotel areas, will be completed in stages. As of the end of the reporting period, appr. 60% of the hotel areas were renovated. Selling the hotel property has also began, precontracts are concluded in the amount of 7 633 thousand EUR (appr. 119 430 thousand EEK). Partially renovated hotel will be open to clients in June 2010.

During the financial year, the credit limit by Credito Siciliano S.p.A. was increased from 5 000 thousand EUR (appr. 78 233 thousand EEK) to 13 000 thousand EUR (appr. 203 406 thousand EEK) to develop the hotel.

Pro Kapital Germany GmbH

In 2009, Pro Kapital Germany GmbH continued to rent the hotel named “Kurhaus & Conference Park” located in Germany, Bad Kreuznach to Domina Tourismus GmbH, a subsidiary of Domina Hotel Group S.p.A.

Immobiliare Novate S.p.A.

Immobiliare Novate S.p.A. finalized the construction of 194-room hotel Domina Inn Milano Fiera near the Milan exhibition centre, and started the hotel operation on 7 April 2009.

On 10 January 2009, Immobiliare Novate S.p.A. and Credito Artigiano Bank signed a loan agreement with credit limit of 5 000 thousand EUR (appr. 78 233 thousand EEK), with interest the rate of 3 months Euribor + 1.5% per annum and due date on 31 March 2019. The loan will be used for the development of entity-owned hotel complex.

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Paolo Vittorio Michelozzi

AS Pro Kapital Grupp
Chairman of the Management Board



AS PRO KAPITAL GRUPP

MANAGEMENT BOARD DECLARATION

The Management Board is declaring its responsibility for the fair and complete preparation of the consolidated annual accounts of AS Pro Kapital Grupp, presented on pages 8 to 64.

The Management Board declares that:

1. The principles used for consolidated financial statements are in accordance with the Estonian Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Commission;
2. The consolidated financial statements present a true and fair view of the assets, liabilities, financial position, economic performance and cash flows of the Group as a whole;
3. The entities belonging to the Group carry their activities as a going concern, except, for those entities under liquidation.

Name	Position	Signature	Date
Paolo Vittorio Michelozzi	Chairman of the Board		31.05.2010
Allan Remmelkoor	Member of the Board		31.05.2010



AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2009

ASSETS (Th. EEK)	Notes	31.12.2009	31.12.2008
Current assets			
Cash and bank accounts	2	110 145	129 978
Shares and securities	7	146	11
Receivables			
Trade receivables		311 276	317 619
Miscellaneous receivables		182 200	192 098
Accrued income		12 229	11 269
Prepaid expenses		300 004	302 770
incl. Prepaid taxes and taxes reclaimable		210 597	237 071
Inventories	3		
Property held for sale		2 451 442	2 319 349
Other inventories		196 960	109 693
Total		2 648 402	2 429 042
Total current assets		3 564 402	3 382 787
Non-current assets			
Long-term financial investments			
Shares and securities	7	37 288	66 394
Miscellaneous long-term receivables	9	69 857	103 703
Total		107 145	170 097
Deferred income tax assets	25	0	1 712
Tangible assets	10	1 099 947	1 061 249
Investment property	12	597 817	568 921
Intangible assets	11	33 555	32 689
Total non-current assets		1 838 464	1 834 668
TOTAL ASSETS		5 402 866	5 217 455

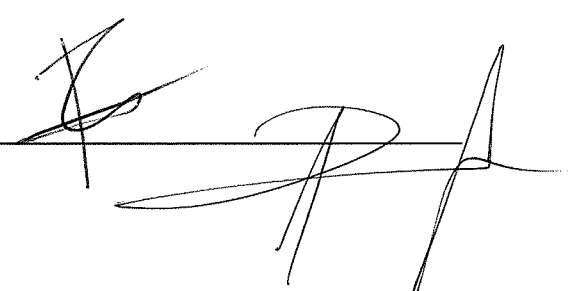
The accompanying notes are an integral part of these consolidated financial statements.

AS PRO KAPITAL GRUPP

 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS OF 31 DECEMBER 2009

LIABILITIES AND EQUITY (Th. EEK)	Notes	31.12.2009	31.12.2008
Current liabilities			
Debt	13	186 747	688 612
Client prepayments		132 996	163 612
Trade payables		448 594	403 740
Taxes payable		24 132	22 008
Accrued expenses		32 621	26 201
Short-term provisions	14	10 575	5 557
Prepaid income		2 153	10 978
Total current liabilities		837 818	1 320 708
Non-current liabilities			
Long-term debt	14	1 981 497	1 102 280
Other long-term liabilities	14, 17	328 810	141 137
Deferred income tax liability	14, 25	25 275	35 150
Long-term provisions	14	30 736	30 083
Total non-current liabilities		2 366 318	1 308 650
Total liabilities		3 204 136	2 629 358
Equity attributable to equity holders of the parent			
Share capital in nominal value	21	531 854	531 854
Share premium		705 495	705 495
Reserves	21	54 160	46 447
Retained earnings		776 326	907 425
Foreign currency differences		-9 075	-2 626
Loss for the financial year		-395 033	-131 304
Total equity attributable to equity holders of the parent		1 663 727	2 057 291
Minority interest	20	535 003	530 806
Total equity		2 198 730	2 588 097
TOTAL LIABILITIES AND EQUITY		5 402 866	5 217 455

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



AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 2009

(Th. EEK)	Notes	2009	2008
Operating income			
Revenue	22	1 014 706	1 341 131
Cost of goods sold	23	940 061	980 899
Gross profit		74 645	360 232
Marketing expenses	23	103 180	86 049
Administrative expenses	23	276 683	296 299
Other income	22	49 943	147 103
Other expenses		75 546	95 392
Operating profit (loss)		-330 821	29 595
Financial income	24	17 967	32 706
Financial expense	24	76 452	129 099
Loss before income tax		-389 306	-66 798
Income tax	25	516	-22 509
Loss for the financial year		-388 790	-89 307
Net loss attributable to:			
Equity holders of the parent		-395 033	-131 304
Minority interest		6 243	41 997
Other comprehensive profit (loss)			
Profit (loss) for retranslation of foreign currency		-5 702	1 249
Comprehensive loss for the financial year		-394 492	-88 058
Comprehensive loss attributable to:			
Equity holders of the parent		-401 482	-124 457
Minority interest		6 990	36 399
Share profit (loss) calculated by equity holders of the parent from net loss for the financial year:			
	26		
Net loss per share (in EEK)		-7,43	-2,47
Diluted net loss per share (in EEK)		-7,43	-2,47

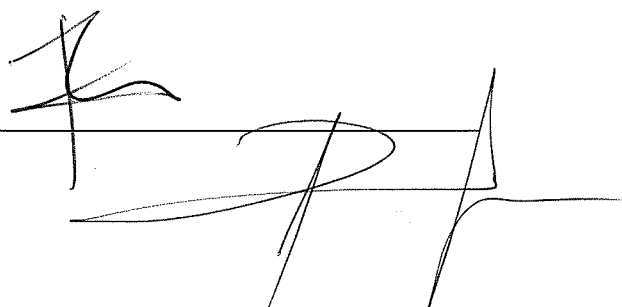
The accompanying notes are an integral part of these consolidated financial statements.




AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 2009

(Th. EEK)	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the financial year		-388 790	-89 307
Adjustments:			
Depreciation of tangible assets	10	37 910	36 155
Depreciation of investment property	12	14 447	14 369
Amortization of intangible assets	11	3 772	3 659
Profit / loss from disposal of ownership in subsidiary (net amounts)	5, 24	-9 940	-7 669
Profit / loss from disposal of tangible assets	10, 11	-5 290	361
Profit / loss from disposal / liquidation of short-term financial investments	7	0	3
Impairment loss of short-term investments	7	0	583
Impairment loss of long-term investments	7	0	2 020
Impairment loss of tangible assets	11	3	13 042
Interest income / expenses (net amounts)	24	59 898	49 652
Change in deferred tax assets	25	1 712	1 238
Change in deferred tax liabilities	25	-9 875	3 760
Change in provisions	14	5 671	17 832
Changes in foreign currency rates		300	30 643
Other non-monetary changes (net amounts)	2	203 715	-97 759
Change in trade receivables and prepayments		21 451	283 306
Inventory and tangible assets held for sale		-179 797	-216 842
Change in liabilities and prepayments collected		-8 559	-1 154
Income tax reclaimed	25	0	1 957
Income tax paid	25	-5 400	-236 038
Total cash flows used in operating activities		-258 772	-190 189
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flow from disposal of subsidiaries	5	10 953	14 782
Acquisition of tangible assets	10, 11, 12, 22	-152 601	-344 062
incl. Acquisition of assets held under finance lease	10	1 616	5 872
Disposal of tangible assets	10	10 095	11 817
Long-term loans granted		-1 696	-44 698
Long-term loans returned		16 252	47 752
Acquisition of short-term financial investments	7	-135	-591
Disposal / liquidation of short-term financial investments	7	0	1
Acquisition of long-term financial investments	7	-726	-26 087
Disposal of long-term financial investments	7	29 832	0
Interest received		4 586	32 390
Total cash flows used in investing activities		-81 824	-302 824



Signed for identification purposes:

AS Deloitte Audit Eesti

AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 2009

(Th. EEK)	Notes	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Received from issue of convertible bonds	18	82 014	0
Long-term loans raised		464 493	925 760
Repayment of long-term loans		-142 917	-110 978
Financial lease principal paid	19	-773	-2 033
Investments made by minority shareholder into subsidiaries (net amounts)		-3 809	-429 453
Interests paid		-78 245	-84 274
Total cash flows from financing activities		320 763	299 022
Net change in cash		-19 833	-193 991
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		129 978	323 969
CASH AT THE END OF THE FINANCIAL YEAR		110 145	129 978

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

Signed for identification purposes:



AS Deloitte Audit Eesti

AS PRO KAPITAL GRUPP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 2009

(Th. EEK)	Notes	No of shares (pcs)	Nominal value of share (EEK)	Attributable to equity holders of the parent					Minority interest	Total equity	
				Share capital	Share premium	Reserves	Retained earnings	Foreign currency differences			Total
31 December 2007		53 185 422	10	531 854	705 495	6 532	947 589	-9 473	2 181 997	924 161	3 106 158
Increase in statutory legal reserves				0	0	40 164	-40 164	0	0	0	0
Change in reserve of convertible bonds	18,21			0	0	-249	0	0	-249	0	-249
Increase of share capital in subsidiaries				0	0	0	0	0	0	165	165
Decrease of share capital in subsidiaries				0	0	0	0	0	0	-1 365	-1 365
Changes in minority interest due to changes in parent company's participation	5			0	0	0	0	0	0	-301	-301
Change in minority interest due to the declaration of dividends in subsidiaries				0	0	0	0	0	0	-428 253	-428 253
Comprehensive loss for the financial year				0	0	0	-131 304	6 847	-124 457	36 399	-88 058
31 December 2008		53 185 422	10	531 854	705 495	46 447	776 121	-2 626	2 057 291	530 806	2 588 097
Change in other reserves				0	0	-205	205	0	0	0	0
Change in reserve of convertible bonds	18,21			0	0	7 918	0	0	7 918	0	7 918
Increase of share capital in subsidiaries				0	0	0	0	0	0	15 951	15 951
Decrease of share capital in subsidiaries				0	0	0	0	0	0	-40	-40
Changes in minority interest due to changes in parent company's participation				0	0	0	0	0	0	1 016	1 016
Changes in minority interest due to liquidation of subsidiary	5			0	0	0	0	0	0	242	242
Change in minority interest due to the declaration of dividends in subsidiaries				0	0	0	0	0	0	-19 962	-19 962
Comprehensive loss for the financial year				0	0	0	-395 033	-6 449	-401 482	6 990	-394 492
31 December 2009		53 185 422	10	531 854	705 495	54 160	381 293	-9 075	1 663 727	535 003	2 198 730

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

AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**NOTE 1. ACCOUNTING POLICIES****1. GENERAL INFORMATION**

AS Pro Kapital Grupp (hereinafter also referred to as "the Ultimate Parent Company") is a holding company incorporated and operating in the Republic of Estonia.

The consolidated financial statements as of 31 December 2009 represent the consolidated assets, liabilities, equity, results of operations and cash flows of the Ultimate Parent Company and its subsidiaries (hereinafter also referred together to as "the Group").

As of 31 December 2009, the Group consisted of 48 entities, ten of which are direct subsidiaries of the Ultimate Parent Company (hereinafter also referred to as "the parent companies of the subsidiary groups") and 37 were entities controlled by those subsidiaries. Participation in subsidiaries of the Group is presented in Note 4.

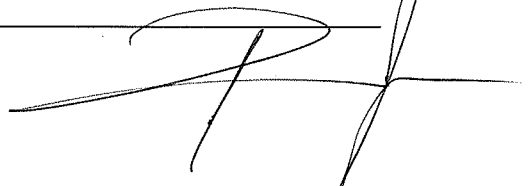
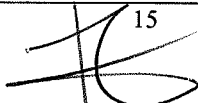
2. APPLICATION OF NEW AND REVISED IFRS's

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

All new and revised standards and IFRIC interpretations issued by IASB that affect the Group and which are effective to the reporting periods starting from 1 January 2009 have been implemented by the Group. According to the management board the implementation of the new and revised standards caused no significant changes in the applicable accounting principles neither in the presentation of information in the financial statements, however in relation to amended standard IAS 1 "Presentation of Financial Statements" is changed the financial statements presentation, and introduced new concepts. Consolidated income statement has been replaced by a consolidated statement of comprehensive income. The latter includes an additional non-owner changes, previously recognized in equity. Also the presentation of a statement of changes in equity changed due to the compilation of consolidated statement of comprehensive income. The statement of changes in equity does not reflect the separate movements of elements in comprehensive income. The term "Balance Sheet" has been replaced the by term "Statement of Financial Position".

