

AS Järvevana

Annual Report

(Translation of the Estonian Original)

Beginning of financial year: 01.01.2011

End of financial year: 31.12.2011

Commercial

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Auditor: AS PricewaterhouseCoopers

Supervisory Board: Tõnu Toomik, Teet Roopalu, Jaan Mäe

Director: Toomas Annus

TABLE OF CONTENTS

MANAGEMENT REPORT.....	3
MANAGEMENT BOARD'S CONFIRMATION.....	8
FINANCIAL STATEMENTS.....	9
STATEMENT OF COMPREHENSIVE INCOME.....	9
STATEMENT OF FINANCIAL POSITION.....	10
STATEMENT OF CHANGES IN EQUITY.....	11
CASH FLOW STATEMENT.....	12
NOTES.....	13
Note 1 Summary of significant accounting policies.....	13
Note 2 General and administrative expenses.....	18
Note 3 Earnings per share.....	18
Note 4 Cash and cash equivalents.....	18
Note 5 Short-term deposits.....	18
Note 6 Trade and other receivables.....	19
Note 7 Loans granted.....	19
Note 8 Property, plant and equipment.....	20
Note 9 Trade and other payables.....	20
Note 10 Short-term provisions.....	20
Note 11 Share capital.....	20
Note 12 Related party transactions.....	21
Note 13 Contingent liabilities.....	22
Note 14 Risks.....	22
Note 15 Number of shares owned by the members of the Supervisory and Management Board and their close relatives.....	24
Note 16 Shareholders with more than 5% ownership.....	24
SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE 2011 ANNUAL REPORT.....	25
INDEPENDENT AUDITOR'S REPORT.....	26
PROFIT ALLOCATION PROPOSAL.....	28

MANAGEMENT REPORT

General information

The company was formed after the demerger from AS Järvevana (former AS Merko Ehitus), as a result of which the complete set of assets related to the business activities of the construction company was separated and transferred to the new AS Merko Ehitus, including all concluded construction contracts, subcontracts and supply contracts, machinery, equipment and employees, all professional know-how and cash flows from uninterrupted, continuous economic activities, except for liabilities arising from the criminal case no. 05913000055, including compensations for damage, penalties and other payables, legal expenses and liquid assets to cover potential liabilities arising from the criminal proceedings in the amount of EUR 16.0 million. The company does not have ordinary economic activities and the only objective of its activities is to protect the interests of the company and shareholders in the long-lasting criminal proceedings related to the land swap.

Operating activities

The company does not have active business operations and its only income is finance income earned on the investment of the company's liquid funds. Between 01.01.2011 and 31.12.2011, AS Järvevana earned finance income in the amount of EUR 0.21 million. The most significant cost article is the legal costs related to the criminal proceedings of the land swap, which made up 36% of the administrative expenses in 2011. A claim against AS Merko Ehitus arising from a collaboration agreement totalled EUR 13.4 million of the company's assets (<http://www.merko.ee/upload/File/Restruktureerimise%20dokumendid/Koost%F6%F6leping%20ENG.pdf>). As at 31 December 2011, one person was employed by AS Järvevana, its Director Toomas Annus, whose remuneration in 2011 amounted to EUR 0.04 million. The Supervisory Board of AS Järvevana consists of 3 members. In 2011, the members of the Supervisory Board were paid remuneration in the amount of EUR 0.01 million. No other compensation was paid to management in 2011. Upon premature termination or non-extension of the authority of the members of the Supervisory Board, no severance pay is paid to the members of the Supervisory Board. The company's activities do not have a seasonal or cyclical nature.

Business risks

Credit risk. As the company does not have ordinary economic activities and related receivables, credit risk arising from accounts receivable is insignificant. As at 31.12.2011, the company did not have any overdue receivables.

As at 31.12.2011, the receivable from AS Merko Ehitus in the amount of EUR 13.4 million arising from the demerger represents the largest credit risk for the company. Management estimates that the credit capacity of AS Merko Ehitus is currently good (as at 31.12.2011, the company's equity ratio was 49.6%, the quick ratio was 1.0). The company's cash is mainly held in Swedbank's overnight deposits.

Interest risk. Due to the company's capital structure, the company does not have interest bearing liabilities and interest risk for the company represents a possible decline in the return on assets. As at 31.12.2011, AS Järvevana had interest bearing assets in the amount of EUR 9.4 million, including short-term bank deposits with maturities of three months or less in the amount of EUR 2.5 million and a loan in the amount of EUR 6.9 million to AS Merko Ehitus. As the company does not have any direct operating activities, the amount and regularity of interest income is relevant for it. One of the priorities of the company in 2012 is the attainment of a better return on assets.

Liquidity risk. Based on the company's structure of assets, its liquidity measures are very good, and the company's management is looking for investment alternatives with longer maturities and better returns for the company's assets.

