



BPT Arista S.A. SICAV-SIF

Annual Report and Consolidated Group Accounts 2009



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Registration Number

R.C.S. Luxembourg: B-132 056

Board of Directors

Leif Skov
Peer Munkholt
Nikolaj Stampe
Alain Heinz
Frantz Palludan

BPT ARISTA S.A. SICAV-SIF

SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE

Consolidated Financial Statements

For the year ended 31 December 2009

and

Independent Auditor's Report

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Management Statement

Today the Board of Directors have reviewed and approved the 2009 consolidated financial statements of BPT Arista S.A. SICAV-SIF.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards. We consider the applied policies to be appropriate and that the consolidated financial statements provide a true and fair view of the assets, liabilities and the financial position as of 31 December 2009 of BPT Arista S.A. SICAV-SIF activities and consolidated cash flows during the financial year 2009.

We recommend that the consolidated financial statements and the annual report are approved at the annual general meeting of shareholders.

23 March 2010

BOARD OF DIRECTORS

Franz Palludan

Peer Munkholt

Nikolaj Stampe

Alain Heinz

Leif Skov

Independent Auditor's Report

To the Shareholders of BPT Arista S.A. SICAV-SIF
Luxembourg

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2009

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying consolidated financial statements of BPT Arista S.A. SICAV-SIF (the "Fund"), which comprise the balance sheet as at December 31, 2009, and the income statement, 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'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that 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.

SCOPE OF THE AUDIT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making

those risk assessments, the "réviseur d'entreprises" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit 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 financial statements.

Our audit also includes obtaining sufficient evidence that for the assets acquired, the risk and rewards of ownership have duly transferred to the Fund.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of BPT Arista S.A. SICAV-SIF as of December 31, 2009, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

Michael HORNSBY
Luxembourg March 23, 2010

Management Review

PRINCIPAL ACTIVITIES

BPT Arista S.A. SICAV-SIF hereinafter (“the Fund” or “BPT Arista”) was as most other players within the real-estate industry; adversely affected by the global financial crisis in 2009, and in particular the 25% depreciation of the rouble experienced in late 2008 and early 2009. The macroeconomic environment further deteriorated during the first part of the year leading to a significant drop of 8.5% (2009 estimate) in the Russian GDP; which added new challenges from a Fund and real estate management perspective.

Obviously, in such a turbulent environment focus was on the protection of the Fund’s current assets, maintaining a proactive relation with tenants and to have more stringent controls over debt and currency positions held by the Fund.

The profit from property-operating activities reached EUR 10.3 million in 2009 (if compared to EUR 10.4 million in 2008), which corresponds to the net-rental yield from properties of 8.2%. The Fund’s two largest investments; Global City and Country park remained 100% and 96% let at satisfactory rental terms. Furthermore, at Country Park new 5-year agreements were signed with two anchor tenants; namely BMW (in 2009) and Johnson & Johnson (beginning of 2010). Global City delivered a strong performance at 12% (versus a budget target of 13%) while Country Park came in at 7.2% (versus a budget target of 8.1%). At the end of February, the anchor tenant of Arcada Stroy, accounting for approximately 11% of the Fund’s gross rental income went bankrupt and subsequently refused to leave the premises. After a long and protracted court case the tenant has vacated the premises and all expenses including bad debt are fully written off. The search for a replacement tenant is now in progress and refurbishment of the premises, including new fire extinguishing system has been started. The Fund expenses including overheads, management fees, board fees and custodian costs decreased from EUR 4.54 million in 2008 to

4.47 million in 2009. These expenses are still too high since the Fund’s cost structure was geared towards a much larger fund size. The entire cost structure has now been reviewed in order to significantly reduce future overheads and a new more cost effective agreement has been reached with the fund manager.

The combination of further yield increases and the above mentioned negative currency development had a negative impact on the values of the Fund’s investment properties of EUR 7.1 million in 2009 versus EUR 11.7 million in 2008. Net financing cost increased to EUR 7.2 million compared with EUR 4.2 million in 2008 due to a higher weighted asset base, change in interest rate margins and cost related to restructuring of the loan portfolio. The rapid decline in the fair value of investment properties in Moscow caused certain covenant breaches and the request for higher interest margins. The banking environment is expected to remain turbulent to the end of 2010. Prior to the acquisition of Country Park, the Fund had ensured a bridge loan facility which became difficult to convert to an acceptable long-term facility due to the financial crisis. The Fund had, despite a conservative debt / equity ratio (53% at the end of 2008, 64% at the end of 2009), unusual hard negotiations with one of its financial lenders. These negotiations triggered exceptional financing expenses of EUR 520 thousand which will not be re-occurring in the coming years. Ultimately since satisfactory terms and conditions could not be obtained, the decision was made by management together with the leading shareholders of the Fund to launch an own loan program. By late 2009 a loan facility amounting to EUR 20.13 million was launched, which was planned to be used to partially refinance the existing bank facilities as well as to strengthen the Fund’s liquidity. The facility matures in 3 years, and terms and conditions are in line with regular market conditions. The result today is that the Fund has significantly reduced its dependence on external bank financing. The Fund’s bank portfolio decreased substantially from EUR 61.9 million in 2008 to EUR 57.8 million in 2009. It is further planned to

prepay another EUR 2,363 million of the current bank loans in March 2010. The loan to value of the Fund was 67.0% as per 31 December 2009 taking into calculations the entire loan portfolio (at 31 December 2008 – 53.4%) and the weighted average effective interest rate for the year was 8.2% (2008: 7.1%). The average loan will mature in 3 - 4 years and apart from the above mentioned prepayment, no other extra-ordinary repayments are anticipated in this period.

The Fund's after tax results reached a loss of EUR 10.5 million in 2009 versus a net loss of EUR 9.0 million in 2008, which corresponds to a negative return on capital of 15.0%, this result is obviously not satisfactory. The corner stone for satisfactory economic results in the future is to focus on tenant satisfaction, the stabilization of the macro-economic market situation and the above mentioned cost reduction program.

The contributed paid-in equity from investors remained unchanged in 2009 at EUR 74 million. The global financial market environment also had an adverse effect on fund raising; since hardly any new mandates were granted to Eastern Europe real estate funds during 2009. This dramatic capital draught is expected to persist for another 12 to 18 months before any kind of normalization will take place.

Like every year and also at the end of 2009 the entire portfolio was appraised by the independent RICS accredited valuator Cushman & Wakefield Stiles and Riabokobylo. This year the average (unweighted) capitalization rate applied for the valuation of BPT Arista's portfolio stood at 13.4% which is almost 230 bps higher than 12 months ago. The value of the entire portfolio is currently EUR 104.0 million compared to the value of EUR 115.5 million at the end of 2008. As previously indicated, this reduction in value is driven by a combination of more conservative yields, lower net rental income and the currency conversion factors. The policy in general is to have all lease agreements in either Euro or Dollars where hedging tools can be applied. Approximately 35% of all lease agreements are still in Roubles, efforts to convert these lease contracts from Roubles into Euro based contracts will continue in 2010. However, retailers especially are very reluctant to sign any Euro denominated agreements in the current economic

environment and today approx. 65% of all the retail contracts (measured by value) at Global City are still denominated in Roubles.

The Country Park transaction which was signed in 2008 at an agreed purchase price of EUR 69 million was only completed on 17 July 2009 at a final purchase price of EUR 64 million. Furthermore, the decision was made in 2009 to acquire the land plot on which Country Park is located since it would increase the attractiveness of the building at exit and reduce the operating expenses of the Fund. It is expected that the acquisition of the land and the related documents will be finalized by the middle of 2010.

The NAV of the Fund declined in 2009 to EUR 54.84 from EUR 77.89 in 2008. From its inception the Fund's average annual return on investment has been a negative of 14.3%. Even though the Fund's operating performance remained stable, the Board of Directors decided not to distribute any dividend as long as financial turbulence remains.

MACROECONOMIC OVERVIEW

Despite the fact that Russia has the third largest foreign currency reserves in the world, exceeding USD 500 billion at outset of the financial crisis, it was not possible for the Russian Central Bank to maintain a steady currency rate. In parallel many banks over exposed to international lending facilities had increasing problems with refinancing their loan portfolios, and the cost of insuring the Russian debt has also risen dramatically. At year end the full impact could also be seen in the Russian real estate market. Yields in the central parts of Moscow decreased by 250-350 basis points, banking conditions basically became unattractive, many developers are forced to either directly or indirectly liquidate their investments and the Russian central bank commenced a major rescue and restructuring exercise for many Russian institutional players. The situation has stabilized towards the end of 2009, the Rouble has been appreciating since its all time low in April 2009, inflation has reduced dramatically and there is again a strong positive in-flow of capital in the market.

Table: main macro-economic indicators for Russia

| Macro indicators | Source | 2008 | E2009 | F2010 | F2011 |
|--|-----------|------|-------|-------|-------|
| GDP, average for the period, % y/y | Nordea | 5.6 | -8.5 | 2.8 | 4.2 |
| | Bloomberg | 5.6 | -7.9 | 3.35 | 4.2 |
| Unemployment rate, % y/y | Nordea | 5.6 | 7.5 | 7.2 | 6.8 |
| | Bloomberg | 6.36 | 8.4 | 8.1 | 7.75 |
| C/A balance, annual total, % of GDP | Nordea | 6.1 | 1.8 | 2.8 | 3.2 |
| | Bloomberg | 6.1 | 4.0 | 3.4 | 2.7 |
| Fiscal balance, annual total, % of GDP | Nordea | 4.1 | -6.3 | -2.5 | -1.0 |
| | Bloomberg | 4.1 | -7.8 | -4.5 | -3.5 |
| Inflation, year-end, % y/y | Nordea | 14.1 | 11.7 | 7.7 | 8.0 |
| | Bloomberg | 14.1 | 11.7 | 8.5 | 8.5 |

Sources: Bloomberg composite; Nordea "Economic Outlook"

The political and macro-economy development will continue to carry some uncertainty during 2010. However, independent evidence proves that political stability is in place and will remain in Russia for a foreseeable future and economic recovery will continue during year 2010. Russia has the financial strength and will remain one of the largest real-estate markets in the world. Russia will clearly benefit from the recovery phase in the global economy when the demands for raw material return. The decline of the rouble has stopped and a range of prominent economists expect a moderate appreciation during 2010. However, the positive economic impact will due to the Laggard impact most likely first be felt 9 -12 months down the road and the recovery period in real estate will without doubt be even longer.

FUTURE DEVELOPMENTS IN RUSSIAN REAL ESTATE

The vacancy rate increased dramatically especially for non-main-street office buildings and approached by 18% at the end of the year. Main-street retail premises also experienced a vacancy rate increase from 2% to approx. 5 – 6% at the end of 2010.

Furthermore the rental price level was subject to strong pressure from tenants, resulting price drops of between 20 – 30% in both the office- and retail segments. The Fund's geographical focus will remain on Moscow and St. Petersburg in the coming years. As an international real-estate market, Moscow has matured significantly and holds high standards concerning construction and quality of tenants.

The construction activities in Russia have been brought to a total stand still and hardly any new suppliers will be entering the market in the next 3 to 4 years. The recovery phase driven by an anticipated 3% GDP growth rate in 2010 should have a positive impact on the market development in 2011. The expectation is that medium term demand for offices and retail space to remain stable, since there is still a large gap between the actual per capita ratio in cities like Moscow and St. Petersburg compared to other larger European cities. In the short term these market corrections could lead to price reductions, especially in areas that are deemed to be less attractive. Furthermore, we still anticipate a high risk of bankruptcies among tenants.