The new and revised standards or interpretations of a standard which became effective in the financial year are the following:

- IFRS 8 "Operating Segments". These consolidated annual accounts have not been compiled in accordance with IFRS 8 as it is not mandatory and information about segments is disclosed only for the purpose of its users.
- IFRS 1 (amended) and IAS 27 (amended) - IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 „Consolidated and Separate Financial Statements“ amendments "Investment cost made into subsidiary, jointly controlled entity, or associate";
- IFRS 2 (amended), "Share-based Payment";
- IFRS 7 (amended), "Financial Instruments: Disclosures" amendment "Improvements to Financial Instruments disclosures";
- IAS 1 (amended), „Presentation of Financial Statements“;
- IAS 23 (amended), „Borrowing Costs“;
- IAS 32 (amended) ja IAS 1 (amended) - IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" amendments "Puttable Instruments and Obligations Arising on Liquidation";
- IAS 39 (amended), "Financial Instruments: Recognition and Measurement" amendment "Eligible Hedged Items";





AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction";
- IFRIC 15 "Agreements for the Construction of Real Estate";
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation";
- Amendments in IFRS (issued in May 2008).

IASB is issued an annual omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group's management considers that these amendments to standards will have no material effect in the Group's financial statements.

At the date of compilation of these consolidated financial statements, the following standards and interpretations were issued but effective for accounting periods starting after 1 January 2009:

- IFRS 9 "Financial Instruments: Classification and Measurement", is effective for accounting periods starting from 1 January 2013 or later (not adopted by EU at the balance sheet date);
- IFRS 2 (amended), "Share-based Payment", is effective for accounting periods starting on or after 1 January 2010 (not adopted by EU at the balance sheet date);
- IFRS 3 (amended), "Business Combinations", is effective for accounting periods starting on or after 1 July 2009;
- IAS 27 (amended), "Consolidated and Separate Financial Statements", is effective for accounting periods starting on or after 1 July 2009;
- IAS 24 (amended), "Related Party Disclosures", is effective for accounting periods starting on or after 1 January 2011 (not adopted by EU at the balance sheet date);
- IAS 32 (amended), "Financial Instruments: Presentation", is effective for accounting periods starting on or after 1 February 2010;
- IAS 39 (amended), "Financial Instruments: Recognition and Measurement" amendment "Eligible Hedged Items", is effective for accounting periods starting on or after 1 July 2009;
- IFRIC 17 "Distribution of Non-cash Assets to Owners", is effective for accounting periods starting on or after 31 October 2009;
- IFRIC 18 "Transfers of Assets from Customers", is effective for accounting periods starting from on or after 31 October 2009;
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", is effective for accounting periods starting on or after 1 July 2010 (not adopted by EU at the balance sheet date);
- IFRIC 14 (amended), "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", is effective for accounting periods starting on or after 1 January 2011 (not adopted by EU at the balance sheet date);
- IFRIC 12 "Service Concession Arrangements", is effective for accounting periods starting on or after 30 March 2009;
- Amendments in IFRS (issued in April 2009), is effective for accounting periods starting on or after 1 July 2009, partially on or after 1 January 2010 (recent amendments are not adopted by EU at the balance sheet date).

AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Group for the financial year 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted by European Union, and in accordance with the Estonian Accounting Act.

The consolidated financial statements are prepared on the accrual basis.

The functional and presentation currency of the Group's Financial Statements is Estonian kroon (EEK). These consolidated financial statements of the Group are compiled in thousands of Estonian kroons (Th. EEK), if not specifically referred to another unit of measurement.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the ultimate parent company and its subsidiaries. Control is achieved, when the parent company has the power to govern the financial and operational policies of an entity, so as to obtain benefits from its activities.

Minority interests of the entities under the control of the ultimate parent company are recorded on a separate line in the consolidated financial statements equity.

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

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

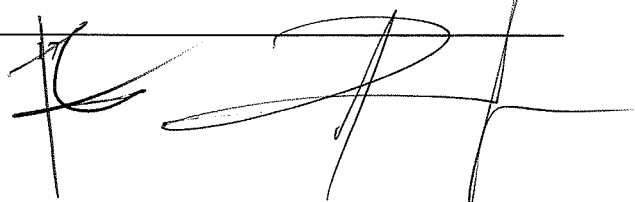
The balances and transactions between Group entities and unrealized profits/losses from intra-group transactions are eliminated in the consolidated financial statements.

Business combinations

Business combinations, except for those conducted between the entities under common control, are recorded using the purchase method. Acquisition cost of acquired business combination is measured at the fair value of net assets (purchase price) plus any costs directly attributable to business combination.

In accordance with purchase method, the acquisition cost is allocated to the fair value of acquired identifiable assets, liabilities and contingent liabilities. Negative difference between cost of acquisition and the fair value of net assets acquired is recognized immediately in the income statement as revenue. Positive difference (goodwill) between cost of acquisition and the fair value of net assets acquired is recognized as an asset in the balance sheet.

Adjusted purchase method is used when increasing the ownership in the subsidiary by acquiring shares from minority shareholders. Based on adjusted purchase method, the acquisition cost of acquired business combination is measured at net assets book value (i.e. as the acquired assets and liabilities were reflected in the acquired company's balance sheet). The difference between the acquisition cost and the acquired net assets book value are recorded as equity increase or decrease in the acquiring company.





AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**Foreign currency transactions**

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

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

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

The main foreign currencies and relevant exchange rates according to (the nomination of) Bank of Estonia as applied in the consolidated financial statements are as follows:

(in EEK)	31.12.2009	2009 average	31.12.2008	2008 average
Latvian lats (LVL)	22.0504	22.16819	22.0977	22.27148
Lithuanian litas (LTL)	4.53157	4.53157	4.53157	4.53157
Euro (EUR)	15.6466	15.6466	15.6466	15.6466
Russian ruble (RUB)	0.35843	0.35478	0.37803	0.43011
Ukrainian grivna (UAH)	1.34978	1.39812	1.40595	2.06243

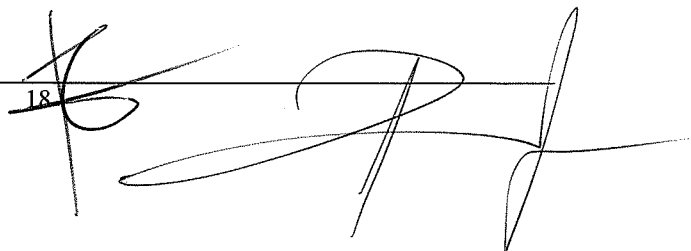
Cash and cash flows

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

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

Inventories

Inventories are recorded at cost, which comprises purchase price, non-refundable taxes and other direct acquisition expenditures, which are necessary to transfer inventories to their current location and condition. Inventory items that are individually distinguishable an individual measurement of cost value and cost of sales is applied. For inventory items that are not individually distinguishable, then weighted average cost method is used.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

Inventories are stated on the balance sheet at the lower of cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of making the sale. Revaluation of inventories to net realizable value is recognized as expense for the accounting period.

Property held for sale

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

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

In case the usage purpose of a real estate object changes, the asset is reclassified and the accounting principles attributable to this asset group are implemented from the date of change.

Tangible assets

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

Tangible assets on the balance sheet are measured at cost less accumulated depreciation and impairment losses.

For buildings recorded as tangible assets, loan interest accrued from third party loans during the construction period are capitalized.

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

The annual depreciation rates for tangible asset group are as follows:

- Buildings in use 2-5% per annum;
- Machinery and equipment 8-20% per annum;
- Other equipment 20-50% per annum.

Investment property

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

Land and buildings, which are planned to be held for a longer period than a year and which have different possibilities to be used are reported also as investment property.

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

AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

For buildings recorded as investment property, loan interest accrued from third party loans during the construction period are capitalized.

Investment properties on balance sheet are recorded at cost less accumulated depreciation and impairment losses.

Depreciation of buildings is calculated on the straight-line method. The annual depreciation rate for buildings is 2 - 5%, land is not depreciated.

In case the usage purpose of the investment property changes, the asset is reclassified on the balance sheet and the accounting principles attributable to this asset group are implemented from the date of change.

Intangible assets

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

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

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

Impairment of assets (excluding goodwill)

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

For assets with undefined useful life, irrespective of whether indications of possible impairment loss exist, the impairment test is carried out on every balance sheet date, comparing book value and recoverable value of the asset.

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

In case the recoverable value is lower than the book value, the asset is recorded on the balance sheet at its recoverable value.

Impairment losses are recorded as expenses of the accounting period.

If the recoverable value of assets previously impaired is increased, the previous impairment loss is cancelled by reversing the impairment loss expense in the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

Impairment of goodwill

In order to perform impairment test, goodwill is allocated at the time of recognizing business combination to one or more cash generating units, which will presumably benefit from the given goodwill. Impairment test for the cash generating unit, to which goodwill belongs, is carried out in every reporting period, comparing the book value of the unit and relevant goodwill with their recoverable value.

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

Investments into subsidiaries (in the Ultimate Parent Company's unconsolidated financial statements)

Investments into subsidiaries that are not held for the purpose of sale are recorded at cost in Parent Company's unconsolidated financial statements.

Financial instruments

Financial instruments held to maturity

Investments are recognized on a trade date basis and are initially measured at fair value. At subsequent reporting dates, financial instruments that the entity has expressed intention and ability to hold to maturity are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial instruments held for sale

Financial investments other than held-to-maturity securities are classified as either investments held for trading or as available-for-sale, and are measured at fair value. Investments in equity instruments that are not traded on the stock exchange and for which the fair value cannot be reliably measured are recorded at cost, less any discounts.

Loans granted and receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Trade receivables recorded in balance sheet are evaluated in light of collectible amounts. Doubtful receivables are recorded as expense for accounting period. Difference between the present and nominal value of collectible amounts is recognized as interest income in the income statements under "Other financial income and expenses" using the corresponding internal interest rate.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Financial expenses, including the transaction costs and the settlement costs, are recorded on an accrual basis. Interest expenses are charged to the income statement as a current period expense, unless the interest expense related



AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

to loans obtained to finance development of property or similar assets, in which case the interests are capitalized together with the asset.

Convertible bonds

Convertible bonds that are convertible into shares at bondholder's request are regarded as compound financial instruments, consisting of a liability component and an equity component at the date of issue.

The equity component of convertible bonds is the amount by which the funds received over the course of the issue of the bond will exceed the present value of future interests and principal payments. An interest rate applicable for a similar type non-convertible bond in the market is used as the discount rate in calculating the liability component.

Interest expense from convertible bonds is recorded in the income statement for the reporting period on the basis of actual interest rates. The equity component of the convertible bonds is included in equity under the caption "Reserves".

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, less direct issuing costs.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value when the effect is material.

Pension benefit plans

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

Other provisions

Potential liabilities and guarantees related to sales of goods and services to clients are recorded at the date of the transaction based on the prior business experience and the probability of the guarantees being realized.

Contingent liabilities

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

Reserves

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

Other reserves consist of equity component of convertible bonds.

Revenue recognition*Net sales*

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

In addition to the above, net sales includes revenue at the sales prices of real estate recognized on the basis of related pre-contracts, if the all following conditions apply:

- the real estate object of the related agreement is completed and accepted;
- the client has made contractual down payments according to the payment schedule. The difference between down payment and total contract value is equal to penalties that are applicable in case the contract is declined;
- the agreement stipulates a penalty for declining the agreement, which is large enough to assert that it would be unreasonable for the buyer to decline the agreement.

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

Other income

Income, which is not related to the main operations of the entities belonging to the Group, is reported as other income.

Financial income

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

Expenses*Cost of sales*

Cost of sales includes the costs of bringing real estate objects realized during the reporting period and recorded in the net sales to a marketable condition. Real estate rental, development and management expenses, and costs related to hotel management services (including the cost of depreciation of investment properties) are also recorded in income statement under "Cost of sales".

Marketing expenses

Marketing expenses include selling expenses, i.e. advertising, other marketing and agency fees during the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

Administrative expenses

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

Other expenses

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

Financial expense

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

Leases

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

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

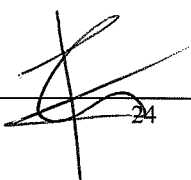
If the above-mentioned conditions are not met, either individually or in combination, the transaction is recorded as operating lease.

The Group as a lessee

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

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

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


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AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009*The Group as a lessor*

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

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

Taxation*Estonia*

According to the Estonian Income Tax Act the accrued profit of a resident legal entity is not subject to corporate income tax, instead the tax is due on the distribution of dividends. Income tax should be calculated also on other payments made from equity that are exceeding the monetary or non-monetary contributions made to the equity. As of 1 January 2008, the tax rate applicable is 21/79 from the taxable amount.

As a result of such taxation principles, the notion of "tax base of assets and liabilities" has lost its economic meaning and deferred income tax and assets cannot be calculated in accordance with IAS 12 "Income Taxes". Potential income tax liability from the retained earnings, which could otherwise be distributed as dividends, is not recorded in the Statement of Financial Position. Income tax expense to be incurred at the payment of dividends is recognized in the statement of comprehensive income as expense at announcement of dividends or any other distribution of equity.

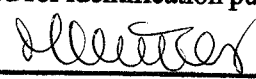
Other subsidiaries

Profit earned by subsidiaries of the Group is imposed to income tax according to the tax rate stipulated by the resident countries legislation. Deferred income tax liability is accounted from all relevant temporary differences between the tax bases of assets and liabilities and the accountancy value. Deferred income tax assets, that are mainly caused by the tax losses carried to future periods, are recognized in the statement of financial position only, when it is likely that it will be realized through the taxable profit earned in the future. Deferred tax assets and liabilities are offset when there is a legally enforceable right in the Group subsidiaries' countries of incorporation to set off current tax assets against current tax liabilities. For calculation of the deferred income tax assets and liabilities, generally the income tax rate applicable on the balance sheet date is used.

Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Subsequent events

Circumstances that reflect the evaluation of relevant assets and liabilities in the consolidated financial statements are considered, which occurred between the balance sheet date and the date the report was prepared by the management of the Ultimate Parent Company, but are related to the transactions in the reporting period or prior periods. Subsequent events, which do not affect valuation of assets and liabilities, but which will substantially influence the results of the next financial year, are disclosed in the notes to the consolidated financial statements.

Use of judgements, estimates and assumptions

The preparation of the consolidated financial statements assumes judgements, estimates and assumptions by the management board of the Ultimate Parent Company to the Group's assets and liabilities which are not readily apparent from other sources as at the balance sheet date and income earned and expenses covered during the reporting period. These estimates are based on historical experience and the up-to-date information about the state of the Group and considering the plans and risks as at the date of the preparation of the consolidated financial statements. The final results of these economic transactions may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2. CASH AND NON-MONETARY TRANSACTIONS IN THE CASH FLOW STATEMENT

Cash and bank accounts recorded in the consolidated statement of financial position and statement of cash flows, with balances as of 31 December 2009 and 2008, were 110 145 Th. EEK and 129 978 Th. EEK, respectively, comprising cash on hand and bank deposits as of the end of the reporting period. Foreign currency accounts have been retranslated into EEK at the Bank of Estonia foreign currency exchange rates prevailing on the balance sheet date.