Foreign exchange risk. From 1 January 2011, Estonia adopted the euro as a national currency which significantly reduced the effect of foreign exchange risk for the company.

Legal risks. Due to different interpretations of contracts, regulations and laws, there is a risk that some buyers, contractors or supervisory authorities deem the company's activities to be in conflict with laws or contracts. Legal risk is one of the largest and most indefinite risks for AS Järvevana's activities. As at 31.12.2011, the company had set up a provision for possible expenses arising from the criminal case related to the land swap in the amount of EUR 1.1 million.

At 3 April 2009, the Public Prosecutor's Office submitted a statement of charges (dated 31.03.2009) against AS Järvevana and Toomas Annus in criminal case no. 05913000055 concerning the land swap (http://www.nasdaqomxbaltic.com/market/?pg=news&news_id=232810).

At 12 November 2009, the judicial proceedings concerning the land swap case commenced at Harju County Court. An overview of the proceedings is available at: http://www.nasdaqomxbaltic.com/market/?pg=details&instrument=EE3100003559&list=3&tab=news&news_id=238437. In the statement of charges, AS Järvevana has been incriminated with five episodes of giving a bribe and the matter has been referred for judicial proceedings to Harju County Court. The subject of proof concerning bribery charges has three elements, the absence of even one of which precludes the necessary elements of criminal offence: (i) promising or giving of a material reward to an official; (ii) illegal act by an official in favour of a person giving a bribe; (iii) equivalence relation between the first and second elements, i.e. giving of a reward to an official for a favourable act. Evidence also needs to be produced against AS Järvevana in the matter that (i) the act was committed by a senior executive of a legal person, and (ii) the act was committed in the interests of the legal person. AS Järvevana has not concluded any land swap transactions described in the statement of charges. These transactions were concluded and hypothetical benefits could have been reaped by independent subsidiaries as legal persons who have not been charged. Even according to the statement of charges, AS Järvevana has never swapped land. It is also evident that the acts could not have been illegal because they had been permitted under § 19 of the Nature Conservation Act which rules out the qualification of a bribery. It has been proven that more than 180 legal transactions have been performed on the same bases and by the same procedure by different persons.

The court has completed the judicial investigation relating to the so-called "land swap case". During the judicial investigation, more than a hundred witnesses were questioned, none of whom mentioned promising or giving a bribe which is element of the subject of proof. All documentary evidence has been disclosed which according to the company's view lacks any kind of information referring to bribe.

The prosecutor has requested AS Järvevana to be punished by a pecuniary punishment of EUR 1.598 million. The requested pecuniary punishment is unusually large and a pecuniary punishment of such magnitude has not hitherto been applied in Estonian court practice. In case of an acquittal, no such financial liabilities arise; on the contrary, the state would have to compensate all reasonable legal fees.

The defence counsel of AS Järvevana has submitted a defence speech on 350 pages for the court and has asked the court to acquit the accused because no criminal offence has been committed. The accused have also presented their closing arguments.

The court of first instance will render its judgment on 22 June or in September 2012. Both counterparties have the right to appeal. Considering the extraordinary volume and complexity of the case, also the court system consisting of three instances, the final judgment is probably not achieved in 2012 but rather in the second half of 2013 or even later.

In case of the judgment of conviction, its entry into force and judicial record, the legal risks consist of pecuniary punishment, which according to the Income Tax Act is also subject to taxation with income tax, and hindrances to participation in public procurement.

The company considers the charges brought against it to be groundless. The Supervisory Board and Management Board of AS Järvevana are convinced that the activities of the company and its governing bodies have been conducted properly and in conformity with the laws of the Republic of Estonia, and that relevant proof can be supplied in the court.