This said, the retail segment especially remains of interest to our investors. Russian consumers have 8% debt to GDP which is exceptionally low compared to many Western European countries, where the actual debt ratio is between 60-100%. This combined with a personal income tax of 13% would open up the opportunity for a fast recovery and enhanced rental revenues in the retail sector.

The most profound issue will be the future development of the financial markets and the banking sector in Russia. The reality is that from an investor perspective lending margins were doubled from a level of 275-300 basis points pre-crisis to today's level of 600-700 basis points. Cost of capital has without doubt increased and contributed to new yield levels of between 11 - 13% for well-located office buildings and shopping centres in Moscow. The stabilization of the macroeconomic environment will lead to a more normal business environment for banks and the gradual recovery of investor confidence should prevent any further value losses in 2010.

FUTURE FUND DEVELOPMENT

In accordance with the prospectus, the Board of Directors and management holds an obligation to continue monitoring the legal and tax structure of the Fund to the benefit of the investors. Likewise it is also important to maintain a cost-efficient structure. At the end of August 2009, the Board of Directors and the management team conducted a strategic review of the Fund activities including the possible business objectives in the future.

The following four scenarios were analysed:

- Original intentions of the Fund
- Adjustment to a total Fund size of approximately EUR 300 million
- A merger
- Disposal of the Fund

All of the above possibilities have been analyzed and discussed extensively by the Board of Directors and management. It was concluded that the above mentioned solution b: "Adjustment to a total Fund size of approximately EUR 300 million", would serve the investors in the best way in the current financial environ-

ment but would also be contingent on a recovery of capital markets and new international investor interest in Russia. The objective is to re-launch the Fund so that its size can be increased to a level of EUR 250 – 300 million which would be the suitable size both from a return and risk management perspective. This re-launch cannot take place until the capital and financial markets have stabilized to a certain degree and cannot be guaranteed at this stage. The overall strategy of the Fund remains unchanged and that is to acquire and manage well-located and well-let buildings in Moscow and St. Petersburg.

The outcome of this process led to the decision that a very strong focus on further cost reductions is required, especially in relation to fixed overheads for the Fund, including alternative tax models. Recent changes in Russia could be favourable for a different fund model. The Russian State Duma approved new fund legislation at the end of 2009 for local funds which has many similarities to international REIT structures (i.e. no corporate or real estate taxes). Management together with external advisors will now investigate if this new legislation framework could be of interest to the Fund's investors.

BOARD OF DIRECTORS

As 31 December 2009 the Board of Directors consisted of the following members:

| | |
|-----------------|---|
| Frantz Palludan | Chairman |
| Nikolaj Stampe | Board Member (Vice Chairman) |
| Alain Heinz | Board Member (Luxembourg representative) |
| Peer Munkholt | Board Member |
| Leif Skov | Board Member |

FINANCIAL INSTRUMENTS AND STRATEGY

In connection with real estate investments and in order to mitigate future interest and currency risks, the Fund employs hedging techniques designed to protect the Fund against adverse movements in interest rates and currency exchange rates. Interest rate exposure is normally hedged with interest rate swaps until the hedged loan matures. Also, cash flow, if not in Euro, is usually hedged with derivatives, e.g. currency swaps or forwards.

RISKS AND OPPORTUNITIES

Market and Tenant Risk

The Fund operates in the commercial real estate industry which is severely affected by the global financial crisis. As to management of tenants, we have focused on ensuring a stable and a medium-term cash flow, the reduction of local operating costs and keeping our buildings fully let. Rental rates in all key segments have substantially decreased and the vacancy rates will remain high until a solid recovery period is experienced. The current market vacancy will be taking at least another 24-36 months to be absorbed. The only supporting comfort is that current supply is close to zero. In this environment the real estate owners will be faced with increasing default risks and rental pressure amongst their tenant base. The creditworthiness of local tenants in the retail segment has deteriorated substantially and will remain weak until general trading profitability is increasing again. Strong pressure for rental reductions will continue and may become unsustainable in despite of non-breakable lease arrangements in place.

Debt and interest management

At the start of the financial crisis most banks in Russia demanded terms which in our opinion would not be in the long-term interest of our investors. This resulted in a special shareholder loan program which was initiated in cooperation with some of our leading shareholders. The disbursed loan amount is EUR 16.1 million by the end of February 2010 (EUR 11.9 million at 31 December 2009). This development caused extraordinary costs for the Fund but today there is a three-year loan facility in place with Nordea covering Country Park and a four-year facility in place with Deutsche Pfandbriefbank covering Global City. Interest rate is fixed in the Global City loan and it is the intention to buy an interest rate swap to hedge the Nordea loan as soon as the prepayment of EUR 2,363 thousand takes place and the new amortization schedule is agreed. Due to exceptionally low Euro interest rates, the value of the existing interest swaps has further deteriorated resulting in a liability of EUR 2.2 million as at 31 December 2009, compared to the liability of EUR 1.5 million as at 31 December 2008.

The availability of financing in Russia for current and future investment real estate projects remain very

challenging and could also have an adverse effect, both at a Fund and market level. The Russian Central Bank has openly expressed that an industry consolidation should take place which could entail that 300 – 400 banks would either be closed or merged into larger market players. International banks active in the Russian market might be requested to reduce their overall loan portfolio and have limited or no access to syndication. This situation might also have a negative impact on future performance of the Fund.

Currency and Liquidity Risks

The Russian Rouble is a free floating currency where the actual rate to some degree is guided by the Russian Central Bank (RCB). The Rouble had a high degree of volatility despite the intervention of RCB. The recent appreciation of the Rouble is a sign of stabilization and would improve the general Fund performance in the coming period. But similar sharp currency development cannot be excluded in the future.

Liquidity risks may occur due to unforeseen circumstances in the current or future business environment like bankruptcy of one or several major tenants. The Fund's objective is to keep at least EUR 5 million in cash and cash equivalents at any given moment in order to be prepared for an event of this nature and to maintain a strong focus on selecting above market average tenants.

Other Risks

Russia has enjoyed political stability for a number of years and we do not expect any major political changes in the coming years. This said, Russia has a higher degree of political risk than more mature markets and cannot be considered a traditional and stable democracy. The Fund would short term be benefitting from the corporate tax reduction going from a rate of 24% down to 20% which would enhance our operating income in Russia. It is however, conceivable that in the medium term real estate taxes might increase as experienced in other European markets.

PROPERTY REPORT

According to Cushman & Wakefield, over the course of the last 15 months, the general vacancy ratio in Moscow has grown dramatically and now stands at

close to 18%. In this demanding environment Country Park has shown its strength with an average vacancy ratio of less than 4% and no loss in major tenants during 2009, despite the fact that several anchor tenant contracts were up for renewal. Today this office tower holds an active B+ location, has a unique collection of international tenants including BMW, Volvo and Johnson & Johnson and the average lease length is 2.8 years.

Our neighbourhood shopping centre, Global City, continues to be fully let at satisfactory terms. However, 30% of all current contracts are either in the process of being re-negotiated or new tenants have already moved in so that the centre sustainability can be protected. Price pressure will continue during 2010 and we don't expect that rental levels will stabilize before early 2011.

The premises of Arcada Stroy are expected to be fully let in Q3 2010 and presently different concepts and tenants are under review.

Consolidated Statement of Comprehensive Income

For the years ended 31 December 2009 and 31 December 2008

| '000 Euro | Notes | 2009 | 2008 |
|---|-------|-----------------|-----------------|
| Rental income | | 13,119 | 11,875 |
| Cost of rental activities | | (2,806) | (1,500) |
| Profit from property operating activities | | 10,313 | 10,375 |
| Administrative expenses | 4 | (4,081) | (4,543) |
| Fund expenses | | (4,081) | (4,543) |
| Other operating income | | 111 | 48 |
| Gross valuation losses on investment properties | 8 | (7,091) | (11,652) |
| Net operating profit/(loss) before financing | | (748) | (5,772) |
| Financial income | 5 | 3,615 | 1,601 |
| Financial expenses | 6 | (10,778) | (5,777) |
| Net financing costs | | (7,163) | (4,176) |
| Profit before tax | | (7,911) | (9,948) |
| Income tax | 7 | (2,240) | 951 |
| Profit after tax | | (10,151) | (8,997) |
| Basic and diluted earnings/(losses) per share (euro) | 17 | (14.5) | (14.9) |
| Net gain (loss) on cash flow hedge | | (1,357) | (1,593) |
| Income tax | | - | - |
| | | (1,357) | (1,593) |
| Exchange differences on translation of foreign operations | | (4,289) | (13,530) |
| Other comprehensive income (loss) for the period, net of tax | | (5,646) | (15,123) |
| Total comprehensive income for the period, net of tax | | (15,797) | (24,120) |

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

Consolidated Statement of Financial Position

As at 31 December 2009 and 31 December 2008

| '000 Euro | Notes | 2009 | 2008 |
|--|-------|----------------|----------------|
| Non-current assets | | | |
| Intangible assets | | - | 1 |
| Investment properties | 8 | 103,951 | 115,511 |
| Investment property under construction | 10 | - | 426 |
| Deferred income tax assets | 7 | 357 | 721 |
| Total non-current assets | | 104,308 | 116,659 |
| Current assets | | | |
| Trade and other receivables | 11 | 4,322 | 1,087 |
| Prepaid income tax | 12 | 572 | 427 |
| Other current assets | 13 | 466 | 586 |
| Derivative financial instruments | 26 | - | 209 |
| Short term deposits | 14 | - | 10,569 |
| Cash and cash equivalents | 15 | 9,243 | 4,942 |
| Total current assets | | 14,603 | 17,820 |
| Total assets | | 118,911 | 134,479 |

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

Consolidated Statement of Financial Position

For the years ended 31 December 2009 and 31 December 2008

| '000 Euro | Notes | 2009 | 2008 |
|--|-------|----------------|----------------|
| Equity | | | |
| Capital | 16a | 72,883 | 72,883 |
| Share premium | 16a | 962 | 962 |
| Cash flow hedge valuation reserve | 16b | (2,903) | (1,546) |
| Cumulative foreign currency translation | | (20,403) | (16,114) |
| Other reserves | | 375 | 375 |
| Retained earnings /(losses) | | (12,022) | (1,871) |
| Total equity attributable to shareholders | | 38,892 | 54,689 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Debts to banks | 18 | 56,510 | 28,843 |
| Debts to shareholders | 18 | 11,853 | - |
| Deferred tax liability | 7 | 1,431 | 1,403 |
| Derivative financial instruments | 26 | 2,405 | 1,470 |
| Other non-current liabilities | 19 | 1,595 | 2,086 |
| Total non-current liabilities | | 73,794 | 33,802 |
| Current liabilities | | | |
| Debts to banks | 18 | 1,277 | 33,100 |
| Trade payables | | 340 | 309 |
| Other current liabilities | 20 | 4,186 | 9,927 |
| Provisions | 21 | - | 2,651 |
| Derivative financial instruments | 26 | 422 | - |
| Income tax payable | | - | 1 |
| Total current liabilities | | 6,225 | 45,988 |
| Total liabilities | | 80,019 | 79,790 |
| Total equity and liabilities | | 118,911 | 134,479 |