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

(Th. EEK)	2009	2008
Non-monetary increase in short-term liability	201 085	82 102
Non-monetary decrease in short-term liability	-15 807	-155 064
Non-monetary increase in short-term receivables	-10 357	-27 474
Non-monetary decrease in short-term receivables	28 794	2 677
Total	203 715	-97 759

NOTE 3. INVENTORIES

Inventory consists of the following components

(Th. EEK)	2009	2008
Property held for sale		
Finished property	1 243 313	849 110
Unfinished property	1 208 129	1 470 239
Other inventories		
Goods bought for resale	6 284	11 872
Prepayments to suppliers	190 676	97 821
Total	2 648 402	2 429 042

Prepayments by Group companies in relation to the property held for sale are recorded as prepayments to suppliers.

During the accounting period, inventories are revalued in the amount of 25 649 Th. EEK due to the net realization value falling below the acquisition cost (in 2008: 5 792 Th. EEK) (see Note 23).

During the accounting period, interests are capitalized into cost of inventories in the amount of 12 898 Th. EEK (in 2008: 2 489 Th. EEK) (see Note 24).

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NOTE 4. ENTITIES BELONGING TO THE CONSOLIDATION GROUP

Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2008	Share of ownership % 31.12.2009	Field of activity
AS Pro Kapital Grupp	Amndare Ltd.	Ireland	57,86%	57,79%	Holding company
	Svalbork Invest OÜ	Estonia	12,86%	12,86%	
	A.F.I. American Financial Investments Ltd.	Liechtenstein	9,57%	9,57%	
Pro Kapital Eesti AS	AS Pro Kapital Grupp	Estonia	100,00%	100,00%	Real estate development
Ilmarise Kvartal OÜ	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Kristiine Kaubanduskeskus AS	Pro Kapital Eesti AS	Estonia	52,00%	52,00%	Real estate development
Tondi Kvartal AS	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Pro Halduse AS	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate development
Tallinna Moekombinaat AS	Pro Kapital Eesti AS	Estonia	100,00%	100,00%	Real estate management
Pro Kapital Vilnius Real Estate UAB	AS Pro Kapital Grupp	Lithuania	100,00%	100,00%	Real estate development
PK Invest UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	100,00%	100,00%	Real estate development
Domina Management UAB	Pro Kapital Vilnius Real Estate UAB	Lithuania	0,00%	100,00%	Real estate management (acquired from Domina Management AS)
Pro Kapital Latvia PJSC	AS Pro Kapital Grupp	Latvia	100,00%	100,00%	Real estate development
PK Latvia SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība A Centrs SIA	Pro Kapital Latvia AS	Latvia	51,00%	51,00%	Real estate development
Kliversala RE SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Tallina Nekustamie Īpašumi SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Nekustamo īpašumu sabiedrība Zvaigznes centrs SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
Investhotel SIA	Pro Kapital Latvia AS	Latvia	100,00%	100,00%	Real estate development
PK Investments SIA	Pro Kapital Latvia AS	Latvia	67,00%	67,00%	Real estate development
Kugu Real Estate SIA	Pro Kapital Latvia AS	Latvia	70,00%	70,00%	Real estate development
Neotrust OÜ	Pro Kapital Eesti AS	Estonia	100,00%	0,00%	Holding company (merged with Tondi Kvartal AS)

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Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2008	Share of ownership % 31.12.2009	Field of activity
Pasaules tirdzniecības centrs "Rīga" SIA	Neotrust OÜ Pro Kapital Latvia AS	Latvia	100,00%	0,00%	Real estate development
Nekustamo īpašumu sabiedrība Prokurs SIA	Pasaules tirdzniecības centrs "Rīga" SIA	Latvia	70,00%	70,00%	Real estate development
Domina Vacanze S.p.A.	AS Pro Kapital Grupp	Italy	88,75%	88,75%	Real estate development, hotel management
Domina Case Vacanze S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Real estate development
Palumbalza Residence S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	0,00%	Real estate development (merged with Domina Vacanze S.p.A.)
Domina Hellas E.p.e.	Domina Vacanze S.p.A	Greece	100,00%	100,00%	Hotel management
Computer Service S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Other (IT services)
Domina Health & Beauty S.r.l.	Domina Vacanze S.p.A	Italy	70,00%	70,00%	Real estate development (under liquidation)
Domina Incentive S.r.l.	Domina Vacanze S.p.A	Italy	70,00%	0,00%	Travel services (liquidated)
Prima Classe S.r.l.	Domina Vacanze S.p.A	Italy	100,00%	100,00%	Travel services (under liquidation)
Domina Vacanze GmbH	Domina Vacanze S.p.A a	Austria	100,00%	100,00%	Hotel management (under liquidation)
Domina Swiss Sagl	Domina Vacanze S.p.A	Switzerland	95,00%	0,00%	Hotel management (liquidated)
Immobiliare Novate S.p.A.	AS Pro Kapital Grupp	Italy	90,58%	90,58%	Real estate development, hotel management
Domina Hotel Group S.p.A.	AS Pro Kapital Grupp	Italy	99,90%	99,90%	Hotel management
Domina Management AS	Domina Hotel Group S.p.A.	Estonia	100,00%	100,00%	Hotel management
Domina Management UAB	Domina Management AS	Lithuania	100,00%	0,00%	Hotel management (sold to Pro Kapital Vilnius Real Estate UAB)
Domina Management SIA	Domina Management AS	Latvia	100,00%	100,00%	Hotel management
Domina Management Sp. z o.o.	Domina Management AS	Poland	100,00%	100,00%	Hotel management

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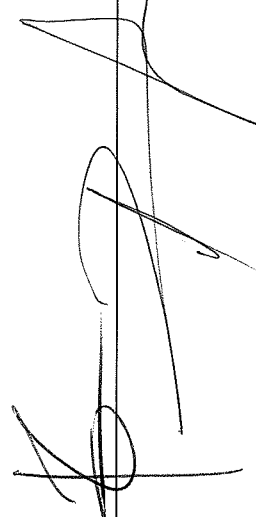


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Name of the entity	Shareholder	Country of incorporation	Share of ownership % 31.12.2008	Share of ownership % 31.12.2009	Field of activity
Domina Hotel Italy S.r.l.	Domina Hotel Group S.p.A.	Italy	100,00%	100,00%	Hotel management
Domina Tourismus GmbH	Domina Hotel Group S.p.A.	Germany	100,00%	100,00%	Hotel management
Domina Hotels Hungary KFT	Domina Hotel Group S.p.A.	Hungary	100,00%	100,00%	Hotel management
Domina Tunisie S.A.	Domina Hotel Group S.p.A.	Tunisia	99,30%	99,30%	Hotel management
Domina Hotel Holland B.V.	Domina Hotel Group S.p.A.	The Netherlands	100,00%	100,00%	Hotel management
Domina Hospitality School S.r.l.	Domina Hotel Group S.p.A.	Italy	100,00%	100,00%	Other (trainings)
Pro Kapital Rus OOO	AS Pro Kapital Grupp	Russia	100,00%	100,00%	Real estate development
Domina Rus OOO	Pro Kapital Rus OOO	Russia	0,00%	100,00%	Real estate management
Dom na Moike OOO	Pro Kapital Rus OOO	Russia	51,00%	51,00%	Real estate development
Pro Kapital Ukraine 3AT	AS Pro Kapital Grupp	Ukraine	100,00%	100,00%	Real estate development
PK-1 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development
PK-2 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development
PK-3 TOB	Pro Kapital Ukraine 3AT	Ukraine	100,00%	100,00%	Real estate development
Pro Kapital Germany GmbH	AS Pro Kapital Grupp	Germany	100,00%	100,00%	Real estate development
P.K. Sicily S.p.A.	AS Pro Kapital Grupp	Italy	100,00%	100,00%	Real estate development



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009*Neotrust OÜ*

In 2001, the share of Neotrust OÜ was transferred within the Group, as a result of which Pro Kapital Eesti AS acquired from Pro Kapital Latvia PJSC 100% of ownership in the company. The purpose of the transaction was to simplify the planned liquidation of Neotrust OÜ, which, due to legal consideration, was not able to start until the end of 2008.

Due to the intergroup purchase-sale transaction there were no substantive modifications in the Group structure, in the consolidated financial statements the Neotrust OÜ and its subsidiaries assets, liabilities and equity is recorded 100% of ownership of Pro Kapital Latvia as at the end of 2008.

During the reporting period Neotrust OÜ was liquidated. As the assets of Neotrust OÜ consist of financial investment in the shares of a subsidiary located in the Republic of Latvia, and liabilities consist of a debt to Pro Kapital Latvia PJSC, therefore prior to the liquidation of Neotrust OÜ the intra-group purchase transaction of financial investment was made from Pro Kapital Eesti AS to Pro Kapital Latvia PJSC. After that Neotrust OÜ merged with Tondi Kvartal AS, an entity belonging to Pro Kapital Eesti subsidiary group. The intra-group purchase-sale transaction had no effect to the Group's assets, liabilities and equity.

The (consolidated) financial data of the subsidiaries are following (all data presented in the currency of the parent of subsidiary group's country of incorporation, full units):

Subsidiary	Currency	Cost as of	Cost as of	Net assets	Revenue	Net profit
		31.12.2008	31.12.2009	as of 31.12.2009	2009	(loss) 2009
AS Pro Kapital Grupp	EEK	X	X	1 663 727 405	1 014 705 864	-395 033 083
Pro Kapital Eesti AS	EEK	281 340 000	281 340 000	852 195 022	198 008 702	6 968 665
Ilmarise Kvartal OÜ	EEK	4 478 348	4 478 348	49 148 272	38 591 068	-12 813 910
Kristiine Kaubanduskeskus AS	EEK	187 862 164	187 862 164	807 410 972	132 242 945	72 173 123
Tondi Kvartal AS	EEK	68 243 610	68 243 610	113 981 930	12 825 114	-22 236 399
Pro Halduse AS	EEK	418 910	418 910	6 506 291	20 318 408	64 696
Tallinna Moekombinaat AS	EEK	201 200 000	193 154 012	148 171 075	0	-51 949 448
Pro Kapital Vilnius Real Estate UAB	EEK	37 156 121	37 156 121	20 840 901	35 503 636	-19 183 092
PK Invest UAB	LTL	3 252 633	3 252 633	-1 781 546	7 743 003	-4 375 707
Domina Management UAB	EUR	2 857	0	0	0	10 299
	LTL	0	147 525	140 255	1 864	-7 268
Pro Kapital Latvia PJSC	EEK	159 402 340	159 402 340	236 406 909	76 384 762	-6 892 824
PK Latvia SIA	LVL	133 580	133 580	56 837	2 640	-22 081
Nekustamo īpašumu sabiedrība A						
Centrs SIA	LVL	37 710	37 710	527	0	-533
Klīversala RE SIA	LVL	6 688 379	6 688 379	9 489 415	248	-84 954
Tallina Nekustamie Īpašumi SIA	LVL	2 369 899	3 019 899	541 746	0	-187 173
Nekustamo īpašumu sabiedrība						
Zvaigznes centrs SIA	LVL	600 000	1 100 000	540 047	6 218	-137 527
Investhotel SIA	LVL	700 000	700 000	1 007 798	618 606	274 082
PK Investments SIA	LVL	6 698 517	6 698 517	6 360 456	2 178 419	-392 034
Kugu Real Estate SIA	LVL	7 000	2 800	422	0	-919
Neotrust OÜ	LVL	1 504	0	0	0	0
Pasaules tirdzniecības centrs "Rīga" SIA						
SIA	LVL	2 161 870	7 052 883	7 037 378	735 827	203 712
Nekustamo īpašumu sabiedrība						
Prokurs SIA	LVL	999 320	999 320	1 694 965	522 643	267 365
Domina Vacanze S.p.A.	EEK	1 174 446 259	1 174 446 259	810 400 821	305 456 571	-166 714 290
Domina Case Vacanze srl	EUR	1 355 866	1 355 866	92 042	796 879	-2 608
Palumbalza Residence S.r.l.	EUR	139 348	0	0	0	0

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Subsidiary	Currency	Cost as of 31.12.2008	Cost as of 31.12.2009	Net assets 31.12.2009	Revenue 2009	Net profit (loss) 2009
Domina Hellas E.p.e.	EUR	1 197 827	1 197 827	-437 072	0	-69 000
Computer Service S.r.l.	EUR	28 934	28 934	84 299	419 679	6 109
Domina Health & Beauty S.r.l.	EUR	61 571	61 571	0	0	0
Domina Incentive S.r.l.	EUR	35 000	0	0	0	0
Prima Classe S.r.l.	EUR	260 837	260 837	0	0	0
Domina Vacanze GmbH	EUR	1 475 557	1 475 557	0	0	0
Domina Swiss Sagl	EUR	714 758	0	0	0	0
Immobiliare Novate S.p.A.	EEK	135 366 093	135 366 093	64 822 645	23 464 361	-13 375 561
Domina Hotel Group S.p.A.	EEK	162 568 174	162 568 174	-21 876 343	375 767 831	-112 953 170
Domina Management AS	EUR	108 650	108 650	-854 766	3 609 619	-1 608 654
Domina Management SIA	EUR	3 189	3 189	228 375	1 400 756	-705 323
Domina Management Sp. z.o.o.	EUR	10 998	740 754	-330 280	355 313	-344 909
Domina Hotel Italy S.r.l.	EUR	2 370 000	5 027 216	-117 205	12 620 735	-2 712 266
Domina Tourismus GmbH	EUR	280 126	280 126	-227 931	2 894 767	-344 181
Domina Hotels Hungary KFT	EUR	1 246 783	1 246 783	-512 340	1 509 245	-453 110
Domina Tunisine S.A.	EUR	1 542 657	1 542 657	40 404	0	-21 497
Domina Hotel Holland B.V.	EUR	18 000	18 000	-1 019 760	3 664 963	-930 564
Domina Hospitality School S.r.l.	EUR	100 131	150 154	17 356	54 942	-47 784
Pro Kapital Rus OOO	EEK	4 571	4 571	-90 982 424	0	-22 457 457
Domina Rus OOO	RUB	0	10 000	-2 517 487	0	-2 527 487
Dom na Moike OOO	RUB	71 400 000	117 300 000	-34 514 970	0	-25 949 843
Pro Kapital Ukraine 3AT	EEK	1 196 779	1 196 779	441 378	0	-277 107
PK-1 TOB	UAH	37 500	100 000	12 900	0	-50 800
PK-2 TOB	UAH	37 500	100 000	13 100	0	-50 800
PK-3 TOB	UAH	37 500	100 000	13 000	0	-50 900
Pro Kapital Germany GmbH	EEK	391 165	391 165	-817 050	0	350 140
P.K. Sicily S.p.A.	EEK	78 233 000	78 233 000	14 227 435	0	-25 186 942




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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**NOTE 5. ACQUISITIONS, DISPOSALS, INCREASES AND DECREASES OF OWNERSHIP
IN SUBSIDIARIES**

During the reporting period AS Pro Kapital Grupp decreased the current 99.90% ownership by 0.08% in Domina Hotel Group S.p.A. which belongs to Domina Hotel Group subsidiary group's through non-proportional increase of share capital.