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

Consolidated Statement of Changes in Equity

For the years ended 31 December 2009 and 31 December 2008

| '000 Euro | Capital | Share premium | Cash flow hedge revaluation reserve | Cumulative foreign currency translation | Other reserve | Retained earnings | Total |
|------------------------------------|---------------|---------------|-------------------------------------|---|---------------|-------------------|-----------------|
| Balance at 31 December 2007 | 46,640 | 962 | 47 | (2,584) | - | 7,501 | 52,566 |
| Net loss for the period | - | - | - | - | - | (8,997) | (8,997) |
| Other comprehensive income | - | - | (1,593) | (13,530) | - | - | (15,123) |
| Total comprehensive income | - | - | (1,593) | (13,530) | - | (8,997) | (24,120) |
| Profit allocation to other reserve | - | - | - | - | 375 | (375) | - |
| Capital increase | 26,243 | - | - | - | - | - | 26,243 |
| Balance at 31 December 2008 | 72,883 | 962 | (1,546) | (16,114) | 375 | (1,871) | 54,689 |
| Net loss for the period | - | - | - | - | - | (10,151) | (10,151) |
| Other comprehensive income | - | - | (1,357) | (4,289) | - | - | (5,646) |
| Total comprehensive income | - | - | (1,357) | (4,289) | - | (10,151) | (15,797) |
| Balance at 31 December 2009 | 72,883 | 962 | (2,903) | (20,403) | 375 | (12,022) | 38,892 |

Consolidated Statement of Cash Flows

For the years ended 31 December 2009 and 31 December 2008

| '000 Euro | Notes | 2009 | 2008 |
|--|-------|----------------|-----------------|
| Profit before tax | | (7,911) | (9,948) |
| Adjustments for non cash items: | | | |
| Value adjustment of investment properties, net | 8 | 7,091 | 11,652 |
| Change in allowance for bad debts | | 261 | - |
| Unrealised exchange, net | | 1,231 | 2,076 |
| Goodwill written off | | 97 | - |
| Value adjustment of derivative finance instruments, net | 5, 6 | 208 | (211) |
| Interest income | 5 | (5) | (449) |
| Interest expenses | 6 | 5,493 | 3,301 |
| Working capital adjustments: | | | |
| (Increase)/decrease in trade and other accounts receivables | | (3,496) | 927 |
| (Increase)/decrease in other current assets | | 3,310 | 3,225 |
| Increase/(decrease) in other non-current liabilities | | (491) | 1,466 |
| (Decrease) in trade payables | | 30 | (5,817) |
| (Decrease)/Increase in other current liabilities | | (5,913) | 7,549 |
| Paid income tax | | (1,849) | (2,281) |
| Net cash generated by operating activity | | (1,943) | 11,490 |
| Cash flow from investing activities | | | |
| Interest received | | 5 | 449 |
| (Increase)/decrease in short term deposits | 14 | 10,569 | (10,569) |
| Purchase of a subsidiaries, net of cash acquired | 9 | (2,341) | (53,454) |
| Purchase of investment property under construction | 10 | (455) | (258) |
| Purchase of investment properties | 8 | (168) | (283) |
| Net cash flow from investing activities | | 7,610 | (64,115) |
| Cash flow from financing activities | | | |
| Interest paid | | (5,630) | (2,985) |
| Proceeds from bank loans | 18 | 31,047 | 44,776 |
| Proceeds from shareholder loan | 18c | 8,519 | - |
| Repaid credit lines | 18b | (33,100) | - |
| Repaid bank loans | 18a | (2,200) | - |
| Reimbursement of loans acquired through purchase of subsidiary (Note 9a) | | - | (13,907) |
| Shareholders contribution into share capital | 16a | - | 26,243 |
| Net cash flow from financing activities | | (1,364) | 54,127 |
| Increase in cash and cash equivalent | | 4,301 | 1,502 |
| Cash and cash equivalent at the beginning of the period | | 4,942 | 3,440 |
| Foreign currency translation on cash and cash equivalent | | - | - |
| Increase in cash during the period | | 4,301 | 1,502 |
| Cash and cash equivalents at the end of the period | 15 | 9,243 | 4,942 |

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

Notes to the Consolidated Financial Statements

As at 31 December 2009

1. GENERAL INFORMATION

BPT Arista S.A. SICAV-SIF (the “Company”) was incorporated in the Grand Duchy of Luxembourg on 23 August 2007 as a ‘société anonyme’ under the Luxembourg law on commercial companies dated 10 August 1915; as amended and registered as a ‘société d’investissement à Capital variable’ (“SICAV-SIF”) under the related law dated 13th February 2007.

The Articles of Incorporation (the “Articles”) have been published on 27 October 2007 in the Memorial C, Recueil des Sociétés et Associations (the “Mémorial”). The Company is registered at the Registre de Commerce, Luxembourg, under number B132.056.

The Company was established for an undetermined period and may be dissolved by a resolution of the shareholders, subject to the quorum and majority requirements for the amendment of the Articles.

The Group consists of BPT Arista S.A. SICAV-SIF and the subsidiaries disclosed in Note 28 (the “Group” or the “Fund”).

BPT Arista S.A. SICAV-SIF is the ultimate parent and controlling entity. The Company is offering an opportunity to invest in a diversified real estate investment fund focussing on the Russian commercial real estate market.

The Fund’s first financial year ended on 31 December 2008.

The consolidated financial statements of the Group for the period ended on 31 December 2009 were authorised for issue in accordance with a resolution of the Board of Directors of 23 March 2010. Those consolidated financial statements will be ratified by the general meeting of shareholders on 29 April 2010.

Going concern assessment

The Fund has been adversely affected by the developments in the real estate and financial markets in which it operates. Management has performed an assessment of the Fund’s future financial position, performance and cash flows and has concluded that the continued application of the going concern assumption is appropriate, even though an element of uncertainty exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated in the following text.

Basis of preparation

The Group’s accounts have been prepared in accordance with the International Financial Reporting Standards (the ‘IFRS’) as adopted for use in the European Union.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year (adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group, they did, however, give rise to additional disclosures, including in some cases revisions to accounting policies):

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009

- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009 (early adopted)
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009 (early adopted)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009, early adopted)

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Fund adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Fund.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Fund adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

Main changes to the existing standards refer to: (a) addition of an option to measure minority interests (now called ‘non-controlling interests’) at fair value; (b) recognition of goodwill for step acquisitions; (c) recognition of acquisition-related costs; (d) recognition of contingent consideration; (e) transactions with non-controlling interests which do not result in loss of control; (f) allocation of subsidiary’s losses between controlling and non-controlling interests; (g) re-measurement of retained interest on loss of control of a subsidiary. The application of the revisions did not have a material impact on the consolidated financial statements at the date of adoption.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 26. The liquidity risk disclosures are not impacted by the amendments and are presented in Note 3d.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Fund concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. The Fund does not disclose operating segments.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present one single statement.

IAS 23 Borrowing Costs

The option in the current standard to expense borrowing costs to the statement of comprehensive income in case a qualifying asset has been eliminated. All borrowing costs must be capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the standard, the Fund has adopted this as a prospective change. Accordingly, borrowing costs are capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Fund.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial

instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Fund has concluded that the amendment will have no impact on the financial position or performance of the Fund, as the Fund has not entered into any such hedges.

IAS 40 Investment Property

Property under construction or development for future use as an investment property is classified as investment property at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. The adoption of these amendments did not have any impact on the financial position or the performance of the Fund.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. This Interpretation did not have any impact on Fund's consolidated financial statements at the date of adoption.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. This Interpretation did not have any impact on Fund's consolidated financial statements at the date of adoption.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Interpretation is to be applied prospectively.

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This Interpretation did not have any impact on Fund's consolidated financial statements at the date of adoption.

IFRIC 18 Transfers of Assets from Customers effective 1 July 2009 (early adopted)

IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). This Interpretation did not have any impact on Fund's consolidated financial statements at the date of adoption.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued 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 adoption of the amendments did not have any impact on the accounting policies, financial position or performance of the Fund.

The significant accounting policies applied by the Fund are as follows:

2a. Presentation currency

The consolidated financial statements have been prepared in Euro (EUR), which is the Company's functional and presentation currency. Exchange rates used as of 31 December 2009 and 31 December 2008 are as follows:

| Currency | 2009 | | 2008 | |
|----------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| | Average exchange rate on the period | Exchange rate at closing date | Average exchange rate on the period | Exchange rate at closing date |
| RUB/EUR | 44.1376 | 43.1540 | 36.4273 | 41.2830 |
| RUB/USD | 31.7439 | 29.9556 | 24.8566 | 29.6637 |

Unless stated otherwise, all values are rounded to the nearest thousand of Euro.

2b. Consolidated financial statements

The consolidated financial statements of the Group include the Company and subsidiaries (Note 28) of which the Company directly or indirectly holds more than 50 percent of the voting rights or otherwise has controlling influence. The equity and net income attributable to non-controlling interests, if any, are shown separately in the consolidated statement of financial position and consolidated statement of comprehensive income.

The consolidated financial statements are prepared on the basis of financial statements of the Company and its subsidiaries by consolidation of financial statements' items of a uniform nature. The financial statements used for consolidation have been prepared applying Group's accounting policy.

Inter-company balances and transactions, including unrealised profits and losses, are eliminated in consolidation.

Companies acquired or sold during a year are included into the financial statements from the date the Company obtains control to the date control ceases, respectively.

The purchase method is applied in the acquisition of new subsidiaries which qualify as business combination, under which the identifiable assets and liabilities and contingent liabilities of these companies are measured at fair value at the acquisition date. Cost of the acquired company consists of fair value of the paid consideration (cash or own shares). If the final determination of the consideration is conditioned by one or several future events, these are only recognised in cost if the relevant event is likely and the effect in cost can be calculated reliably. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

When the transaction has not been identified as being a business combination, the transaction has been accounted for an acquisition of individual assets and liabilities where the initial purchase consideration is allocated to the separate assets and liabilities acquired, based on their relative fair values.

Assets are recognised in the statement of financial position when it is probable that future economic benefits will flow to the Group and the value of the assets can be measured reliably.

Liabilities are recognised in the statement of financial position when they are probable and can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each financial statement item below.

2c. Goodwill

Difference between the acquisition cost and the fair value of the identifiable net assets at acquisition date is considered to be goodwill (negative goodwill). The negative goodwill is recognised as income in profit or loss immediately. In the consolidated financial statements goodwill related to consolidated subsidiaries is presented in the intangible assets caption.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2d. Foreign currency translation

The functional currency of a subsidiary is determined with reference to the currency of the primary economic environment in which the entity generates and expends cash and raises finance. Transactions in other currencies than the functional currency are transactions in foreign currencies.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rate of exchange ruling at the reporting date.

The cumulative effect of exchange differences on cash transactions are classified as realised gains and losses in profit or loss in the period in which they are settled.

Where the functional currency is different from the presentation currency of the Group those assets and liabilities are translated at the rate of exchange ruling at the reporting date. The statements of comprehensive income of such subsidiaries are translated at the average exchange rate for the period. The exchange differences arising on the currency translation are recorded as a separate component of Shareholders reserves under the heading of "Cumulative foreign currency translation". On the disposal of such a subsidiary, accumulated exchange differences are recognised in the consolidated statement of comprehensive income as a component of the gain or loss on disposal, including any tax effects. Exchange differences arising on monetary items, which in substance form part of the Group's net investment in a foreign entity, are recorded as a separate component of Shareholders reserves under the heading of "Cumulative foreign currency translation".