During the reporting period Pro Kapital Eesti AS disposed 3.99% ownership in Tallinna Moekombinaat AS (maintaining 96.01% of the ownership), which develops real estate in Estonia, Tallinn.

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

(Th. EEK)	Acquisition (including change in ownership)			Disposal (including change in ownership)		
	Domina Hotel Group S.p.A.	Total 2009	Total 2008	Tallinna Moekombinaat AS	Total 2009	Total 2008
Cash	0	0	0	0	0	850
Receivables	0	0	0	0	0	101
Tangible assets	0	0	0	0	0	15 486
Short-term liabilities	0	0	0	0	0	-33
Long-term liabilities	0	0	0	0	0	-7 212
incl. intra-group	0	0	0	0	0	-7 212
Minority interest	-3	-3	0	1 013	1 013	-301
Goodwill on acquisition	3	3	0	x	x	x
Negative goodwill on acquisition	0	0	0	x	x	x
Loss from disposal of ownership	x	x	x	0	0	0
Profit from disposal of ownership	x	x	x	9 940	9 940	7 669
Acquisition cost / sales price	0	0	0	10 953	10 953	16 560
Paid in cash (-) / cash received (+)	0	0	0	10 953	10 953	15 632
Cash at the moment of acquisition (+) / disposal (-)	x	x	0	x	x	-850
Net cash flow on acquisition / disposal	0	0	0	10 953	10 953	14 782

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NOTES IN THE CONSOLIDATION FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 6. SHARES IN SUBSIDIARIES

	Pro Kapital Eesti AS	Pro Kapital Ukraine 3AT	Pro Kapital Rus OOO	Pro Kapital Latvia PJSC	Pro Kapital Vilnius Real Estate UAB	Domina Vacanze S.p.A.	Domina Hotel Group S.p.A.	P.K. Sicily S.p.A.	Pro Kapital Germany GmbH	Immobiliare Novate S.p.A.	Total
Number of shares 31 December 2008	28 134 000	505 000	1	7 000 000	4 610	60 398 937	10 089 900	5 000 000	1	19 021 598	x
Acquired (extra-group)	0	0	0	0	0	0	4 764 278	0	0	0	x
Disposed / cancelled	0	0	0	0	0	0	-9 226 246	0	0	0	0
Number of shares 31 December 2009	28 134 000	505 000	1	7 000 000	4 610	60 398 937	5 627 932	5 000 000	1	19 021 598	x
Ownership % at the end of the year	100	100	100	100	100	88,75	99,82	100	100	90,58	x
Ownership % at the beginning of the year	100	100	100	100	100	88,75	99,90	100	100	90,58	x
(Th. EEK)											
Cost as of 31 December 2008	281 340	1 197	5	159 402	37 156	1 174 446	162 568	78 233	391	135 366	2 030 104
Parent company's share of subsidiary's net assets as of 31 December 2008	735 822	738	-70 625	1 099 759	38 873	868 636	24 271	39 414	-1 167	111 776	2 847 497
Acquired cost (extra-group)	0	0	0	0	0	0	74 545	0	0	0	74 545
Impairment of goodwill	0	0	0	0	0	0	-3	0	0	0	-3
Foreign currency differences	0	-20	2 100	-8 215	0	79	-393	0	0	0	-6 449
Dividends paid	0	0	0	-738 839	0	0	0	0	0	0	-738 839
Profit under equity method	6 968	0	0	0	0	0	0	0	350	0	7 318
Loss under equity method	0	-277	-22 458	-6 893	-19 183	-166 714	-112 953	-25 187	0	-13 375	-367 040
Parent company's share of subsidiary's net assets as of 31 December 2009	742 790	441	-90 983	345 812	19 690	702 001	-14 533	14 227	-817	98 401	1 817 029
Cost as of 31 December 2009	281 340	1 197	5	159 402	37 156	1 174 446	237 113	78 233	391	135 366	2 104 649

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

According to the decision of shareholders of Domina Hotel Group S.p.A., a subsidiary of Pro Kapital Grupp, the share capital was decreased during the reporting period by cancellation of shares to cover losses by cancelling 9 235 481 shares with nominal value of 1 EUR (appr. 15.6 EEK) per share. At the same time the entity's share capital was increased per share by targeted emission by issuing 4 773 513 new shares with nominal value of 1 EUR (appr. 15.6 EEK). According to the decision monetary and non-monetary payments were made by 30 November 2009. As of 31 December 2009, the entity's share capital amounted to 5 638 032 EUR (appr. 88.2 million EEK), consisting of 5 638 032 shares. 5 627 932 shares belong to AS Pro Kapital Grupp.

NOTE 7. SHARES AND SECURITIES

(Th. EEK)	Short-term shares	Long-term shares
31.12.2007	8	42 327
Acquisition	591	26 087
Sale in selling price / liquidation provision	1	0
Profit (loss) from sale / liquidation	-3	0
Impairment	-583	-2 020
Reclassification to short-term	-3	0
31.12.2008	11	66 394
Acquisition	135	726
Sale in selling price	0	-29 832
Profit (loss) from sale / liquidation	0	0
31.12.2009	146	37 288

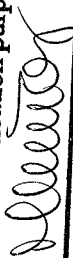
Long-term financial statements held for resale are recorded at cost, because their fair value cannot be estimated reliably.

NOTE 8. LONG-TERM LOANS BETWEEN THE ULTIMATE PARENT AND PARENT COMPANIES OF THE SUBSIDIARY GROUP

(Th. EEK)	31.12.2009	31.12.2008
Loan granted by the ultimate parent:		
Pro Kapital Latvia	96 356	48 795
Pro Kapital Vilnius	139 462	106 077
Pro Kapital Rus	188 654	157 813
P.K. Sicily	504 113	481 491
Domina Hotel Group	3 851	6 281
Total	932 436	800 457
Loans raised by the ultimate parent:		
Pro Kapital Eesti	920 331	841 750
Domina Vacanze	58 613	23 470
Total	978 944	865 220

The annual interest rate of intra-group loans is up to 6%. The intra-group interest income and expenses in the amount of 87 839 Th. EEK (in 2008: 115 494 Th. EEK) are eliminated from the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 9. MISCELLANEOUS LONG-TERM RECEIVABLES

Creditor	Debtor	Contract currency	Receivable as of 31.12.2008	Receivable as of 31.12.2009			Interest rate	Comments
				(Th. EEK)				
				within 1 year	2-5 years	over 5 years		
Pro Kapital Rus:								
Pro Kapital Rus OOO	WTC Tjumen OOO	EUR	13 123	1 137	0	1 137	0	5% Loan
Pro Kapital Rus OOO	Pro Kapital Siberia OOO	EUR	3 322	0	0	0	0	x
			16 445	1 137	0	1 137	0	
Pro Kapital Eesti:								
Ilmarise Kvartal OÜ	Different debtors	EEK	0	860	0	195	665	6% Long-term trade receivables
Tondi Kvartal OÜ	Different debtors	EEK	0	4 381	0	4 381	0	5% Long-term trade receivables
			0	5 241	0	4 576	665	
Pro Kapital Vilnius:								
PK Invest UAB	Swedbank AB	EUR	0	1 565	0	1 565	0	0% Deposit with maturity date on 07.12.2011
			0	1 565	0	1 565	0	
Domina Vacanze:								
Domina Vacanze S.p.A.	CA Immo GmbH	EUR	15 647	0	0	0	0	x
Domina Vacanze S.p.A.	Different debtors	EUR	26 491	27 883	0	27 883	0	0% Long-term trade receivables
Domina Case Vacanze S.r.l.	Different debtors	EUR	1 570	0	0	0	0	x
Domina Vacanze S.p.A subsidiaries	Different debtors	EUR	15 839	16 910	0	16 910	0	0% Long-term trade receivables
			59 547	44 793	0	44 793	0	
Domina Hotel Group:								
Domina Hotel Group S.p.A.	Different debtors	EUR	144	118	0	118	0	0% Long-term trade receivables
			144	118	0	118	0	
P.K. Sicily:								
P.K. Sicily S.p.A.	Different debtors	EUR	27 567	17 003	0	17 003	0	0% Long-term trade receivables
			27 567	17 003	0	17 003	0	
Total			103 703	69 857	0	69 192	665	

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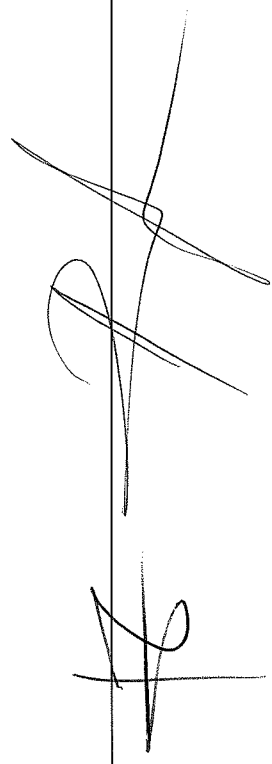
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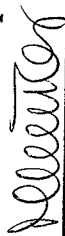
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 10. TANGIBLE ASSETS

(Th. EEK)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
Cost as of 31.12.2008	500 414	14 068	45 012	149 083	582 235	25 901	1 323 197
Additions:							
Acquisition	48 674	5	4 441	15 039	55 415	5 147	130 337
Capitalized interests	0	0	0	0	13 411	0	13 411
Disposals:							
Sold	0	0	-2 537	-22	0	0	-2 559
Written off	-1 049	0	-1 069	-6 220	-166	-79	-8 620
Other changes:							
Reclassification	303 706	0	5 267	22 213	-330 332	-854	0
Reclassified to/from inventories	-46 609	0	0	-918	0	0	-47 527
Reclassified to/from investment property	0	0	0	0	-21 481	0	-21 481
Foreign currency differences	-456	-30	-232	-21	-9 696	-1 339	-11 774
Cost as of 31.12.2009	804 680	14 043	50 882	179 154	289 386	28 776	1 374 984
Accumulated depreciation as of 31.12.2008	95 726	10 392	21 725	106 124	26 883	0	261 948
Additions:							
Depreciation charge	18 987	1 009	3 204	13 984	0	0	37 910
Disposals:							
Sold	0	0	0	-7	0	0	-7
Written off	-195	0	-885	-5 773	0	0	-6 890
Other changes:							
Reclassification	0	0	-102	102	0	0	0
Reclassified to/from inventories	-14 899	0	0	-1 200	0	0	-16 099
Foreign currency differences	-370	-28	-13	-20	-1 394	0	-1 825
Accumulated depreciation as of 31.12.2009	99 249	11 373	23 929	113 210	25 489	0	275 037
Carrying value as of 31.12.2008	404 688	3 676	23 287	42 959	555 352	25 901	1 061 249
Carrying value as of 31.12.2009	705 431	2 670	26 953	65 944	263 897	28 776	1 099 947



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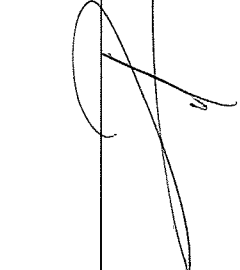
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD 2009

(Th. EEK)	Land and buildings	Land and buildings (improvements of rental assets)	Machinery and equipment	Other tangible assets	Other tangible assets (finance lease)	Unfinished construction	Prepayments for tangible assets	TOTAL
Sale and write-off								
Sold assets at cost	0	0	2 537	22	0	0	0	2 559
Accumulated depreciation of sold assets	0	0	0	-7	0	0	0	-7
Carrying value of sold assets	0	0	2 537	15	0	0	0	2 552
Sale price of assets	0	0	10 085	10	0	0	0	10 095
Cost of assets written off	1 049	0	1 069	6 220	37	166	79	8 620
Accumulated depreciation of assets written off	-195	0	-885	-5 773	-37	0	0	-6 890
Profit (loss) from sales and write-offs	-854	0	7 364	-452	0	-166	-79	5 813

For additional information concerning finance lease obligations is presented in Note 19.