Fair value adjustments and goodwill arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired company and are recorded at the exchange rate at the date of the transaction.

2e. Investment properties

Investment properties are real estate properties (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for the use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

Investment property is initially recorded at cost including costs directly resulting from the acquisition such as transfer taxes and legal fees. Costs, adding new or improved qualities to an investment property compared to the date of acquisition, and which thereby improve the future yield of the property, are added to cost as an improvement. Costs, which do not add new or improved qualities to an investment property, are expensed in profit or loss under operating expenses.

Under IAS 40, investment properties are valued at fair value; the Fund has determined the fair value by using independent appraisers, fair value being the estimated price at which the property could be exchanged at the date of the valuation between knowledgeable, willing parties in an arm's length transaction. Valuations are also undertaken on acquisitions and contributions in kind. Cushman & Wakefield Stiles & Riabokobylo has been appointed as appraiser of the Fund. Their valuations are prepared in accordance with the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom and in accordance with IAS 40.

Valuations are prepared by considering a discounted cash flow projection based on an estimate of future net cash flow. Future net cash flows comprise the rental income secured under current leases less any known or expected non-recoverable costs, income from rent guarantees, and the current market rent attributable to futures vacant periods. A discount rate which reflects market conditions at the date of valuation is then applied to the future net cash flow to arrive at the net present value of that future rental income. This calculation excludes the effects of taxes and disposal costs borne by the seller, and is net of transaction costs normally borne by the purchaser. Depreciation is not provided on investment properties.

The fair value does not necessarily represent the liquidation value of the properties which would be dependent upon the price negotiated at the time net of selling costs. The fair value is largely based on estimates as described above which are inherently subjective.

The yield requirement (discount factor) is determined for each property.

Value adjustments are recognised in profit or loss under the item "Gross valuation gains on investment properties" and "Gross valuation (losses) on investment properties".

2f. Investment properties under construction

Investment properties under construction are initially measured at cost. Cost comprises all costs directly allocable to the construction process and an appropriate share of overheads.

Until 31 December 2008 and as of that date, the investment properties were stated at costs. Since 1 January 2009, the official policy has been changed, and subsequent to initial recognition, investment properties under construction are stated at fair value. Where fair value of

investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

If investment properties under construction are sold, their carrying value is recognised as an expense in the year in which the related revenue is recognised.

2g. Accounts receivable

Receivables are measured at nominal value less allowances for doubtful debts, if any. The management assesses specific provisions on a customer by customer basis throughout the year.

2h. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2i. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The provisions are reviewed at each reporting date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability.

2j. Derivative financial instruments

The Group engages swap and other contracts, mainly for currency and interest rate risk management purposes. Outstanding swaps and other financial instruments are carried in the statement of financial position at fair value. Fair value is derived from quoted market prices or using the discounted cash flow method applying effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis.

Gains or losses from changes in fair value of outstanding swaps and other financial instruments, which are not classified as hedging instruments, are recognised in profit or loss as they arise.

2k. Hedge accounting

The effectiveness of the hedge is assessed by comparing the value of the hedge item with the notional value implicit in the contractual terms of the financial instruments being used in the hedge.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognised immediately in profit or loss.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in other comprehensive income and the ineffective portion is recognised in profit or loss. The gains or losses on effective cash flow hedges recognised initially in other comprehensive income are either transferred to profit or loss in the period in which the hedged transaction impacts profit or loss or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to profit or loss for the period.

2l. Financial liabilities

Debts to banks and financial institutions are recognised on taking out the loan at the proceeds received less transaction costs incurred. Subsequently, these debts items are measured at amortised cost using the effective interest rate method.

The Group classifies its financial liabilities as current when they are due to be settled within twelve months after reporting date, even if:

- (a) the original term was for a period longer than twelve months; and
- (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. Borrowing costs are expensed as incurred.

2m. Financial assets

The Fund recognises financial assets on its statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Fund determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All “regular way” purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised at trade date (the date that the Fund commits to purchase or sell the asset), otherwise such transactions are treated as derivatives until the settlement day.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- (i) the rights to receive cash flows from the asset have expired;
- (ii) the Fund has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- (iii) the Fund either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2n. Other liabilities

Other liabilities, comprising payables to suppliers, guarantee deposits received from tenants and other payables, are measured at amortised cost using the effective interest rate method.

Deferred income is recognised under liabilities and includes received payments for future income.

2o. Contingent liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is possible.

2p. Subsequent events

Post-reporting date events that provide additional information about the Group’s position at the reporting date (adjusting events) are reflected in the financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

2q. Rental income

The Group leases its buildings to customers under agreements that are classified as operating lease.

Rental income represents rents charged to customers and is recognised on a straight line basis, net of any sales taxes, over the lease period to the first break option.

The Group does not grant lease incentives.

Expense reimbursement income are recognised on gross basis and included in profit or loss when the company is not acting as agent on behalf of third parties and charging the commissions for the collections. Otherwise, revenue is the commissions.

2r. Expenses recognition

Expenses are accounted for an accrual basis. Expenses are charged to profit or loss, except for those incurred in the acquisition of an investment property which are capitalised as part of the cost of investment and costs incurred to acquire borrowings (Note 2l). Operating expenses comprise costs incurred to earn rental revenue during the financial year to cover operations and maintenance of the own properties.

2s. Administrative expenses

Administrative expenses include costs and expenses which were incurred for the management of the investment properties and the Group during the year.

2t. Current taxation

The consolidated subsidiaries of the Group are subject to taxation in the countries in which they operate. Current taxation is provided for at the applicable current rates on the respective taxable profits.

2u. Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- i) where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised except:

- i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when an asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2v. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

Business combinations

The Group has acquired subsidiaries that own properties. When the acquisition of a subsidiary does not represent "an integrated set of activities and assets" in accordance with IFRS 3, the acquisition of the subsidiary is accounted for as an asset acquisition. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill and deferred tax resulting from the allocation of the cost of acquisition is recognised. The Group will account for the acquisition as a business combination where an integrated set of activities is acquired in addition to the properties.

The following items are considered as minimum indicators of business combination:

- Several items of land and buildings.
- Existence of ancillary services to tenants (e.g. maintenance, cleaning, security, bookkeeping etc).
- Existence of employees to have processes in operation (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).
- Management of the investment properties is complex process.

Classification of investment property

The Group determines whether a property qualifies as investment property. Investment in property mainly comprises the investment in land and buildings in the form of offices, commercial warehouse, retail for residential properties which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation by leasing to third parties under long term operating leases.

Operating lease contracts – Group as lessor

Leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Deferred tax

The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgment is required in determining the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. In particular, the effective tax rate applicable on the temporary differences on investment properties depends on the way and timing the investment property will be disposed of. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made.

Estimates and assumptions

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged

independent valuation specialist to determine fair value as at 31 December 2009. The valuator used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data and because of the nature of the property. The determined fair value of the investment properties is the most sensitive to the estimated yield. The key assumptions used to determine the fair value of the investment property, are further disclosed in Note 8.

Investment properties under construction

Since 1 January 2009, the investment properties under construction are measured at fair value. Such measurement involves significant judgement, and, where the fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

Until 31 December 2008 and as of that date the investment properties under construction were stated at cost.

3. THE GROUP RISK MANAGEMENT POLICY

3a. Risk relating to investment in real estate

Investment in real estate is subject to varying degrees of risk. The main factors which affect value of an investment include:

- (i) changes in the general economic climate;
- (ii) conditions in the market in which invested real estate operates;
- (iii) government regulations and taxation;
- (iv) availability of investment opportunities in real estate.

To address these risks the Fund is subject to certain investment restrictions (please refer to the Fund's Private Placement Memorandum for a more comprehensive description). Once the Fund is fully invested:

- (i) no shareholder may at any time hold more than 25% of the total number of shares in issue;
- (ii) no more than 25% of the final Fund's GAV will be invested in any single real estate property;
- (iii) the three largest investments may not be more than 50% of the final Fund's GAV;
- (iv) the Fund will not invest more than 30% of its NAV in one real estate company;

In any case:

- (v) no investor may hold less than EUR 125,000 of subscribed capital in the Fund.

3b. Credit risk

The Group's procedures are in force to ensure on a permanent basis that properties are leased to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. Major acquisition and project finance credit risks are minimised by sharing these risks with banks and insurance companies. Credit risks related to the placement of liquid funds and to trading in financial instruments (counterparty credit risks) are minimised by making agreements only with the most reputable domestic and international banks and financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts recognised at the reporting date.

There are no significant concentrations of credit risk within the Group.

3c. Interest rate risk

The Group is exposed to interest rate risk primarily through market value changes to the net debt portfolio (price risk) and also through changes in interest rates. Fluctuations in interest rates affect the interest expense. As the Group's income is not directly correlated with the level of interest rates, in general there is the risk management policy to synchronize the interest cost with the earnings and to hedge the long-term loans to a fixed rate for their whole life. This converts floating rate liabilities to fixed rate liabilities. In order to achieve this, the Group considers taking fixed rate loans or swapping floating for fixed interest payments (Note 26).

At 31 December 2009 and 2008, after taking into account the effect of interest rate swaps, 38% of the Group's borrowings are at fixed interest rate (31 December 2008: 100%).

It is the intention to buy an interest rate swap to hedge the Nordea loan as soon as the prepayment of EUR 2,363 thousand takes place and the new amortization schedule is agreed with the bank.

Due to very low Euro interest rates at the moment and also considering the outlook for interest rate development, the shareholder loan has not been hedged until maturity, but a 1-year Euribor was chosen as a base interest rate.

The following table demonstrates the interest rate swap sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's equity. There is no impact on the Group's profit before tax:

| | Increase/ decrease in basis points | Effect on equity |
|-------------|------------------------------------|------------------|
| 2009 | +100 | 1,091 |
| | -100 | (1,091) |
| 2008 | +100 | 485 |
| | -100 | (2,332) |

3d. Liquidity risk

The investments made by the Fund will be illiquid in nature. The ability of the Fund to liquidate its investments at attractive prices at appropriate times will depend on a number of factors that may be outside of the control of the management. The Fund's management reviews the liquidity of the assets held within the Fund based on current market conditions on a regular basis.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit lines and bank loans. None of Group's borrowings will mature in less than one year at 31 December 2009 (2008: 49.7%) based on the carrying value of borrowings reflected in the financial statements.

The table below summarises the maturity profile of Group's financial liabilities at 31 December 2009 and 2008.

| '000 Euro | On demand | Less than 1 year | 1-5 years | >5 years | Total |
|--|-----------|------------------|---------------|---------------|---------------|
| Year ended 31 December 2009 | | | | | |
| Interest bearing loans and borrowings* | - | 6,171 | 80,759 | - | 86,930 |
| Hedging instruments | - | 422 | 2,405 | - | 2,827 |
| Trade payables | - | 340 | - | - | 340 |
| Other liabilities | - | - | - | - | - |
| Total current and non-current financial liabilities | - | 6,933 | 83,164 | - | 90,097 |
| Year ended 31 December 2008 | | | | | |
| Interest bearing loans and borrowings* | - | 37,550 | 9,899 | 28,146 | 75,595 |
| Hedging instruments | - | - | 1,470 | - | 1,470 |
| Trade payables | - | 309 | - | - | 309 |
| Other liabilities | - | - | - | - | - |
| Total current and non-current financial liabilities | - | 37,859 | 11,369 | 28,146 | 77,374 |

*Includes interest expense for the same period.