For additional information concerning mortgages set to Group's tangible assets is presented in Note 29.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 11. INTANGIBLE ASSETS

(Th. EEK)	Goodwill	Patents and trademarks	Licenses	Usage rights	Prepayments for intangible assets	TOTAL
Cost as of 31.12.2008	4 107	10 131	23 209	26 404	2 449	66 300
Additions:						
Acquisitions related to subsidiaries	3	0	0	0	0	3
Acquisition	0	1 120	1 632	2 411	0	5 163
Disposals:						
Written off	0	0	-18 439	0	0	-18 439
Other changes:						
Reclassification	0	0	-593	705	-112	0
Impairment	-3	0	0	0	0	-3
Foreign currency differences	0	1	1	0	-1	1
Costs as of 31.12.2009	4 107	11 252	5 810	29 520	2 336	53 025
Accumulated amortization as of 31.12.2008	0	6 752	20 708	6 151	0	33 611
Additions:						
Depreciation charge	0	2 130	1 002	640	0	3 772
Disposals:						
Written off	0	0	-17 916	0	0	-17 916
Other changes:						
Foreign currency differences	0	0	3	0	0	3
Accumulated amortization as of 31.12.2009	0	8 882	3 797	6 791	0	19 470
Carrying amount as of 31.12.2008	4 107	3 379	2 501	20 253	2 449	32 689
Carrying amount as of 31.12.2009	4 107	2 370	2 013	22 729	2 336	33 555
Sales and write-offs						
Write-offs at cost	0	0	18 439	0	0	18 439
Accumulated amortization of assets written off	0	0	-17 916	0	0	-17 916
Loss from sales and write-offs	0	0	-523	0	0	-523

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**NOTE 12. INVESTMENT PROPERTY**

(Th. EEK)	Held on purpose of raise of value	Rented out in term of operating lease	Total
Cost as of 31.12.2008	33 823	638 135	671 958
Additions:			
Acquisition	456	16 645	17 101
Other changes:			
Reclassified to/from inventories	0	4 764	4 764
Reclassified to/from tangible assets	0	21 481	21 481
Foreign currency differences	-6	0	-6
Cost as of 31.12.2009	34 273	681 025	715 298
Accumulated depreciation as of 31.12.2008	984	102 053	103 037
Additions:			
Depreciation charge	133	14 314	14 447
Other changes:			
Foreign currency differences	-3	0	-3
Accumulated depreciation as of 31.12.2009	1 114	116 367	117 481
Carrying value as of 31.12.2008	32 839	536 082	568 921
Carrying value as of 31.12.2009	33 159	564 658	597 817
Fair value	183 673	950 936	1 134 609

On determining the fair value of investment property, the Group management relied on estimates of independent experts and also intra-group analysts.

Additional information about mortgages set on the Group's investment property is presented in Note 29.

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

The rental income and the corresponding direct expenses from investment property, leased out under the terms of operating lease:

(Th. EEK)	2009	2008
Rental income	96 059	108 911
Direct operating costs		
Maintenance and depreciaton	14 326	16 736
Other direct costs	11 153	10 548

Rental income of future periods from investment property leased out under the terms of an operating lease:

(Th. EEK)	31.12.2009	31.12.2008
Within 1 year	100 626	98 474
1-5 years	287 002	272 241
Over 5 years	125 574	179 303
Total	513 202	550 018

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The estimated income from operating lease covered with contracts during following periods does not include the future periods and rent areas, which are not covered with contracts, since the mentioned amounts cannot be estimated with sufficient reliability.

NOTE 13. DEBT

(Th. EEK)	Note	31.12.2009	31.12.2008
Unsecured debt		18 303	23 943
Short-term finance lease liability	19	793	596
Redemption of convertible bonds issued in the next period	18	6 127	0
Other short-term debt		11 383	23 347
Current portions of long-term bank loans and overdrafts	15	158 743	660 414
Current portion of long-term loans	16	9 701	4 255
Total		186 747	688 612

NOTE 14. LONG-TERM LIABILITIES

(Th. EEK)	Note	31.12.2009	31.12.2008
Long-term debt		1 981 497	1 102 280
Non-convertible debts		122 516	103 540
Finance lease obligations	19	4 134	3 488
Long-term loans	16	118 382	100 052
Convertible debt	18	73 820	5 851
Bank loans	15	1 785 161	992 889
Other long-term liabilities	17	328 810	141 137
Deferred income tax liability	25	25 275	35 150
Long-term provisions		30 736	30 083
Total		2 366 318	1 308 650

Provisions

(Th. EEK)	Pension benefit plans	Other provisions	Total
31.12.2008	22 803	12 837	35 640
Provision added	8 898	6 169	15 067
Provision used	-9 171	-225	-9 396
31.12.2009	22 530	18 781	41 311
incl. short-term provision	0	10 575	10 575
long-term provision	22 530	8 206	30 736

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 15. BANK LOANS

Borrower	Creditor	Contract currency	(Th. EEK)				Interest rate	Maturity date	Collateral	
			Loan balance as of		Loan repayments					
			31.12.2008	31.12.2009	within 1 year	2-5 years over 5 years				
Pro Kapital Eesti:										
Pro Kapital Eesti AS	Swedbank	EUR	72 750	68 496	4 478	64 018	0	2.0%+ 6 months EURIBOR	01.11.2013	Note 29
Kristine Kaubanduskeskus AS	Swedbank	EUR	697 730	722 385	16 228	706 157	0	3.75%+ 6 months EURIBOR	23.04.2014	Note 29
Tondi Kvartal AS	Swedbank	EEK	33 307	26 795	26 795	0	0	2.75%+ 6 months EURIBOR	16.03.2010	Note 29
			803 787	817 676	47 501	770 175	0			
Pro Kapital Latvia:										
Pro Kapital Latvia PJSC	Swedbank overdraft	LVL	6	20	20	0	0	x	x	x
Investhotel SIA	Swedbank	EUR	99 779	95 837	4 413	91 424	0	3.0%+ 3 months EURIBOR	01.03.2012	Note 29
			99 785	95 857	4 433	91 424	0			
Pro Kapital Vilnius:										
PK Invest UAB	Swedbank	EUR	208 008	231 892	81 660	150 232	0	4.4%+ 6 months EURIBOR	07.12.2011	Note 29
			208 008	231 892	81 660	150 232	0			
Domina Vacanze:										
Domina Vacanze S.p.A	Meliorbanca	EUR	11 972	0	0	0	0	x	x	x
Domina Vacanze S.p.A	Meliorbanca	EUR	120 581	184 620	0	184 620	0	2.0%+ 3 months EURIBOR	01.01.2012	Note 29
Domina Vacanze S.p.A	Meliorbanca	EUR	54 763	47 714	7 771	39 943	0	2.0%+ 3 months EURIBOR	01.07.2015	Note 29
Domina Vacanze S.p.A	Cariparma & Piacenza	EUR	10 320	5 019	5 019	0	0	2.0%+ 3 months EURIBOR	22.11.2010	Not collateralised
Domina Vacanze S.p.A	Credito Artigiano Bank	EUR	0	25 035	665	24 370	0	2.25%+ 3 months EURIBOR	30.01.2013	Note 29
Domina Vacanze S.p.A. subsidiaries	Overdrafts from different credit institutions	EUR	2	11 008	11 008	0	0	x	x	x
			197 638	273 396	24 463	248 933	0			

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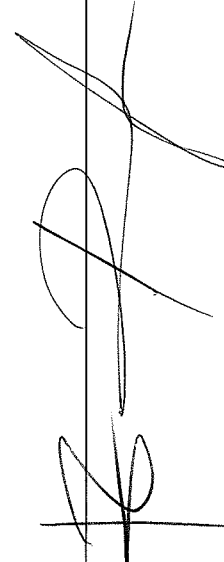


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Borrower	Creditor	Contract currency	Loan balance as of		Loans repayments		Interest rate	Maturity date	Borrower	
			31.12.2008	31.12.2009	within 1 year	2-5 years over 5 years				
(Th. EEK)										
Pro Kapital Rus:										
Dom na Moike OOO	Swedbank	EUR	80 446	78 591	0	78 591	0	5.8%+3 months EURIBOR	06.02.2014	Note 29
			80 446	78 591	0	78 591	0			
Immobiljare Novate:										
Immobiljare Novate S.p.A.	Credito Artigiano Bank	EUR	185 406	164 167	0	117 349	46 818	1.25%+3 months EURIBOR	31.12.2017	Note 29
Immobiljare Novate S.p.A.	Credito Artigiano Bank	EUR	0	78 233	0	38 872	39 361	1.5%+3 months EURIBOR	31.03.2019	Note 29
Immobiljare Novate S.p.A.	Credito Artigiano Bank	EUR	0	686	686	0	0	x	x	x
			185 406	243 086	686	156 221	86 179			
P.K. Sicily:										
P.K. Sicily S.p.A.	Credito Siciliano S.p.A.	EUR	78 233	203 406	0	203 406	0	1.35%+3 months EURIBOR	30.01.2013	Note 29
			78 233	203 406	0	203 406	0			
Total			1 653 303	1 943 904	158 743	1 698 982	86 179			



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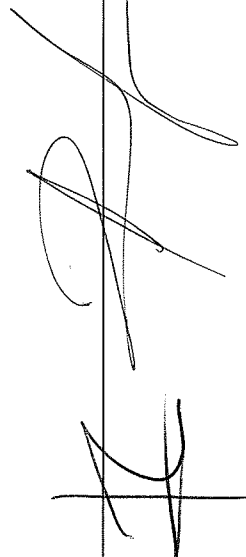
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 16. LONG-TERM LOANS

Borrower	Contract currency	Creditor	Loan balance as of		Loan repayments			Interest rate	Maturity date	Collateral
			31.12.2008	31.12.2009	within 1 year					
			(Th. EEK)		2-5 years	Over 5 years				
Pro Kapital Rus:										
Dom na Moike OOO	RUB	Odega Anshfalt	90 205	108 534	0	108 534	0	3%+LIBOR	31.12.2013	Entity's assets
			90 205	108 534	0	108 534	0			
Domina Hotel Group:										
Domina Hotel Group S.p.A.	EUR	Sinai Company for Touristic Development	4 255	4 344	4 344	0	0	0%	31.12.2010	Entity's assets
Domina Hotel Group S.p.A.	EUR	Domina Vip Travel S.r.l.	0	5 357	5 357	0	0	0%	31.12.2010	Entity's assets
			4 255	9 701	9 701	0	0			
Immobiliare Novate:										
Immobiliare Novate S.p.A.	EUR	Minority shareholders	9 847	9 848	0	9 848	0	0%	x	Entity's assets
			9 847	9 848	0	9 848	0			
Total			104 307	128 083	9 701	118 382	0			



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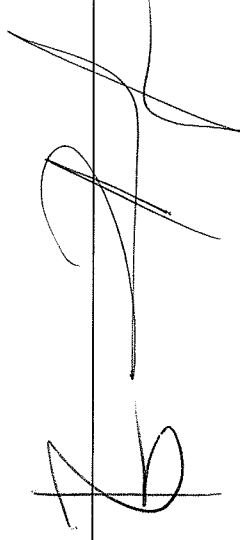
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 17. OTHER LONG-TERM DEBT

Borrower	Contract currency	Creditor	(Th. EEK)				Interest rate	Comments	
			Loan balance as of 31.12.2008	Loan balance as of 31.12.2009	Liability repayments				
					within 1 year	2-5 years over 5 years			
Domina Vacanze:									
Domina Vacanze S.p.A.	EUR	Customers	66 583	204 085	0	204 085	0	0%	The volume of timeshare sales agreements concluded with customers, 66.4 million EEK of which has been received from customers (prepayments)
Domina Vacanze S.p.A. subsidiaries	EUR	Different creditors	5 300	5 300	0	5 300	0	0%	
			71 883	209 385	0	209 385	0		
P.K. Sicily:									
P.K. Sicily S.p.A.	EUR	Customers	69 254	119 425	0	119 425	0	0%	The volume of timeshare sales agreements concluded with customers, 74.3 million EEK of which has been received from customers (prepayments)
			69 254	119 425	0	119 425	0		
Total			141 137	328 810	0	328 810	0		



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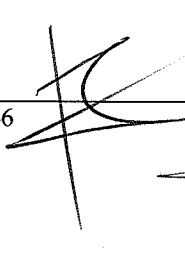

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 18. CONVERTIBLE BONDS

Registration date of bonds issued	13.05.1999		13.08.2009	
Issue price of bond (EUR)	x		4,50	
Issue price of bond (EEK)	50,00		70,41	
Bond return per annum (% from issue price)	6%		7%	
Bond interest payment frequency	Once a year		Twice a year	
Lates date for the repurchase of bonds	20.01.2010		13.08.2013	
Discount rate (%)	11%		11%	
	2009	2008	2009	2008
Number of convertible bonds at the beginning of period	122 537	122 537	0	0
Number of convertible bonds issued	0	0	1 164 807	0
Number of convertible bonds at the end of period	122 537	122 537	1 164 807	0
incl. repurchase of convertible bonds in the following period	122 537	0	0	0
	Discounted 2009	Discounted 2008	Discounted 2009	Discounted 2008
(Th. EEK)	2009	2008	2009	2008
Principal of the bonds issued at the beginning of the period	6 127	6 127	0	0
Principal of convertible bonds issued	0	0	82 014	0
Principal of the bonds issued at the end of the period	6 127	6 127	82 014	59 480
incl. repurchase of convertible bonds in teh following period	6 127	0	0	0
Interest payable at the end of the period	0	368	17 223	14 340
Short-term portion of liabilities on the balance sheet	6 127	0	0	0
Long-term portion of liabilities on the balance sheet	0	5 851	73 820	0
Equity portion on the balance sheet	0	276	8 194	0

The issuance of convertible bonds of AS Pro Kapital Grupp in 1999 are redeemed in accordance with the terms of issue, for the issue price, on 20 January 2010. Redemption fees are paid to the owners of convertible bonds, who have not exercised the right to exchange the convertible bonds for the Ultimate Parent Company share 1:1 until 10 January 2010. As of 31 December 2009 and 31 December 2008 the owners of convertible bonds had not used the right.

According to the terms of the emission convertible bonds of AS Pro Kapital Grupp issued during the reporting period can be converted to shares of the Ultimate Parent Company on 31 December 2010, 31 December 2011 and 31 December 2012 with the rate one convertible bond per share.

AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**NOTE 19. LEASE OBLIGATIONS****Finance lease – Group as the lessee**

The equipment is acquired under the terms of finance lease. During the accounting period principals of finance lease were repaid in the amount of 773 Th. EEK (2008: 2 033 Th. EEK) and interest of finance lease in the amount of 24 Th. EEK (2008: 22 Th. EEK) were paid.

Principals of finance lease for the following periods:

(Th. EEK)	Minimum amount of finance lease payments	Interest expense	Net present value of minimum amount of finance lease payments
Finance lease obligations as of 31.12.2008			
Within 1 year	813	217	596
1 – 5 years	2 970	534	2 436
Over 5 years	1 100	48	1 052
Total	4 883	799	4 084
Finance lease obligations as of 31.12.2009			
Within 1 year	899	106	793
1 – 5 years	3 582	251	3 331
Over 5 years	844	41	803
Total	5 325	398	4 927

Average interest rate of long-term finance lease differs by contracts remaining between is 3-9% per annum. Contract currency is EUR.

Additional information about non-current assets acquired in terms of finance lease is presented in Note 10.

Operating lease – Group as the lessee

An administrative building located in Riga, Latvia is rented under the terms of an operating lease and is the most significant leased property. During the accounting period, principals of operating lease in the amount of 13 010 Th. EEK (2008: 11 939 Th. EEK) were repaid.

Operating lease payments for the following periods:

(Th. EEK)	31.12.2009	31.12.2008
Within 1 year	8 428	11 582
1 – 5 years	25 593	46 120
Over 5 years	0	3 811
Total	34 021	61 513

Operating lease – Group as the lessor

The group is a lessor in operating lease of investment property, a leasehold administrative building and other assets belonging to the Group.

During the accounting period, rental income in the amount of 111 148 Th. EEK (2008: 125 940 Th. EEK) was earned from the assets rented out under the terms of operating lease. Direct costs corresponding to the rental income constituted 42 992 Th. EEK (2008: 55 071 Th. EEK).

Rental income from operating lease for the next periods:

(Th. EEK)	31.12.2009	31.12.2008
Within 1 year	100 626	98 473
1 – 5 years	287 002	272 242
Over 5 years	125 574	179 303
Total	513 202	550 018

Additional information about investment property leased out in terms of operating lease is presented in Note 12.

NOTE 20. MINORITY INTEREST

The minority interest of the Group as of 31 December 2009 amounts to 535.0 million EEK (31.12.2008: 530.8 million EEK) and consists of the minority shareholders' portions in the equity of the subsidiary groups' and the minority shareholder's portion in the equity of the subsidiary groups' parent companies. Minority interests in the amount of 388.5 million EEK (31.12.2008: 352.9 million EEK) arises from the Estonian subsidiary group; 57.5 million EEK (31.12.2008: 78.8 million EEK) arises from the Latvian subsidiary group; -6.1 million EEK (31.12.2008: -18.3 million EEK) arises from the Russian subsidiary group; 0 million EEK (31.12.2008: -0.2 million EEK) arises from the Domina Vacanze subsidiary group; 89.0 million EEK (31.12.2008: 110.1 million EEK) arises from the Domina Vacanze S.p.A.; 6.1 million EEK (31.12.2008: 7.5 million EEK) arises from the minority interest in Immobiliare Novate S.p.A.

NOTE 21. EQUITY*Share capital*

The share capital in the amount of 531 854 Th. EEK consists of 53 185 422 ordinary shares at a nominal value of 10 EEK per share. According to the articles of association, the maximum number of shares allowed to be issued is 90 000 000.

There were no changes in share capital during the financial year and the previous period.

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

On 13 April 2009, AS Pro Kapital Grupp shareholders' extraordinary meeting decided to issue up to 10 000 000 the Ultimate Parent Company's convertible bonds in nominal value of 10 EEK per bond, and increase conditionally the Ultimate Parent Company share capital up to 10 000 000 shares in nominal value of 10 EEK per share due to exchange convertible bonds for shares of the Ultimate Parent Company. The bonds shall be offered for subscription until 1 January 2012. The convertible bond can be exchanged for share of the ultimate parent company on 31.12.2010, 31.12.2011, and 31.12.2012.

The Ultimate Parent Company's shareholders pre-emptive right to note the convertible bonds and the exchange of bonds to issued shares is excluded with decision.

AS PRO KAPITAL GRUPP

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On 24 April 2009 the conditional increase of the Ultimate Parent Company's share capital was registered in Commercial Register.

Reserves

Reserves in the amount of 54 160 Th. EEK (31.12.2008: 46 447 Th. EEK) consist of the statutory legal reserve in the amount of 45 966 Th. EEK (31.12.2008: 45 966 Th. EEK), required according to the Estonian Commercial Code § 336, and other reserves in the amount of 8 194 Th. EEK (31.12.2008: 481 Th. EEK).

As other reserves are recorded capital reserves in the amount of 8 194 Th. EEK (31.12.2008: 276 Th. EEK), which comprise of convertible bonds equity portion in accordance with the IAS 32 "Financial Instruments: Disclosure and Presentation". The convertible bonds equity reserve increased by 7 918 Th. EEK (in 2008: decreased by 249 Th. EEK) during the financial year. The equity share of the convertible bonds represents the option value of converting bonds into ordinary shares (see Note 18).

Treasury shares

On 30 October 2008, the shareholders' meeting of AS Pro Kapital Grupp decided to allow the entity to acquire 1 000 000 own shares with repurchase price of 60 EEK per share during the period of five years. The Management Board has the right to repurchase own shares in several offer rounds. Acquiring own shares will not cause the decrease of net assets below the total amount of share capital and reserves of which the payments to shareholders are not permitted by the law and articles of association. According to the shareholders' decision the Management Board is obligated to dispose the shares or make an proposal on the shareholders' meeting to decrease the share capital, during the three years time after the acquiring own shares. As of 31 December 2009 and 2008, the Ultimate Parent Company has not exercised the right to repurchase the shares.

NOTE 22. SEGMENT REPORTING

Segment information is presented by business and geographical segments.

Geographical segments are considered the primary segments, which is also the basis for intra-group reporting. Net profit, assets and liabilities of a segment include records, which are directly related to the particular segment and allocation of which among the segments is sufficiently justified.

Geographical segments

The Group sells real estate and provides services, such as real estate rental, development, and administration services in Estonia, Latvia, Lithuania, Italy, Germany, Russia and Ukraine.

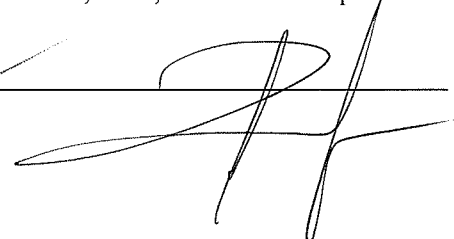
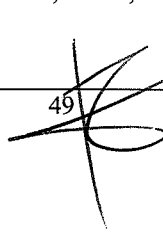
The Italian subsidiaries belonging to Domina Hotel Group subsidiary group provide hotel management also in Germany, Hungary, Tunisia, the Netherlands, Poland, Estonia and Latvia, but considering that the sales of the described services is less than 10% from Group's turnover the current geographical segments are presented among the figures for the whole Italian geographical segment.

Net sales by geographical segments reflect real estate transactions performed within the respective geographical region. Segment assets are classified according to the same principle.

Business segments

Business segments of the Group are the following:

- Sale of property
Sales of residential, commercial and trade areas, hotels, hotel suites, villas, and time-shares purchased and/or developed by the Group entities.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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- Real estate rent
Rental services provided by the Group entities.
- Real estate development and administration services
Management services related to the management and development of real estate and also hotel operating services provided by the Group entities to third parties.

Geographical segments – primary segment reporting

(Th. EEK)	Estonia	Latvia	Lithuania	Russia	Ukraine	Germany	Italy	Total
2009								
Revenue	198 128	76 385	35 504	0	0	0	704 689	1 014 706
Other income	6 013	13 933	596	1 543	0	0	27 858	49 943
Segment operating profit (loss)	-3 340	-27 673	-17 892	-13 655	-285	-4 600	-263 376	-330 821
Net financial income (expenses)	-28 711	1 412	-1 351	-9 698	8	0	-20 145	-58 485
Loss from continuing operations								-389 306
Income tax	0	2 294	-2 699	0	0	0	-111	-516
Minority interest								-6 243
Net loss								-395 033
Assets	1 034 040	512 296	437 991	279 448	576	44 983	3 093 532	5 402 866
Liabilities	931 163	127 327	278 839	187 837	135	442	1 678 393	3 204 136
Acquisition of non-current assets	18 104	17	410	45 804	0	61	88 205	152 601
Depreciation/amortization	-16 822	-5 720	-666	-36	0	-1 873	-31 012	-56 129
2008								
Revenue	321 042	93 292	807	0	0	0	925 990	1 341 131
Other income	4 032	65 223	9	0	0	0	77 839	147 103
Segment operating profit (loss)	86 038	31 661	-5 432	-7 741	-125	2 438	-77 244	29 595
Net financial income (expenses)	-46 365	4 016	-8 247	-37 189	366	0	-8 974	-96 393
Loss from continuing operations								-66 798
Income tax	0	11 972	2 064	0	91	0	8 382	22 509
Minority interest								-41 997
Net loss								-131 304
Assets	1 078 973	549 897	418 473	244 290	756	46 590	2 878 476	5 217 455
Liabilities	853 183	142 313	273 520	175 361	18	361	1 184 602	2 629 358
Acquisition of non-current assets	43 997	1 626	79	68 405	0	-307	230 262	344 062
Depreciation/amortization	-18 739	-6 339	-671	-30	0	-1 870	-26 534	-54 183

Business segments – secondary segment reporting

(Th. EEK)		Revenue			
Business segment	Field of activity according to the Estonian Classification of Economic Activities	2009		2008	
			%		%
Real estate sale	Buying and selling of own real estate (EMTAK 68100)	260 654	26%	561 512	42%
Real estate rent	Renting and operating of own or leased real estate (EMTAK 68200)	111 148	11%	125 940	9%
Real estate development and administration service (incl. hotel management service)	Management of real estate on a fee or contract basis (EMTAK 68320)	642 904	63%	653 679	49%
Total		1 014 706	100%	1 341 731	100%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 23. COST OF GOODS SOLD, MARKETING EXPENSES, AND ADMINISTRATIVE EXPENSES

Cost of goods sold:

(Th. EEK)	2009	2008
Personnel expenses	198 366	215 929
Depreciation of tangible assets (Note 10)	22 089	20 380
Depreciation of investment property (Note 12)	14 447	14 369
Impairment of non-current assets	0	9 118
Write down of inventories (Note 3)	25 649	0
Other	679 510	721 103
Total	940 061	980 899

Marketing expenses:

(Th. EEK)	2009	2008
Personnel expenses	25 833	13 692
Depreciation of tangible assets (Note 10)	9	0
Other	77 338	72 357
Total	103 180	86 049

Administrative expenses:

(Th. EEK)	2009	2008
Personnel expenses	122 734	89 114
Depreciation of tangible assets (Note 10)	15 812	15 775
Amortization of intangible assets (Note 11)	3 772	3 659
Impairment of non-current assets	3	3 924
Write down of inventories (Note 3)	0	5 792
Other	134 362	178 035
Total	276 683	296 299

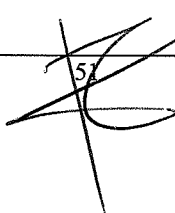
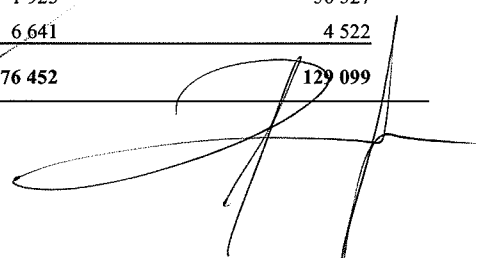
NOTE 24. FINANCIAL INCOME AND EXPENSE

Financial income:

(Th. EEK)	2009	2008
Interest income	7 990	24 398
Gain from disposal of subsidiary	9 940	7 669
Other financial income	37	639
Total	17 967	32 706

Financial expense:

(Th. EEK)	2009	2008
Interest expense	67 888	74 050
Interest expense of convertible bonds	2 585	368
Interest expense of loans and overdrafts	91 612	90 684
Interest expense of capitalized acquisition cost of tangible assets	-13 411	-14 513
Interest expense of capitalized acquisition cost of inventories	-12 898	-2 489
Loss from currency exchange	1 923	50 527
Other financial expense	6 641	4 522
Total	76 452	129 099

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**NOTE 25. INCOME TAX**

According to the income tax law of Estonia, earned profits of entities are not taxed with income tax, however, dividend payments and other ways of distributing profits are taxed. Due to the difference in the income tax concept, the term "taxation base of assets and liabilities" has no economic meaning, and therefore deferred income tax liabilities and assets cannot be accounted for in accordance with IAS 12 "Income Taxes".

In accordance with income tax laws in Latvia, Lithuania, Italy, Germany, Russia and Ukraine, the applicable tax rates in these countries in year 2009 were 15%, 20%, 27.5%, 15%, 20% and 25% (2008: 15%, 15%, 27.5%, 15%, 24% and 25%) on taxable earnings respectively.

(Th. EEK)	31.12.2009	31.12.2008
Loss before income tax (consolidated)	-389 306	-66 798
Estimated income tax respective to the tax rates	-47 790	100 305
Corrections of estimated income tax:		
Non-deductible expenses (+)	90 218	28 858
Non-taxable income and tax incentive	-82 183	-138 711
Deductions (-)	-1 340	-2 593
Reversal loss carry forward (+)	48 735	29 691
Income tax expenses	7 640	17 550
Deferred income tax expense (details as follows)	1 335	5 064
Deferred income tax returns (details as follows)	-9 491	-105
Effect on income statement	-516	22 509
Income tax paid (-)	-5 400	-236 038
Income tax reclaimed (+)	0	1 957

Deferred income tax asset and liability (net) movements:

(Th. EEK)	Accelerated tax depreciation	Revaluation of investment property	Deferred tax losses	Total
31 December 2008	27 103	8 258	-1 923	33 438
Effect on income statement:				
Income tax expense during the reporting period	-6 546	-2 698	1 088	-8 156
Income tax expense during the reporting period	247	0	1 088	1 335
Income tax reclaims during the reporting period	-6 793	-634	0	-7 427
Income tax changes during the reporting period	0	-2 064	0	-2 064
Exchange rate differences	-5	0	-2	-7
31 December 2009	20 552	5 560	-837	25 275

Deferred income tax balances

(Th. EEK)	31.12.2009	31.12.2008
Deferred income tax liability (+)	25 275	35 150
Deferred income tax assets (-)	0	-1 712
Total	25 275	33 438

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**Contingent income tax**

The Group's retained earnings as of 31 December 2009 constituted 381 293 Th. EEK (31.12.2008: 776 121 Th. EEK). The maximum possible amount of income tax liability, which could be handled as contingent liability and which could realize as a net dividend on the payout of all retained earnings, is 80 072 Th. EEK (31.12.2008: 162 985 Th. EEK). The calculation of maximum possible income tax liability is based on the assumption that the sum of distributable net dividends and the income tax expense which occurs on the payout cannot exceed the retained earnings as of 31 December 2009.