3e. Foreign exchange risk

The Fund holds assets denominated in currencies other than Euro, its functional currency. The Fund is therefore subject to risk from movements in exchange rates between the Euro and other currencies (i.e. RUB and USD). For each currency, the Fund's management reviews the stability of the currency and evaluates the potential need to hedge against any potential movements in the currency versus the cost of such hedge.

The Group hedges material foreign exchange risk associated with highly probable forecast transactions (earnings or costs) in other than reporting currency. The Group has a policy to match loans and investments in the same currencies in which the funds are received wherever this is possible and economically viable. However, the borrowed funds or funds to be invested may be converted into other currencies provided that forward exchange agreements are entered in simultaneously to ensure recovery of currencies converted.

The largest foreign exchange risk is related to movements in RUB exchange rate against Euro.

The following table demonstrates the sensitivity to reasonably possible change in RUB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity.

| | Increase/ decrease in RUB exchange rate | Effect on profit before tax | Effect on equity |
|-------------|---|-----------------------------|------------------|
| 2009 | If RUB depreciates by 10% | (662) | (9,175) |
| | If RUB appreciates by 10% | 662 | 11,214 |
| 2008 | If RUB depreciates by 20% | (2,207) | (21,071) |
| | If RUB appreciates by 20% | 2,207 | 30,503 |

Financial instrument used to hedge currency risk is a cross currency swap that is further described in Note 26.

3f. Capital management

The Group monitors capital using gearing ratio, which is borrowing divided by total paid in capital plus borrowings. The Group's target gearing ratio is 60% that should be reached when the Fund is fully invested.

| '000 Euro | 2009 | 2008 |
|--------------------------------------|--------------|--------------|
| Debts to banks | 57,786 | 61,943 |
| Debts to shareholders | 11,853 | - |
| Total borrowings | 69,639 | 61,943 |
| Total paid in capital | 73,845 | 73,845 |
| Total borrowings and paid in capital | 143,774 | 135,788 |
| Gearing ratio | 48.4% | 45.6% |

4. ADMINISTRATIVE EXPENSES

| '000 Euro | 2009 | 2008 |
|---|--------------|--------------|
| Management fee | 2,286 | 2,692 |
| Fund custodian fees | 31 | 21 |
| External consultant expenses | 943 | 1,262 |
| Board fees and other board related expenses | 352 | 351 |
| Unsuccessful project expenses | - | 103 |
| Other | 469 | 114 |
| Total | 4,081 | 4,543 |

In 2009 Baltic Property Trust Asset Management A/S as the investment manager of the Group was entitled to a base management fee equivalent to 2% of the average gross assets value (GAV) excluding cash and cash equivalents. In 2008 the investment manager was entitled to a base management fee equivalent to 2% of the year-end GAV.

5. FINANCIAL INCOME

| '000 Euro | 2009 | 2008 |
|--|--------------|--------------|
| Interest income | 5 | 449 |
| Foreign currency exchange gain | 3,505 | 819 |
| Change in fair value of derivative financial instruments (Note 26) | 100 | 328 |
| Other financial income | 5 | 5 |
| Total | 3,615 | 1,601 |

In 2009 and 2008 the item change in fair value of derivative financial instrument relates to the positive change in fair value of cross currency swap contract (Note 26).

6. FINANCIAL EXPENSES

| '000 Euro | 2009 | 2008 |
|--|---------------|--------------|
| Interest expenses on loans | 5,590 | 3,301 |
| Realised loss on foreign exchange forward contracts | 224 | - |
| Cross currency swap termination fee (Note 26a) | 195 | - |
| Foreign currency exchange loss | 4,215 | 1,924 |
| Withholding tax on dividends declared in Russian entities | 289 | 221 |
| Change in fair value of derivative financial instruments (Note 26) | 208 | 117 |
| Commitment fee expenses for unused part of credit facilities | 57 | 214 |
| Total | 10,778 | 5,777 |

The interest expenses mainly relate to liabilities to Deutsche Pfandbriefbank AG and Nordea Bank Finland Plc. Lithuania branch (Note 18).

The foreign currency exchange loss mainly arose from the fluctuation of the rate EUR/RUB.

7. INCOME TAX

The Company is subject to an income tax (corporate income tax and municipal business tax) at the global rate of 29.63% (2008: 29.63%). However, the Company can exempt from its tax base all investment income or capital gains attributable to securities.

Real estate revenues, or capital gains derived from real estate are subject to taxes by assessment in the countries where real estate is situated. The Fund's subsidiaries depreciate their historical property cost in accordance with applicable tax regulations. Depreciation is deducted from taxable profits in determining current taxable income.

The major components of income tax for the years ended 31 December 2009 and 2008 are

| '000 Euro | 2009 | 2008 |
|---|--------------|--------------|
| Consolidated statement of comprehensive income | | |
| Current income tax: | | |
| Exchange adjustment | 20 | 130 |
| Tax on taxable income for the year | 1,828 | 1,495 |
| Deferred tax for the year | 392 | (2,576) |
| Income tax expense reported in the statement of comprehensive income | 2,240 | (951) |

Deferred income tax as at 31 December 2009 and 2008 relates to following:

| '000 Euro | Consolidated statement of financial position | | Consolidated statement of comprehensive income | |
|---|---|----------------|---|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Deferred tax liability | | | | |
| Deferred tax liabilities acquired through acquisition of subsidiaries | - | - | - | (956) |
| Revaluation of investment properties to fair value | (1,431) | (1,403) | 28 | (935) |
| | (1,431) | (1,403) | 28 | (1,891) |
| Deferred tax assets | | | | |
| Deferred tax asset acquired through acquisition of subsidiaries | - | - | - | 35 |
| Revaluation of investment properties to fair value | - | 709 | 709 | (709) |
| Impairment allowance for doubtful receivables | 333 | - | (333) | - |
| Accrued expenses taxable on a cash basis | 24 | 12 | (12) | (11) |
| | 357 | 721 | 364 | (685) |
| Deferred income tax expenses/(income) | | | | |
| Deferred income tax liability, net | (1,074) | (682) | 392 | (2,576) |
| Reflected in the statement of financial position as follows | | | | |
| Deferred tax assets | 357 | 721 | | |
| Deferred tax liability | (1,431) | (1,403) | | |
| Deferred income tax liability, net | (1,074) | (682) | | |

The tax losses incurred by Cyprus entities were not recognised at 31 December 2009 as the Group does not expect to have taxable profit in Cyprus and to utilise the losses. The unrecognised tax losses at 31 December 2009 amounted to EUR 9,482 thousand (2008: EUR 4,351 thousand).

Deferred tax assets and liabilities are presented as gross due to that the total deferred tax assets and total deferred tax liabilities arise from different entities, and legally can't be netted.

The reconciliation between tax expense and accounting profit for the year ended 31 December 2009 and 2008 are as follows:

| '000 Euro | 2009 | 2008 |
|--|----------------|----------------|
| Profit before income tax | (8,297) | (9,948) |
| At weighted average statutory tax rate | (1,468) | 422 |
| Non deductible expenses | (2,993) | (2,022) |
| Non –taxable income | 2,237 | 2,392 |
| Effect of changes in tax rates | - | 184 |
| Adjustments related to previous year | (16) | (25) |
| Total income tax expenses | 2,240 | 951 |

Effective tax rate for the year ended 31 December 2009 was 27.0% (for the year ended 31 December 2008 – 9.6%).

Summary of taxation rates by country is presented below:

| | 2009 | 2008 |
|------------|-------------|-------------|
| Russia | 20% | 24% |
| Cyprus | 10% | 10% |
| Luxembourg | 29.63% | 29.63% |

8. INVESTMENT PROPERTY

Investment property represents buildings, which are rented out under lease contracts.

The fair value of the investment properties is approved by the Board of Directors of the Fund, based on independent appraisal performed by Cushman & Wakefield Stiles & Riabokobylo in accordance with the Practice Statements and Relevant Guidance Notes of the RICS Appraisal and Valuation and approved by both the International Valuation Standards Committee (IVSC) and by the European Group of Valuers' Association (TEGoVA). In accordance with that basis, the market value is an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The appraisers derive the fair value by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom in accordance with IAS 40.

Year 2009 in Russia showed unprecedented events, such as the failure of several major banks, the effective nationalisation of others, and substantial reductions in interest rates. The global banking crisis and consequent hiatus in the debt markets, coupled with the downturn in the world economy, have caused the property market to experience sharp falls in value and far less liquidity, with fewer transactions being completed. The valuation of the properties should be kept under review. A longer marketing period should be anticipated than would previously have been expected in the event that the property is offered for sale.

According to the Fund's Private Placement Memorandum, properties will be assessed at least annually by an independent real estate appraiser.

| '000 Euro | 2009 | 2008 |
|---|----------------|----------------|
| Cost | | |
| Opening balance | 117,112 | 62,132 |
| Foreign exchange adjustment | (5,076) | (15,765) |
| Acquisitions of investment properties through acquisition of subsidiaries (Note 9a) | - | 70,462 |
| Improvements | 168 | 283 |
| Transfer from investment property under construction | 881 | - |
| Cost at 31 December | 113,085 | 117,112 |
| Fair valuations | | |
| Opening balance | (1,601) | 9,891 |
| Net revaluation gain/(loss) | (7,091) | (11,652) |
| Foreign exchange adjustment | (442) | 160 |
| Fair valuations at 31 December | (9,134) | (1,601) |
| Carrying amount at 31 December | 103,951 | 115,511 |

Discount rates used by the appraiser to value the investment properties as at 31 December 2009 were between 12.0% and 15.00% (2008: between 12.0% and 14.25%).

The foreign exchange adjustment arose from the fluctuation of the rate RUB/EUR. The functional currency of Russian entities is Rouble, which depreciated from 41.2830 EUR/RUB as of 31 December 2008 to 43.1540 as of 31 December 2009.

9. ACQUISITION OF LLC CITI PRO

9a. Acquisition of LLC Citi Pro- acquired assets and liabilities

On 18 July 2008, the Group acquired 100% of the voting shares of LLC Citi Pro, an unlisted company based in Russia. LLC Citi Pro owns and manages 1 fully developed investment property located in Moscow for which the risk and rewards of ownership have transferred to the Fund.

According to the sale and purchase agreement ("SPA") dated 5 June 2008, 100% of the LLC Citi Pro shares were purchased by the Fund, securing ownership of the property along with the directly related operating assets and liabilities. This property comprises the building of "Country Park Business Centre", the parking and land plots defined in the SPA. The purchase consideration consists of a gross purchase price of EUR 69,000 thousand less refinancing of current bank loans and less the hold-back amount of EUR 10,350 thousand (Note 14) to secure the fulfilment of covenants and conditions agreed by the seller in the SPA.

As of 31 December 2008, the total cost of the acquisition was estimated to be EUR 56,299 thousand. On 17 July 2009, after signing final completion accounts and completion statements, final settlement took place leading to a final price adjustment. EUR 9,692 thousand were released to the seller from the escrow account, the remaining funds on escrow account were released to the Group.