NOTE 26. EARNINGS PER SHARE

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

Average number of shares:

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

Net profit/loss per share (in EEK):

2009	$-395\,033\,083 / 53\,185\,422 = -7,43$
2008	$-131\,304\,191 / 53\,185\,422 = -2,47$

The convertible bonds (see Note 18) did not have a dilutive effect on earnings in 2009 and 2008, and therefore they have not been included in the calculation of the diluted net profit (loss) per share. As a result, the diluted profit (loss) per share equals the net profit (loss) per share indicator.

NOTE 27. SUBSEQUENT EVENTS

With regard to the termination of operator contract on January 2010 SIA PK Investments, an entity belonging to the Pro Kapital Latvia subsidiary group ended operational activities as operator of the Domina Shopping Centre, which was sold by the entity in 2007.

On 28 February 2010, Domina Hotel Italy S.r.l., a subsidiary of Domina Hotel Group S.p.A. ended business as hotel operator in hotel "Domina Hotel Palace" located in Bar, Italy as the result did not meet the objectives proposed.

On 3 March 2010, Domina Hotel Group S.p.A. sold the 100% ownership of Domina Hospitality School S.r.l., which trained employees involved to Domina Hotel Group subsidiary group at the cost of 30 thousand EUR (appr. 469 thousand EEK). Profit from disposal of subsidiary constituted a total amount of 12 thousand EUR (appr. 188 thousand EEK).

On 11 March 2010, a loan agreement (concluded on 16 January 2009) appendix between AS Tondi Kvartal, a subsidiary of AS Pro Kapital Eesti, and AS Swedbank was signed to set new maturity date on 16 January 2012, other conditions of the loan are not amended.

On 13 April 2010, the liquidation process of A-Centrs SIA, a subsidiary of Pro Kapital Latvia PJSC was completed.

According to the decision of shareholders' extraordinary meeting held on 13 April 2009 the Ultimate Parent Company's management offered for subscription 1 500 000 convertible bonds on 27 April 2010 with an issue price of 4.5 EUR (appr. 70.4 EEK) per each convertible bond issued. Subscription period lasts until 30 June 2010.

On 30 April 2010, Domina Hotel Italy S.r.l., a subsidiary of Domina Hotel Group S.p.A. ended business as hotel operator in hotel "Domina Inn Malpensa" located near the Malpensa airport, in Italy as the result did not meet the objectives proposed.

On 6 May 2010, the liquidation process of Domina Vacanze GmbH, a subsidiary of Domina Vacanze was completed.



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On 25 May 2010, the liquidation process of Kugu Real Estate SIA, a subsidiary of Pro Kapital Latvia PJSC was completed.

NOTE 28. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are considered to be transactions with the higher level Ultimate Parent Company within the Group, shareholders, the members of the Supervisory Council and the Management Board, their families and the companies in which they hold majority interest or have significant influence.

In 2009*Intra-group transactions*

The Group companies provided each other with rent and management, accounting, marketing, and administration services. Such transactions amounted to 49.2 million EEK in 2009.

The intra-group loans are disclosed in Note 8. The interest income and expenses from intra-group loans amounted to 87.8 million EEK.

All intra-group transactions have been eliminated from the consolidated financial statements.

Transactions with shareholders

The subsidiaries of Pro Kapital Latvia group has given short-term loans to Svalbork Invest OÜ, the shareholder of AS Pro Kapital Grupp. As of 31 December 2009 there were loan receivables in the amount of 82.0 million EEK and interest receivables in the amount of 9.6 million EEK. Interest income from loans was in amount of 3.4 million EEK.

Transactions with management

In 2009, the salaries and bonuses paid to the members of the Management Board and the executive managements amounted to 19.0 million EEK. No other transactions or provisions occurred with the members of the management.

As of 31 December 2009, the Supervisory Council, the Management Board and the executive managements of the AS Pro Kapital Grupp did not hold the shares of AS Pro Kapital Grupp in significant quantities.

In 2008*Intra-group transactions*

The Group companies provided each other with rent and management, accounting, marketing, and administration services. Such transactions amounted to 49.4 million EEK in 2008.

The intra-group loans are disclosed in Note 8. The interest income and expenses from intra-group loans amounted to 115.5 million EEK.

All intra-group transactions have been eliminated from the consolidated financial statements.

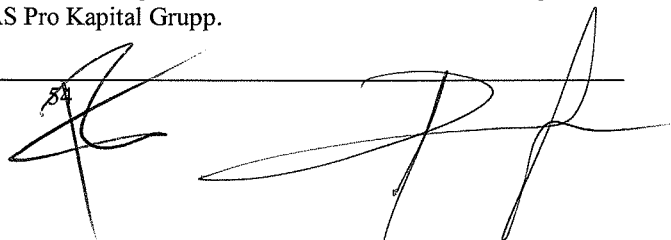
Transactions with shareholders

The subsidiaries of Pro Kapital Latvia group has given short-term loans to Svalbork Invest OÜ, the shareholder of AS Pro Kapital Grupp. As of 31 December 2008 there were loan receivables in amount of 99.5 million EEK and interest receivables in amount of 6.9 million EEK. Interest income from loans was in the amount of 11.4 million EEK.

Transactions with management

In 2008, the salaries and bonuses paid to the members of the Management Board and the executive managements amounted to 20.7 million EEK. No other transactions or provisions occurred with the members of the management.

As of 31 December 2008 the Supervisory Council, the Management Board and the executive managements of the AS Pro Kapital Grupp held no shares in AS Pro Kapital Grupp.



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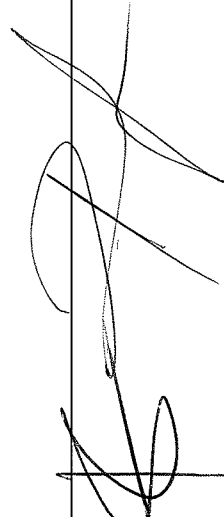
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AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29. COLLATERALS AND PLEDGED ASSETS

Name of the pledgor	Name of the beneficiary	(in Th. EEK)		Collateral description	Owner of collateral	Type of asset	Book value of collateral as of 31.12.2009
		Obligation amount as of 31.12.2009	(Th. EEK)				
Kristiine Kaubanduskus AS	Swedbank	722 385		Kalaranna 1, Tallinn	Pro Kapital Eesti AS	Unfinished construction (inventories)	76 000
				Seebi 24a/ Tondi 53b, Tondi 49a, 51d, 51f, 53, 53a, 53c, 55b, 57, Tammsaare road 56/58, Tallinn	Tondi Kvartal AS	Unfinished construction (inventories)	129 182
				Põhja avenue, 23, Tallinn	Ilmarise Kvartal OÜ	Land and buildings Finished construction (inventories)	5 072 38 809
Tondi Kvartal AS	Swedbank	26 795		Endla 45, Tulika 33a/37a and Kotkapaoja 7, 9, 11, Tallinn	Kristiine Kaubanduskus AS	Investment property	518 812
				Tondi 51, Tallinn	Tondi Kvartal AS	Finished construction (inventories)	50 514
Pro Kapital Eesti AS	Swedbank	68 496		Põhja avenue, 21a, 21b, 21 (703/6962), Tallinn	AS Pro Kapital Eesti	Land and buildings	59 008
				Põhja avenue 21 (6259/6962), Tallinn	Ilmarise Kvartal OÜ	Finished construction (inventories)	45 795
Investhotel SIA	Swedbank	95 837		Pulkveza Brieza Str. 11, Riga	Investhotel SIA	Land and buildings Machinery and equipment Other tangible assets	31 882 7 305 309
						Current assets	81 005
PK Invest UAB	Swedbank	231 892		Aguonu str.10, Vilnius	PK Invest UAB	Finished construction (inventories)	353 006
						Unfinished construction (inventories)	59 247
Domina Vacanze S.p.A	Credito Artigiano Bank	25 035		Cianderils, Largo delle Poste 39, Cortina d'Ampezzo (BL)	Domina Vacanze S.p.A.	Land and buildings	15 174
						Via Priesnig 10, Tarvisio	Domina Vacanze S.p.A.
Immobiliare Novate S.p.A.	Credito Artigiano Bank	242 400		Via A. Maffei 1, Milan	Domina Vacanze S.p.A.	Land and buildings	58 904
				Via Don Orione 18/20, Milan	Immobiliare Novate S.p.A.	Land and buildings	365 509
P.K. Sicily S.p.A.	Credito Siciliano S.p.A.	203 406		Resort Zagarrella & Sea Palace, Santa Flavia, Palermo	P.K. Sicily S.p.A.	Unfinished construction (inventories)	626 725
				P.K. Sicily S.p.A. shares	AS Pro Kapital Grupp	Securities	14 228
Dom na Moike OOO	Swedbank	78 591		Bolsaja Morskaja 54, Petersburg	Dom na Moike OOO	Unfinished construction	206 833
				Dom na Moike OOO share	Pro Kapital Rus OOO	Securities	-6 309
Total		1 927 171					2 990 382



AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009**NOTE 30. RISK MANAGEMENT**

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

Business risk

The business risk of the Group depends on the development of the real estate markets in Baltic States, Italy and Russia, and on the development of the tourism sector in Europe as well as in Egypt.

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

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

The Group has diversified the risk deriving from the fluctuation of purchasing-power on the Baltic real estate market by the co-operation with the real estate brokers in Italy, who are looking for clients interested in long-term real estate investments in the Baltic States. The Group has expanded its business activities into new areas with large development potential, it has continued to develop real estate projects in Sicily (Italy) and Russia.

Taking into consideration the capacity of the real estate projects and favourable position, it can be presumed, that the subsidiary groups are able to retain their position in the market.

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

Interest risk

Main interest risk rises from long-term liabilities of the Group. In general the interest rates of loans raised by the entities belonging to Group are fixed through Euribor plus a risk margin (Notes 15 and 16). An interest risk appears from Euribor and the volatility of the average market interest rates which affect the Group's interest expenses. The minimum use of financial instruments are used to diversify the interest risk. According to Group's management estimate the expenses related to interest diversification (fixed interest rate) are exceeding the possible losses from the change of interest rate. The estimate based on the Group's financing strategy in the short-term. As of 31.12.2009 the interest bearing liabilities amounted to 39.7% (31.12.2008: 33.5%) from the total of Group capital structure.

Currency risk

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



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Due to the fact that Group's liabilities are predominantly in euro (Notes 15, 16 and 17) and majority of Group's income comes from euro based contracts, the Group's management estimates the currency risk to be unimportant and does not consider the usage of financial instruments for diversification proper.

Credit risk

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

In general the sales of real estate are financed with clients prepayments. In case of sales of the real estate under the instalment, the creditworthiness of each client is analyzed separately. The ownership of the sales object belongs to the Group entities until the client has settled all debt. It may sometimes happen that the ownership is transferred to the buyer but a mortgage is set in favour of the Group entity.

During the reporting period the deterioration of payment discipline of the customers has occurred related to rent of real estate, however the Group has not had to bear significant credit losses.

Based on the assumption of Group's management experience and the analysis of the economic environments' development trends, discounts are made to cover possible losses, if necessary.

According to the estimation of the Group's management the need for further grounding of credit risk resulted from above is minimal.

Fair value

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

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

Liquidity risk

Liquidity risk expresses the potential risk that if the Group's financial condition will change, the Group's ability to settle its liabilities on time will degrade. The Group constantly monitors proportion of short-term liabilities and current assets. The Group's working capital has been positive: as of 31.12.2009 the current assets exceeded short-term liabilities by 4.3 times (31.12.2008: 2.6 times).

Group's financial liabilities according to the due date:

(Th. EEK)

	Note	Repayment of liabilities			Repayment of liabilities				
		31.12.2009	within 1 year	over 2-5 years	31.12.2008	within 1 year	over 2-5 years	over 5 years	
Bank loans	15	1 943 904	158 743	1 698 982	86 179	1 653 303	660 414	674 299	318 590
Long-term loans	16	128 083	9 701	118 382	0	104 307	4 255	100 052	0
Finance lease liabilities	19	4 927	793	3 331	803	4 084	596	2 436	1 052
Convertible bonds	18	79 947	6 127	73 820	0	5 851	0	5 851	0
Trade payables		448 594	448 594	0	0	403 740	403 740	0	0
Other debt		407 521	78 711	328 810	0	218 250	77 113	141 137	0
Total		3 012 976	702 669	2 223 325	86 982	2 389 535	1 146 118	923 775	319 642

AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

Capital risk management

The purpose of capital risk management is to provide the Group's sustainability and to ensure profit for the shareholders through optimal structure of capital.

The Group uses foreign and equity capital for financing business activities and monitors percentage of equity capital from balance sheet volume in editing financial structure and in assessment of risk. As of 31.12.2009 the equity capital constitutes 40.7 % (31.12.2008: 49.6 %) from balance sheet volume.

For obtaining and improving capital structure the Group has possibility to regulate dividends payable, to return shareholders contributions to share capital, to issue new shares, or to sell assets to decrease liabilities.

NOTE 31. LAW SUITS

Pro Kapital Eesti subsidiary group

As of 31 December 2009, the entities of Pro Kapital Eesti subsidiary group have no ongoing legal proceedings.

As of 31 December 2008, the entities of Pro Kapital Eesti subsidiary group had an ongoing legal proceeding related to the non-compliance of a client's liabilities arising from the termination of the real estate finance lease. Litigation which ended with agreement of the parties, was not accompanied by any costs to the entity.

Pro Kapital Latvia subsidiary group

As of 31 December 2009, the parent entity of Pro Kapital Latvia subsidiary group has an ongoing legal proceeding related to the former employees claim against the entity in matter of the commission fees in total amount of 360 641 Latvian lats (appr. 7 952 Th. EEK), and the entity added a claim against the annulment of the appendix of the employment agreement.

On 14 April 2008, the Riga city court called claim against the entity without any legal basis, and the court upheld a claim against the entity. Afterwards on 12 May 2008 the employee submitted the claim to appeal the decision of the Riga city court. On 29 January 2009, the court annulled the decision of the Riga city court, and dismissed the employee's claim the against entity as well as the entity's claim against the employee.

On 17 April 2009, both parties submitted the decision to cassation. Entity has asked the cancellation of decision made by district court and entity's claim for recognize the agreement appendix as trivial. Employee has asked the cancellation of decision made by the district court and that the aforementioned commissions to be paid out. Cassations by both parties is expected to come up for discussion on summer-autumn 2010.