The following table provides the initial and final cost of acquisition:

| '000 Euro | Final cost of acquisition | Initial cost of acquisition |
|--|---------------------------|-----------------------------|
| Cash consideration | 48,948 | 48,948 |
| Holdback amount released to the seller* | 9,692 | 3,648 |
| Provision for taxes | - | 2,241 |
| Difference, allocated to investment property** | - | 1,462 |
| Total costs of acquisition | 58,640 | 56,299 |

*The hold back amount was a preliminary best estimation made as of 31 December 2008. Final completion statements were signed on 17 July 2009 and the final agreed amount was released to the seller.

**The difference is between the cash consideration and net assets of the acquired entity.

This acquisition does not qualify as a business combination.

The cost of the acquisition has been allocated as follows:

| '000 Euro | Carrying value after purchase price allocation | Carrying value prior acquisition |
|---------------------------------------|---|-------------------------------------|
| Investment property | 70,462 | 69,000 |
| Property under construction | 168 | 168 |
| Prepaid tax | 971 | 971 |
| Trade and other receivables | 1,118 | 1,118 |
| Other current assets | 3,079 | 3,079 |
| Cash and cash equivalents | 2,845 | 2,845 |
| Total assets | 78,643 | 77,181 |
| Interest bearing loans and borrowings | (13,907) | (13,907) |
| Provision for tax risk | (2,651) | (2,651) |
| Trade payables and other payables | (5,786) | (5,786) |
| Total liabilities | (22,344) | (22,344) |
| Net assets | 56,299 | 54,837 |
| Total consideration | 56,299 | |

Cash outflow on acquisition:

| | |
|---------------------------------------|-----------------|
| Net cash acquired with the subsidiary | 2,845 |
| Cash paid for the acquisition | (56,299) |
| Net cash inflow/(outflow) | (53,454) |

The interest bearing loans and borrowings of EUR 13,907 thousand were repaid before year end 2008 and refinanced with an inter-company loan.

9b. Acquisition of LLC Citi Pro- off balance sheet assets and liabilities

In addition, at the time of acquiring LLC Citi Pro also owned a number of other assets and liabilities which, under the terms of the SPA, were repurchased by the vendor at an agreed upon value in the first half of 2009. Thus, the risks and rewards of ownership have not been transferred to the Fund; accordingly they were accounted as off balance sheet items.

The detailed list of off balance sheet assets and liabilities is presented below:

| '000 Euro | Carrying value on 18 July 2008 | Carrying value on 31 December 2008 |
|--|-----------------------------------|---------------------------------------|
| Intangible assets | 1 | 1 |
| Investment property | 2,378 | 2,617 |
| Property under construction | 1,861 | 4,262 |
| Other current assets | 733 | 2,841 |
| Total off balance sheet assets | 4,973 | 9,721 |
| Other current liabilities | (1,813) | (5,538) |
| Total off balance sheet liabilities | (1,813) | (5,538) |
| Net position | 3,160 | 4,183 |

The assets and liabilities were repurchased by the seller for the total value of EUR 4,423 thousand. The repurchase price was adjusted to include any working capital contributions incurred by the Fund to maintain these assets and liabilities during the period through to the date of repurchase by the vendor.

10. INVESTMENT PROPERTY UNDER CONSTRUCTION

| '000 Euro | 2009 | 2008 |
|--|------------|------------|
| Opening balance at January 1 | 426 | - |
| Acquisition through acquisition of subsidiaries (Note 9a) | - | 168 |
| Additional expenditure | 455 | 258 |
| Transfer to investment property | (881) | - |
| Total investment property under construction at December 31 | - | 426 |

Investment property under construction is stated at a cost.

11. TRADE AND OTHER RECEIVABLES

| '000 Euro | 2009 | 2008 |
|---|--------------|--------------|
| Receivable from an intermediary | 3,334 | - |
| Trade receivable, gross | 593 | 140 |
| Less: impairment allowance for doubtful receivables | (261) | - |
| VAT receivable | 624 | 827 |
| Other accounts receivables | 32 | 120 |
| Total | 4,322 | 1,087 |

In 2009 the receivable from an intermediary represents receivable from the law company which was assisting with raising the shareholder loan (Note 18c). The shareholders at first were transferring the funds to a bank account of this company, which later was transferring the cash to the bank account of the Fund. EUR 3,334 thousand were transferred by one of the lenders to the intermediary's account in December 2009 and further to the account of the Fund in January 2010.

Trade receivables are non-interest bearing and are generally on 30-day terms.

As at 31 December and for the year then ended, the impairment allowances for doubtful receivables were as follows:

| '000 Euro | 2009 | 2008 |
|------------------------|------|------|
| Balance at 1 January | - | - |
| Charge for the year | 261 | - |
| Amount written off | - | - |
| Balance at 31 December | 261 | - |

As at 31 December, the ageing analysis of trade and other receivables is as follows:

| '000 Euro | Neither past due nor | | Past due but not impaired | | | | |
|-----------|----------------------|----------|---------------------------|------------|------------|-------------|-----------|
| | Total | impaired | <30 days | 30-60 days | 60-90 days | 90-120 days | >120 days |
| 2009 | 4,322 | 4,322 | - | - | - | - | - |
| 2008 | 1,087 | 827 | 260 | - | - | - | - |

12. PREPAID INCOME TAX

As at 31 December 2009, prepaid income tax consists of corporate income tax prepaid by Russian entities and is equal to EUR 572 thousand (as at 31 December 2008: EUR 427 thousand). These amounts will be netted off with corporate income tax payments in 2010.

13. OTHER CURRENT ASSETS

| | 2009 | 2008 |
|------------------------------|------------|------------|
| Prepaid management fee | 160 | - |
| Advance payment to suppliers | 170 | 527 |
| Other prepaid expenses | 136 | 59 |
| Total | 466 | 586 |

14. SHORT TERM DEPOSIT

As at 31 December 2008 the short term deposit of EUR 10,569 thousand represents the hold back amount deposited on the escrow account. The deposit with maturity until 18 July 2009 earned interest at a rate of 4.68%, which according to the escrow agreement was paid to the seller of the shares of LLC Citi Pro at the end of the period.

On 17 July 2009, after signing final completion accounts and completion statements related to acquisition of LLC Citi Pro (Note 9), final settlement took place leading to a final price adjustment. EUR 9,692 thousand were released to the seller from the escrow account, the remaining funds on escrow account were released to the Group.

15. CASH AND CASH EQUIVALENTS

| '000 Euro | 2009 | 2008 |
|-----------------------------|--------------|--------------|
| Cash at bank and hand | 9,243 | 4,942 |
| Overnight deposits in banks | - | - |
| Total cash | 9,243 | 4,942 |

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

As at 31 December 2009 and 31 December 2008, the Group had no outstanding bank overdrafts.

16. EQUITY

16a. Subscribed capital

As at 31 December 2009 and 2008, the subscribed capital of the Company is represented by 702,115 (2007: 466,395) fully paid-in ordinary shares.

The amount of EUR 962 thousand is the share premium reserve that represents the excess of the payments above the nominal value of the share.

Ordinary shares issued and fully paid:

| | Number of shares | Amount |
|-------------------------------|------------------|-------------------|
| As at 31 December 2007 | 466,395 | 47,601,898 |
| Issued in May 2008 | 235,720 | 26,242,700 |
| As at 31 December 2008 | 702,115 | 73,844,598 |
| | - | - |
| As at 31 December 2009 | 702,115 | 73,844,598 |

16b. Cash flow hedge valuation reserve

This reserve represents the fair value of the effective part of the derivative financial instruments (in 2009 - interest rate swaps and currency forward contracts, in 2008 interest rate swaps and currency swap), used by the Group to hedge the cash flows against interest rate and currency risks, at the balance sheet date.

| '000 Euro | 2009 | 2008 |
|---|----------------|----------------|
| Balance at the beginning of the period | (1,546) | 47 |
| Movements in fair value of existing hedges | (765) | (1,046) |
| Fair value of hedges acquired during period | (592) | (547) |
| Net variation during the period | (1,357) | (1,593) |
| Balance at the end of the period | (2,903) | (1,546) |

17. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the total number of ordinary shares committed to existing shareholders. As at 31 December 2009 and 31 December 2008 ordinary shares committed to existing shareholders equal the ordinary shares outstanding as that day.

| For the period ended December 31 | 2009 | 2008 |
|---|--------------|-------------|
| Earnings per period | | |
| Basic and diluted | (10,151,568) | (8,997,262) |
| Weighted average number of ordinary shares during the period | | |
| Basic and diluted | 702,115 | 603,898 |
| Earnings per share (Euro) | | |
| Basic and diluted | (14.5) | (14.9) |

18. DEBTS TO BANKS AND SHAREHOLDERS

All Group debts to banks and shareholders are denominated in

| '000 Euro | Note | Maturity | Effective interest rate* | 2009 | 2008 |
|--|-------------|-----------------|-------------------------------------|---------------|---------------|
| Non-current borrowings | | | | | |
| Deutsche Pfandbriefbank AG | | 25 Apr 2014 | 8.3% | 17,500 | 17,500 |
| Deutsche Pfandbriefbank AG | 18a | 25 Apr 2014 | 8.2% | 9,500 | 11,700 |
| Less capitalised loan arrangement and legal fees | | 25 Apr 2014 | | (287) | (357) |
| Less current portion | | | | (329) | - |
| Total Deutsche Pfandbriefbank AG | | | | 26,384 | 28,843 |
| Nordea Bank Finland Plc. Lithuania branch | 18b | 30 Sep 2012 | 8.7% | 31,363 | - |
| Less capitalised loan arrangement and legal fees | | 30 Sep 2012 | | (290) | - |
| Less current portion | | | | (948) | - |
| Total Nordea Bank Finland Plc. Lithuania branch | | | | 30,125 | - |
| Shareholders' loan | 18c | 1 Dec 2012 | 7.0% | 11,853 | - |
| Total non-current borrowings | | | | 69,639 | 28,843 |
| Current borrowings | | | | | |
| Nordea Bank Finland Plc. Lithuania branch | 18b | 30 Sep 2009 | 7.2% | - | 33,100 |
| Current portion of non-current borrowings | | | | 1,277 | - |
| Total current borrowings | | | | 1,277 | 33,100 |
| Total | | | | 69,639 | 61,943 |

*The effective interest is as at 31 December 2009.

18a. Loan from Deutsche Pfandbriefbank AG

Under the terms of this loan and security agreements, Garigalfen Ltd had to provide the bank with a new valuation of the mortgaged property after 24 months from the last submitted valuation, i.e. at the end of 2009. Under the terms of the loan agreement loan-to-value ratio must not exceed 60%. The bank performed an internal property valuation of Global City, after which the bank approached the company in September 2009, with the proposal to solve the expected breach of loan-to-value ratio.

On 4 December 2009 amendments to the loan agreement and relevant security documents were signed. Due to the anticipated loan-to-value covenant breach, payment of EUR 2.2 million had to be made, this resulted in the loan-to-value ratio covenant being waived until 1 January 2011. As at 31 December 2009, the loan-to-value ratio was 59.41%.