The Group management estimates above described unfinished law suits to be unsubstantiated, therefore any potential liabilities are not included to the annual accounts related to the law suits.

As of 31 December 2009, the entity of Pro Kapital Latvia subsidiary group PK Investments SIA has one ongoing legal arbitration proceeding. On 31 July 2009, the entity submitted an application to Swedish Chamber of Commerce Court of Arbitration with claim against KanAM Grund Kapitalanlagegesellschaft GmbH with content to pay 400 000 EUR (appr. 6 259 thousand EEK) and interest amounting to 27 930 EUR (appr. 437 thousand EEK) under the sale contract of Domina Shopping Centre, which KanAM Grund Kapitalanlagegesellschaft GmbH held improperly.

KanAM Grund Kapitalanlagegesellschaft GmbH announced its response to Arbitration, that it does not recognize the claim and intends to claim compensations from PK Investments SIA in the amount of 1 011 600 EUR (appr. 15 828 thousand EEK) with argument that entity has failed to improving the construction waste in Domina Shopping Centre. KanAM Grund Kapitalanlagegesellschaft GmbH has further argued that it would require a return of overpayment of purchase price in the amount of 271 236 EUR (appr. 4 244 thousand EEK). Entity notes that KanAM Grund Kapitalanlagegesellschaft GmbH does not request Arbitration by an arbitral

AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

tribunal or the conduct of their claims. Entity does not know whether KanAM Grund Kapitalanlagegesellschaft GmbH present the claim to Arbitration of the presentation of which it has noticed..

The management of the Group estimates the above described possible claim to be unsubstantiated, however the Group's consolidated financial statements contain contingent liabilities to repair the possible construction errors amounting to 200 000 Latvian lats (appr. 4 410 thousand EEK).

As of 31 December 2008, the entities of Pro Kapital Latvia subsidiary group had one legal proceeding ongoing, the aforementioned law suit.

Domina Vacanze subsidiary group

As of 31 December 2009, the entities of Domina Vacanze subsidiary group have 33 unfinished legal proceedings, 28 of which are subject about termination of the real estate preliminary sales contracts and the return of money, and 5 are on the subject of quality services provided by Domina Vacanze subsidiary group

The legal proceedings connected to the real estate are based on the client's request not to terminate the preliminary contract despite of the violation of the conditions by the client or to receive back the agreed payments that are not refundable based on the agreement conditions.

The Group management estimates on the described unfinished law suits described above have no significant effect on the business operations of the Domina Vacanze subsidiary group companies.

As of 31 December 2008, the entities of Domina Vacanze subsidiary group had 21 unfinished legal proceedings, which involved the termination of the real estate preliminary sales contracts and the return of money.

Domina Hotel Group subsidiary group

As of 31 December 2009, the entities of Domina Hotel Group subsidiary group had 7 unfinished legal proceedings, 5 of which are on the subject of former employees of monetary and non-monetary claims against entities in relation to lay off of employees, and 2 are on the subject of consultancy claims for services which are contracted, however the services had not taken place.

According to the Group management estimates, the above described unfinished law suits have no significant effect on the business operations of the Domina Hotel Group subsidiary group companies.

As of 31 December 2009, the entities of Domina Hotel Group subsidiary group have no ongoing legal proceedings.

There were no other Court or Arbitration Court proceedings initiated that could significantly affect the business operations of the Group companies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

NOTE 32. FINANCIAL STATEMENTS OF THE ULTIMATE PARENT COMPANY

Balance Sheet

ASSETS (Th. EEK)	31.12.2009	31.12.2008
Current assets		
Cash and bank accounts	3 008	2 767
Miscellaneous receivables		
Short-term receivables from the Group entities	86 815	49 738
Other short-term receivables	714	0
Total	87 529	49 738
Accrued income		
Interests	9	0
Prepaid expenses		
Prepaid taxes and reclaimable taxes	0	569
Prepaid expenses	33	3 041
Total	33	3 610
Total current assets	90 579	56 115
Non-current assets		
Long-term financial investments		
Shares in subsidiaries	2 104 649	2 030 105
Long-term receivables from the Group entities	938 331	848 179
Total	3 042 980	2 878 284
Tangible assets (net)	20	38
Total non-current assets	3 043 000	2 878 322
TOTAL ASSETS	3 133 579	2 934 437

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

LIABILITIES AND OWNER'S EQUITY

(Th. EEK)	31.12.2009	31.12.2008
Current liabilities		
Short-term debt	6 127	0
Trade payables	167	175
Miscellaneous liabilities		
Payables to Group entities	119 958	822 246
Tax payables	122	394
Accrued expenses	2 841	552
Total current liabilities	129 215	823 367
Non-current liabilities		
Long-term debt	73 820	5 851
Other long-term liabilities		
Payables to Group entities	978 944	865 220
Long-term provisions	253	101
Total non-current liabilities	1 053 017	871 172
Total liabilities	1 182 232	1 694 539
Share capital in nominal value	531 854	531 854
Share premium	705 495	705 495
Reserves	54 160	46 242
Retained earnings / accumulated deficit	-43 693	20 971
Profit / loss for the financial year	703 531	-64 664
Total owner's equity	1 951 347	1 239 898
TOTAL LIABILITIES AND OWNER'S EQUITY	3 133 579	2 934 437

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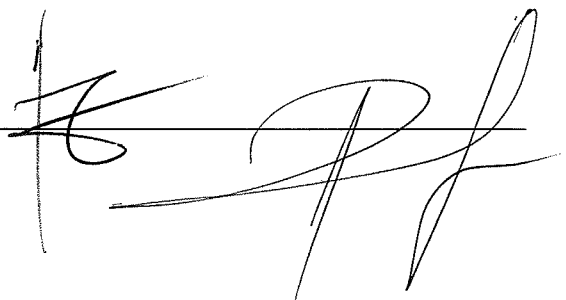
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009

Income Statement

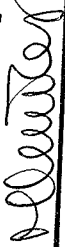
(Th. EEK)	2009	2008
Operating income		
Revenue	5 907	6 108
Cost of goods and services sold	-107	-265
Gross profit	5 800	5 843
Marketing expenses	-128	-757
Administrative expenses	-23 054	-16 126
Other income	2	345
Other expense	-11	-62
Operating loss	-17 391	-10 757
Financial income and expense	720 922	-53 907
Financial income and expense from subsidiaries shares	738 839	0
Interest expense	-57 567	-84 972
Profit / loss from change in currency exchange rate	6 962	-42
Other financial income and expense	32 688	31 107
Profit / loss before income tax	703 531	-64 664
Income tax	0	0
Profit / loss for the financial year	703 531	-64 664



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 2009*Statement of cash flows*

(Th. EEK)	2009	2008
OPERATING ACTIVITIES		
Profit /loss for the financial year	703 531	-64 664
Adjustments:		
Depreciation of tangible assets	18	16
Interest income and expense (net)	24 879	54 038
Dividend income	-745 814	0
Gain / loss from liquidation of short-term investments	0	-173
Change in provisions	152	0
Change in receivables and prepayments made	4 708	2 048
Changes in payables and prepayments collected	-202	474
Cash flow used in operating activities	-12 728	-8 261
INVESTING ACTIVITIES		
Increas of share capital or acquisition of subsidiaries	-19 558	0
Short-term investment liquidation portion	0	2
Acquisition of tangible assets	0	-21
Loans granted	-95 194	-74 675
Repayments of loans granted	16 820	30 502
Interest received	2 398	4 056
Interest paid	-3 627	-60 941
Cash flows used in investing activities	-99 161	-101 077
FINANCING ACTIVITIES		
Loans raised	130 103	375 497
Repayments of loans raised	-17 973	-268 674
Cash flows from financin activities	112 130	106 823
Net change in cash	241	-2 515
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	2 767	5 282
CASH AT THE END OF THE FINANCIAL YEAR	3 008	2 767

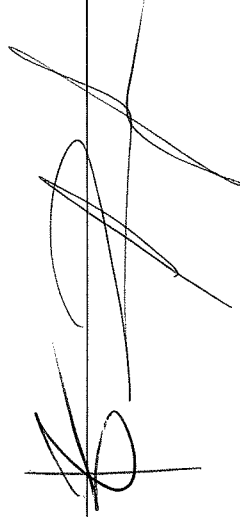
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AS PRO KAPITAL GRUPP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE PERIOD 2009

Statement of changes in equity

(Th. EEK)	Share capital	Share premium	Reserves	Retained earnings / accumulated deficit	Profit / loss for the financial year	Total
Balance as of 31 December 2007	531 854	705 495	6 327	94 475	-33 340	1 304 811
Cost of subsidiaries shares	X	X	X	X	X	-1 953 749
Book value of the shares in subsidiaries calculated based on equity method	X	X	X	X	X	2 830 935
Adjusted unconsolidated equity 31 December 2007	X	X	X	X	X	2 181 997
Increase of statutory legal reserve	0	0	40 164	-40 164	0	0
Change in the convertible bonds reserve	0	0	-249	0	0	-249
Allocation of net loss	0	0	0	-33 340	33 340	0
Result of the financial year	0	0	0	0	-64 664	-64 664
Balance as of 31 December 2008	531 854	705 495	46 242	20 971	-64 664	1 239 898
Cost of subsidiaries shares (Note 6)	X	X	X	X	X	-2 030 104
Book value of the shares in subsidiaries calculated based on equity method (Note 6)	X	X	X	X	X	2 847 497
Adjusted unconsolidated equity 31 December 2008	X	X	X	X	X	2 057 291
Change in the convertible bonds reserve	0	0	7 918	0	0	7 918
Allocation of net loss	0	0	0	-64 664	64 664	0
Result of the financial year	0	0	0	0	703 531	703 531
Balance as of 31 December 2009	531 854	705 495	54 160	-43 693	703 531	1 951 347
Cost of subsidiaries shares (Note 6)	X	X	X	X	X	-2 104 649
Book value of the shares in subsidiaries calculated based on equity method (Note 6)	X	X	X	X	X	1 817 029
Adjusted unconsolidated equity 31 December 2009	X	X	X	X	X	1 663 727



INDEPENDENT SWORN AUDITOR'S REPORT

To the Shareholders of AS Pro Kapital Grupp:

Report on the Financial Statements

We have audited the accompanying consolidated annual accounts (page 8 to 64) of AS Pro Kapital Grupp and subsidiaries (hereinafter also referred together to as "the Group"), which comprise the statement of financial position as of 31 December 2009, and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibilities for the Consolidated Annual Accounts

Management Board is responsible for the preparation, true and fair presentation of the consolidated annual accounts in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted by European Commission. The responsibility includes: designing and maintaining an internal control environment relevant to assure the true preparation and fair presentation of consolidated annual accounts which are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Sworn Auditor's Responsibilities

Our responsibility is to express an opinion on the consolidated annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. The standards require us to comply with ethical requirements, plan and perform the audit to obtain reasonable assurance on whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence regarding the numbers and disclosures presented in the consolidated annual accounts. The volume and content of the procedures selected depends on the judgment made by the sworn auditor, including the assessment on risks of material misstatement in the consolidated annual accounts, whether due to fraud or error. While making the risk assessment the sworn auditor considers if the internal control environment is relevant to provide true preparation and fair presentation of the consolidated annual accounts in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control environment. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated annual accounts.

We believe that the audit evidence, which is obtained by us, is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated annual accounts of the Group, present fairly, in material respects, the financial position of the Group as of 31 December 2009, and its financial performance and cash flows for the financial year then ended in accordance with Estonian Accounting Act and International Financial Reporting Standards as adopted by European Commission.

Emphasis of Matter

Without qualifying our opinion we draw attention to the matter that the real estate markets where the Group operates, has been influenced by the global financial crisis and economic downturn, which has caused insufficient liquidity and very passive purchase demand. The impact of the deterioration of the real estate market on the Group is currently difficult to predict, and creates an uncertainty as to the fairness of valuation of the Group's assets (investment properties, inventories and long-term loan receivables). The value of respective assets presented in the consolidated annual accounts is based on the management's estimates as of the consolidated annual accounts' preparation date. The final net realizable value of the recorded assets may differ from the estimates used.

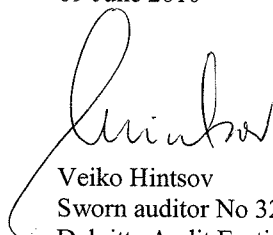
Reporting on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the consolidated annual accounts taken as a whole. The financial information of the parent company AS Pro Kapital Grupp disclosed in Note 32 to the consolidated annual accounts is presented due to the requirements of the Estonian Accounting Act, and this is not a required part of the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by European Commission.

As further disclosed in Note 32 to the consolidated annual accounts, the unconsolidated balance sheet of the ultimate parent company AS Pro Kapital Grupp includes investments into subsidiaries as of 31 December 2009, which are reported at cost in the amount of 2 104 649 thousand EEK. According to IAS 36 "Impairment of Assets", an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset. As of 31 December 2009 the parent company has not made an estimate of the recoverable amount of the above mentioned assets. In Note 6 to the consolidated annual accounts is included detailed information regarding the financial investments of the ultimate parent company.

In our opinion, except for the possible impact of the matter described in the paragraph above, the unconsolidated financial information of the parent company AS Pro Kapital Grupp, as disclosed in Note 32 to the consolidated annual accounts, is prepared, in all material respects, in accordance with the requirements of the Estonian Accounting Act.

09 June 2010



Veiko Hintsov
Sworn auditor No 328
Deloitte Audit Eesti AS
License No 27

AS PRO KAPITAL GRUPP

PROPOSAL FOR COVERING LOSS

The Management Board of AS Pro Kapital Grupp proposes to cover the loss for the year 2009 in the amount of 395 033 083 EEK from prior years retained earnings.

31 May 2010



Paolo Vittorio Michelozzi
Chairman of the Management Board

AS PRO KAPITAL GRUPP

REVENUE ALLOCATION BY THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES
(EMTAK 2008)

The Ultimate Parent Company's revenue for the reporting period is allocated by the fields of activities according to the Estonian Classification of Economic Activities 2008 as follows:

	2009 (Th. EEK)
Activities of head offices (EMTAK 70101)	<u>5 907</u>
Total	5 907