18b. Loan from Nordea Bank Finland Plc. Lithuania branch

In 2008 the Fund had a EUR 50 million credit line facility for the purpose of financing new acquisitions. The facility had been partially drawn down with EUR 33.1 million instalment in July 2008 for the purpose of financing the acquisition of Country Park property. The instalment matured on 12 January 2009, and was revolved with maturity on 30 September 2009. On 29 July 2009 BPT Arista SICAV-SIF repaid EUR 1.5 million to the bank and on 3 December 2009 signed a new agreement according to which the credit line was refinanced with a long-term loan facility amounting to EUR 31.6 million, maturing on 30 September 2012.

As described in Note 27, on 29 January 2010 BPT Arista S.A. SICAV-SIF signed a memorandum of understanding with Nordea Bank Finland Plc. with the main provisions of it being a repayment of EUR 7,000 thousand of current loan and the extension of its maturity up to 5 years.

In February 2010 BPT Arista S.A. SICAV-SIF repaid EUR 7,000 thousand to Nordea Bank Finland Plc. and on 15 March 2010 another memorandum of understanding with Nordea Bank Finland Plc. was signed with the provisions of it being a repayment of an additional amount of EUR 2,363 thousand, reduction of the margin to 5.5% and extending the deadline for establishment of securities for another 3 months. The repayment was executed on 19 March 2010.

18c. Loan from the shareholders

The loan agreement was signed on 14 December 2009, the loan amount is EUR 20,130 thousand and maturity is 1 December 2012. Following shareholders were involved:

- Pensionskassen for Bioanalytikere, Pensionskassen for Ergoterapeuter og Fysioterapeuter, Pensionskassen for Jordemoedre, Pensionskassen for Kontorfunktionaerer, Pensionskassen for Kost- og Ernaeringsfaglige, Pensionskassen for Laegesekretaerer, Pensionskassen for Socialradgivere og Socialpaedagoger, Pensionskassen for Sygeplejersker, all together as Lender A, providing 36 of total loan value;
- ISP Pension as Lender B, providing 20.7% of total loan value;
- Aage V. Jensens Charity foundation as Lender C, providing 16.1% of total loan value;
- BankPension as Lender D, providing 16.1% of total loan value;
- Investeringsfonden for Østeuropa as Lender E, providing 10.5% of total loan value;
- and Baltic Property Trust Asset Management A/S as Lender F, providing 0.6% of total loan value.

On 17 December 2009 an amendment to the loan agreement was signed, according to which Lenders A, B, C, D, E were obliged to transfer 80% of their individual commitment. By 31 December 2009, lenders A, B, C have transferred, respectively, EUR 5,804 thousand, EUR 3,334 thousand and EUR 2,585 thousand. Lender's F commitment amounting to EUR 130 thousand was set off against outstanding management fees. Lenders A, B, C and F make the total loan value of EUR 11,853 as of 31 December 2009.

Funds from Lender D, amounting to EUR 2,585 thousand, were received on 4 January 2010. Lender E has transferred the funds, amounting to EUR 1,962 thousand, on 10 February 2010.

BPT Arista S.A. SICAV-SIF has a right to call the remaining 20% of individual commitments from lenders A, B, C, D and E until 1 December 2010.

The shareholders' loan is unsecured.

18d. Pledges and guarantees under borrowings from the banks

For the borrowings received, the Group pledged the following:

- 100% of shares of Garigalfen Ltd. for an amount of USD 2 thousand;
- Participation right in LLC Trading Centre Global City, Kirovogradskaya str., 117587 Moscow, Russia for an amount of EUR 47,808 thousand;
- Rights to amount of receivables from lease agreements of investment property at LLC Trading Centre Global City, Kirovogradskaya str., 117587 Moscow, Russia, with income in total not less than EUR 5,060 thousand per year;
- All existing and future funds in all Garigalfen Ltd. bank accounts;
- LLC Trading Centre Global City has assigned a inter group loan to Garigalfen Ltd. in amount of EUR 2,000 thousand (balance as of 31 December 2009 – EUR 1,550 thousand) in favour of Deutsche Pfandbriefbank AG;
- Pledge of investment property located Kirovogradskaya str., 117587 Moscow, Russia with the carrying value totalling to EUR 45,446 thousand has to be arranged in the beginning of 2010.

All intercompany loans provided by BPT Arista S.A. SICAV-SIF, Disjune Holdings Ltd and LLC Trading Centre Global City are subordinated to the loan received from Deutsche Pfandbriefbank AG.

For the loan received from Deutsche Pfandbriefbank AG, the Group provided the following financial guarantees:

- On 20 April 2007, BPT Arista A/S issued a financial guarantee to Deutsche Pfandbriefbank AG for the loan granted to Garigalfen Ltd. On 30 November 2007, the guarantee was transferred to BPT Arista S.A., SICAV-SIF;
- On 26 April 2007, LLC Trading Centre Global City issued a financial guarantee to Deutsche Pfandbriefbank AG for the loan granted to Garigalfen Ltd.

According to the loan agreement with Nordea Bank Finland Plc. Lithuania branch, the Group is obliged to pledge the following in 3 months after signing the loan agreement:

- Shares in JSC Arcada-Stroy and LLC Citi Pro, Violerania Ltd. and Ikebana Holdings Ltd.;
- Land plots and investment properties held by JSC Arcada-Stroy and LLC Citi Pro;
- All bank accounts existing or to be opened in Nordea Bank Finland Plc. Lithuania branch or OJSC Nordea Bank (Russian Federation);

In addition to pledges, LLC Citi Pro rights of demand will have to be transferred to the bank, all intercompany loans issued by Violerania Ltd. to LLC Citi Pro will have to be subordinated with regard to the loan; the guarantees are to be issued by Arcada-Stroy and LLC Citi Pro, Violerania Ltd. and Ikebana Holdings Ltd.

For the maturity of the borrowings see Note 3d.

19. OTHER NON-CURRENT LIABILITIES

As at 31 December 2009, other non-current liabilities consist of amounts received from tenants as a guarantee for their obligations in respect of their rent agreements and equal to EUR 1,595 thousand (as at 31 December 2008: EUR 2,086 thousand). These amounts will be netted off with the final payments according to the rent agreements.

20. OTHER CURRENT LIABILITIES

| '000 Euro | 2009 | 2008 |
|--|--------------|--------------|
| Advance payments | 1,724 | 3,077 |
| Short term deposits from clients | 756 | 190 |
| Accrued financial expenses | 461 | 599 |
| VAT payables | 410 | 529 |
| Accrued board and director fees | 203 | 84 |
| Accrued management fees | - | 622 |
| Accrued legal fees | 196 | - |
| Accrued audit fees | 109 | 135 |
| Other tax payables | 84 | 82 |
| Other accrued expenses | 79 | 34 |
| Payable for properties acquired | - | 4,531 |
| Other current liabilities | 164 | 44 |
| Total other current liabilities | 4,186 | 9,927 |

The advance payments and short term deposits of EUR 2,480 thousand (2008: EUR 3,267 thousand) are mainly related to LLC Citi Pro and LLC Global City amounts received from tenants as a guarantee for their obligations in respect of their rent agreements and advance payments for 1-2 coming months lease.

The accrued financial expenses of EUR 461 thousand (2008: EUR 599 thousand) consist of accrued interest on loan from Deutsche Pfandbriefbank AG (amount of EUR 445 thousand, 2008 – EUR 447 thousand) and on the shareholder loan (amount of EUR 16 thousand, in 2008 the remaining part was for the loan from Nordea Bank Finland Plc. Lithuania branch – EUR 151 thousand) (Note 18).

In 2008 the payable for properties acquired include payable to Citiprolife Ltd. for LLC Citi Pro shares (EUR 3,894 thousand) and payable to the seller of business centre Country Park 17th floor (EUR 637 thousand). Both amounts were settled after the finalisation of completion accounts of the acquisition of LLC Citi Pro (Note 9).

21. PROVISIONS

A provision for probable tax risks of EUR 2,651 thousand was created to cover uncertain tax position related to the newly acquired entity LLC Citi Pro. During 2009 LLC Citi Pro has updated the documentation related to uncertain tax positions and the tax risks became remote. The provision was reversed and the reversal was included in the final consideration for the acquired entity LLC Citi Pro (Note 9).

22. COMMITMENTS AND CONTINGENCIES

22a. Contingencies

In respect of the acquisition of LLC Citi Pro on 18 July 2008 (Note 9), additional consideration may be payable on each of the first, second and third anniversary of the completion date if the acquired entity achieves net operating income in excess of EUR 6,210 thousand for the respective 12-month period. The additional consideration is calculated as 11.1% of net operating income in excess of agreed threshold but the total amount of consideration for three anniversaries can't exceed EUR 3,000 thousand. At the date of acquisition, it was not considered probable that the additional consideration would be payable. It was therefore not included as consideration for the shares of LLC Citi Pro. There is no change in this assessment at the end of 2009.

22b. Operating leases commitments – Group as a lessor

As at 31 December 2009 and 2008, the Group had no operating leases commitments.

22c. Litigation

In February 2009, Kuhnistroy Zetta, the sole tenant of Arcada-Stroy, stopped paying the rent under the lease agreement. This tenant counted for approximately 11 % of the Fund annual rental income. Numerous meetings were conducted between the local management team and the tenant during the period of January to April 2009 to see if an appropriate solution could be found. However, it became obvious during this process that the tenant neither had the desire nor the financial strength to meet his legal obligations.

In Russia, rental collection is cumbersome and time consuming by international standards since a claim has to be processed through the local court system. The initial step was to submit a pre-trial claim to the local court consisting of three complaints. Since the claims were not satisfied within the terms indicated in our complaints, a lawsuit on cancellation of the Contract, debt recovery and eviction of the tenant was brought to the Arbitration court of Moscow region on 26 May 2009. After six hearings and complaint on the incompetence of the judge to the Supreme Arbitration court and Qualification Committee of the Arbitration Court on 17 December 2009 the Arbitration court of Moscow region satisfied the claim of Arcada-Stroy for the eviction of the tenant and its subtenants from the building, termination of lease agreement and recovery of arrears in rent of USD 2,566,666.63 for 11 months of 2009 (February– December 2009) and full amount of penalty imposed for the non-payment of USD 406,699.94.

The decision came into force on 22 January 2010, and was appealed in February 2010. The next court session will be held on 30 March 2010.

Next steps are modernization of the fire distinguishing system according to the current rules and upgrades of the engineering systems, if necessary. The negotiations with several potential tenants are ongoing and it is planned to have the property leased out by the 3rd quarter of 2010.

23. RELATED PARTIES

During the year, the Group entered into transactions with related parties. Those transactions and related balances are presented below. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Baltic Property Trust Asset Management A/S

The Group has an investment advisory agreement with Baltic Property Trust Asset Management A/S. Under the terms of the agreement, Baltic Property Trust Asset Management A/S carry out asset manager's functions on behalf of the Group and the Group is paying management fees respectively (Note 4).

In addition, the internal costs borne by Baltic Property Trust Asset Management A/S related to the acquisition of properties are remunerated with an acquisition fee of 0.3% of the investment value of each acquisition made.

The following table provides the total amount of the transactions, which have been entered into with related parties for the relevant financial year:

| '000 Euro | 2009 | 2008 |
|---|-------|-------|
| Baltic Property Trust Asset Management A/S | | |
| Acquisition fee | - | 244 |
| Management fee (Note 4) | 2,286 | 2,692 |
| Financial liabilities (Note 18c) | 130 | - |
| Payables | - | 636 |
| Receivables | 160 | 34 |

Entities having control or significant influence over the Group

The shareholders owning more than 5% of the ordinary shares as of 31 December 2009:

| | Number of shares | Percentage |
|--|------------------|------------|
| ISP - Pensionskassen for Teknikum Ogmingeniorer | 129,000 | 18.4% |
| Pensionskassen for Sygeplejersker | 100,826 | 14.4% |
| Aage V. Jensens Charity Foundation | 100,000 | 14.2% |
| Bank Pension | 100,000 | 14.2% |
| Investeringsfonden for Østeuropa | 65,470 | 9.3% |
| Pensionskassen for Socialradgivere og Socialpaedagoger | 38,848 | 5.5% |

In 2009 the Fund has entered into long term debt financing with major shareholders (Note 18c). The interest rate for the loan is equal to 1 year Euribor plus 5.75% margin.

24. REMUNERATION OF THE MANAGEMENT AND OTHER PAYMENTS

In 2009 and 2008 the management of the Group did not receive any loans or guarantees; no other payments or property transfers were made or accrued.

25. FINANCIAL INSTRUMENTS

25a. Fair values

Set out below is a comparison by category of carrying amount and fair values of all financial instruments carried in the financial statements as of 31 December 2009 and 31 December 2008:

| '000 Euro | Carrying amount | | Fair value | |
|-----------------------------|-----------------|--------|------------|--------|
| | 2009 | 2008 | 2009 | 2008 |
| Financial assets | | | | |
| Cash and cash equivalents | 9,243 | 4,942 | 9,243 | 4,942 |
| Short term deposits | - | 10,569 | - | 10,569 |
| Hedging instruments | - | 209 | - | 209 |
| Other financial assets | 4,587 | 1,659 | 4,587 | 1,659 |
| Financial liabilities | | | | |
| Debts to banks | 57,786 | 62,300 | 57,786 | 62,300 |
| Debts to shareholders | 11,853 | - | 11,853 | - |
| Hedging instruments | 2,827 | 1,470 | 2,827 | 1,470 |
| Other financial liabilities | 801 | 908 | 801 | 908 |

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates, as no market quotations are available for these instruments.

25b. Interest rate risk

The following table sets out the carrying amount by maturity of the Group's financial instruments that are exposed to interest rate risk:

Year ended 31 December 2009

| '000 Euro | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|--------------------|---------------------|-----------|-----------|-----------|-----------|----------------------|----------|
| Fixed rate | | | | | | | |
| Interest rate swap | - | - | - | - | (17,500) | - | (17,500) |
| Bank loan | - | - | - | - | 17,500 | - | 17,500 |
| Interest rate swap | - | - | - | - | (9,500) | - | (9,500) |
| Bank loan | - | - | - | - | 9,500 | - | 9,500 |
| Bank loan | - | - | 30,786 | - | - | - | 30,786 |
| Shareholder loan | - | - | 11,853 | - | - | - | 22,853 |

Year ended 31 December 2008

| '000 Euro | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | More than 5 years | Total |
|---------------------|---------------------|-----------|-----------|-----------|-----------|----------------------|----------|
| Fixed rate | | | | | | | |
| Short term deposits | 10,569 | - | - | - | - | - | 10,569 |
| Interest rate swap | - | - | - | - | - | (17,500) | (17,500) |
| Bank loan | - | - | - | - | - | 17,500 | 17,500 |
| Interest rate swap | - | - | - | - | - | (11,700) | (11,700) |
| Bank loan | - | - | - | - | - | 11,700 | 11,700 |
| Credit line | 33,100 | - | - | - | - | - | 33,100 |

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into interest rate swap ('IRS') and foreign exchange forward contracts ('FX-Forward') with Deutsche Pfandbriefbank AG (in 2008 – also into cross currency swap ('CCS') contracts Hypo Public Finance Bank). The purpose of IRS is to hedge the interest rate risk arising from interest rate fluctuations on the non-current bank loan, as Group's general policy is to have fixed interest expenses. The purpose of CCS and FX-Forwards is to hedge the currency exchange risk arising from RUB/EUR rate fluctuations.

IAS 39 (Financial Instruments: Recognition and Measurement) allows hedge accounting provided that the hedge is expected to be highly effective. In such cases, any gain or loss recorded on the fair value of the financial instrument goes to equity reserves rather than the profit and loss account. Specific documentation on each financial instrument is required to be maintained to ensure hedge accounting principles (Note 16b).

Summary of swap contracts:

| Derivative type | Starting date | Closing date | Notional amount EUR | Fair value in EUR | |
|--|------------------|------------------|---------------------|-------------------|----------------|
| | | | | 2009 | 2008 |
| CCS | 26 April 2007 | 15 April 2009 | 58,365 | - | 209 |
| IRS | 26 April 2007 | 25 April 2014 | 17,500 | - | - |
| IRS | 1 April 2008 | 11 December 2009 | 11,700 | - | - |
| IRS | 11 December 2009 | 25 April 2014 | 9,500 | - | - |
| FX-Forward | 15 April 2009 | 15 January 2010 | 525 | - | - |
| FX-Forward | 15 April 2009 | 15 April 2010 | 525 | - | - |
| FX-Forward | 15 April 2009 | 17 July 2010 | 525 | - | - |
| FX-Forward | 15 April 2009 | 15 October 2010 | 525 | - | - |
| FX-Forward | 15 April 2009 | 18 January 2011 | 525 | - | - |
| FX-Forward | 15 April 2009 | 14 April 2011 | 525 | - | - |
| Derivative financial instruments assets | | | | - | 209 |
| CCS | 26 April 2007 | 15 April 2009 | 58,365 | - | - |
| IRS | 26 April 2007 | 25 April 2014 | 17,500 | (1,480) | (923) |
| IRS | 1 April 2008 | 11 December 2009 | 11,700 | - | (547) |
| IRS | 11 December 2009 | 25 April 2014 | 9,500 | (755) | - |
| FX-Forward | 15 April 2009 | 15 January 2010 | 525 | (117) | - |
| FX-Forward | 15 April 2009 | 15 April 2010 | 525 | (115) | - |
| FX-Forward | 15 April 2009 | 17 July 2010 | 525 | (99) | - |
| FX-Forward | 15 April 2009 | 15 October 2010 | 525 | (91) | - |
| FX-Forward | 15 April 2009 | 18 January 2011 | 525 | (89) | - |
| FX-Forward | 15 April 2009 | 14 April 2011 | 525 | (81) | - |
| Derivative financial instruments liabilities | | | | (2,827) | (1,470) |
| Net value of derivative financial instruments | | | | (2,827) | (1,261) |

26a. Interest rate swap contracts

On 1 April 2008 and on 26 April 2007, Garigalfen Ltd. signed interest rate swap contracts respectively of EUR 11.7 million and EUR 17.5 million with Deutsche Pfandbriefbank AG. The interest rate swap contract of EUR 11.7 million was terminated on 11 December 2009 and replaced with a new IRS agreement with a notional amount of EUR 9,500 thousand. The termination fee of EUR 195 thousand was accounted for under financial expenses (Note 6). The termination is related with a loan prepayment in amount of EUR 2.2 million to Deutsche Pfandbriefbank AG (Note 18a). The interest rate swap contracts are designated as effective cash flow hedge instrument, thus changes in the fair value are accounted for in a separate equity reserve (Note 16b). As at 31 December 2009 and 2008 the fair value was determined by independent valuator Markit Group Limited.

26b. Cross currency swap contracts and foreign exchange forward contracts

On 26 April 2007, Garigalfen Ltd. signed a cross currency swap contract with Hypo Public Finance Bank to sell a fixed amount of RUB and to purchase EUR on a quarterly basis. The cross currency swap was accounted for at fair value as at 31 December 2008, where the fair value was determined by independent valuator Markit Group Limited. No hedge accounting was applied for the cross currency swap contract, thus changes in the fair value were recognised in the profit or loss in 2008. The cross currency swap contract matured on 15 April 2009.

On 15 April 2009 Garigalfen Ltd. signed 8 foreign exchange forward contracts with maturities from 15 July 2009 to 15 April 2011. Two of FX-Forwards have matured during 2009. The notional amount of each agreement is EUR 525 thousand and RUB 27,899 thousand. The FX-Forwards were accounted for at fair value as at 31 December 2009, where the fair value was determined by independent valuator Markit Group Limited. The FX-Forwards are designated as effective cash flow hedge instrument, thus changes in the fair value are accounted for in a separate equity reserve (Note 16b).

Maturity of derivative financial instruments in the Group is specified as follows:

| Maturity | Liabilities | | Assets | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | 2009 '000 Euro | 2008 '000 Euro | 2009 '000 Euro | 2008 '000 Euro |
| Current | (422) | - | - | 209 |
| Non-current | (2,405) | (1,470) | - | - |
| Total | (2,827) | (1,470) | - | 209 |

27. SUBSEQUENT EVENTS

On 29 January 2010 BPT Arista S.A. SICAV-SIF signed a memorandum of understanding with Nordea Bank Finland Plc. with the main provisions of it being repayment of EUR 7,000 thousand of the current loan (Note 18b) and extension of its maturity up to 5 years. In February 2010 BPT Arista S.A. SICAV-SIF repaid EUR 7,000 thousand to Nordea Bank Finland Plc. Lithuania branch.

On 15 March 2010 another memorandum of understanding with Nordea Bank Finland Plc. was signed with the provisions of it being repayment of additional amount of EUR 2,363 thousand, reduction the margin to 5.5% and extension of the deadline for establishment of securities for another 3 months (Note 18d). The repayment was executed on 19 March 2010.

Nordea Bank Finland Plc. Lithuania branch is in the process of formal approval of the changes.

In February 2010 the sole tenant of Arcada-Stroy appealed the decision (Note 22c) of the Arbitration court of Moscow region and the next court session was set to be on 30 March 2010.

28. LIST OF CONSOLIDATED COMPANIES

Subsidiaries included in the consolidated financial statements

| Company name | Registered office | Registration Number | Date of Acquisition | Activity | Share capital |
|----------------------------------|---|---------------------|---------------------|-----------------------|---------------|
| Garigalfen Ltd. | 48, Themistokli Dervi Avenue, Centennial Building, office 501 1066 Nicosia, Cyprus | 187230 | 30 September 2007 | Holding company | 100% |
| Disjune Holdings Ltd. | 48, Themistokli Dervi Avenue, Centennial Building, office 501 1066 Nicosia, Cyprus | 191245 | 30 September 2007 | Shell company | 100% |
| Violerania Ltd. | 48, Themistokli Dervi Avenue, Centennial Building, office 501 1066 Nicosia, Cyprus | 187317 | 30 September 2007 | Holding company | 100% |
| Ikebana Holdings Ltd. | 48, Themistokli Dervi Avenue, Centennial Building, office 501 1066 Nicosia, Cyprus | 191064 | 30 September 2007 | Shell company | 100% |
| LLC Trading Centre "Global City" | 14, Kirovogradskaya St., Moscow, 117 587, Russia | 7726526484 | 30 September 2007 | Asset holding company | 100% |
| JSC Arcada-Stroy | 2A, 1 st Graivoronovskiy proezd, Moscow, 109 518, Russia | 7722502115 | 30 September 2007 | Asset holding company | 100% |
| LLC Citi Pro | Panfilova street, 19, build. 1, Khimki-centre, Khimki, Moscow Region, 141407 Russia | 5047040960 | 18 July 2008 | Asset holding company | 100% |



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