Share and shareholders

The largest shareholders of AS Järvevana as at 31.12.2011

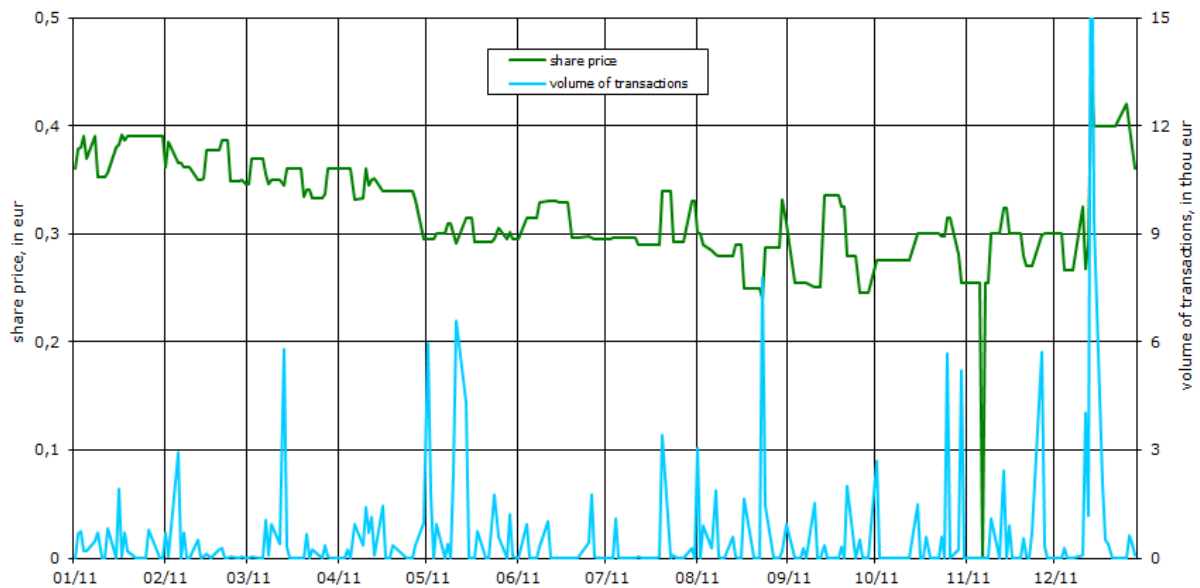
	Number of shares	% of shares
AS Riverito	12,742,686	71.99%
ING Luxembourg S.A., customers	963,376	5.44%
Skandinaviska Enskilda Banken Ab, customers	597,459	3.38%
Tenlion OÜ	217,690	1.23%

Structure of shareholders as at 31.12.2011

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	254	31.40%	12,360	0.07%
101-1,000	302	37.33%	131,001	0.74%
1,001-10,000	177	21.88%	644,494	3.64%
10,001 - 100,000	69	8.53%	2,010,231	11.36%
100,001 - 1,000,000	6	0.74%	2,159,228	12.20%
1,000,001 - ...	1	0.12%	12,742,686	71.99%
Total	809	100%	17,700,000	100%

From 15.09.2009, the shares of AS Järvevana are included in the secondary list of NASDAQ OMX Tallinn Stock Exchange. During the demerger of AS Merko Ehitus, the company's business name was changed to AS Järvevana and from 04.08.2008, the shares of AS Järvevana are traded under the symbol of JRV1T. In 2011, 342 transactions were performed with the shares of AS Järvevana in the course of which 504,016 shares were traded and the total monetary value of transactions was EUR 159,781. The lowest transaction price was EUR 0.24 and the highest transaction price was EUR 0.50 per share. The closing price of the shares as at 30.12.2011 was EUR 0.36.

Dynamics of the price and trading volume of the shares of Järvevana on NASDAQ OMX Tallinn Stock Exchange (last 12 months):



Corporate Governance Code (CGC)

From 2006, the Corporate Governance Code (CGC) which lays down the best practices for managing entities and treating shareholders applies to the issuers of equity securities which are listed on NASDAQ OMX Tallinn Stock Exchange. The CGC principles are recommended to the publicly traded companies and the entities are free to decide whether to follow the main CGC principles or not. The Corporate Governance Code is based on the principle of *follow or explain* according to which an entity shall explain its standpoints and activities with regard to those CGC provisions which it does not follow.

AS Järvevana places great value on the equal treatment of its shareholders, the transparency of the company's management processes as well as the reliability of its activities. This report deals with those CGC principles which AS Järvevana does not follow for technical, economic or other reasons.

I General Meeting of Shareholders

The company's highest governing body is the General Meeting of Shareholders, the authorities of which are regulated by legislation and the articles of association of the company.

The company shall announce the time, place, and agenda of the General Meeting as well as the recommendations of the Supervisory Board with regard to the items on the agenda in a national daily newspaper and through the stock exchange system. The General Meeting shall be held at the place shown in the notice, on a working day and between 9 a.m. and 6 p.m. enabling most of the shareholders to participate in the General Meeting of Shareholders. Any shareholder or his authorised representative may participate at the General Meeting. No picture taking or filming is allowed at the General Meeting, because it may disturb the privacy of shareholders. Participation in the General Meeting cannot be accomplished through the means of communication because there are no reliable ways to identify shareholders and to ensure the privacy of participating shareholders.

On behalf of the company, the Chairman of the Management Board shall participate at the General Meeting of AS Järvevana, and if necessary, members of Supervisory Board shall be involved.

II Management Board

The Management Board of AS Järvevana has one member and the Management Board represents the company and manages its daily operations. A three-year service contract has been concluded with the member of the Management Board and the remuneration of the member of the Management Board shall be disclosed in the company's annual report. Neither share options nor other bonus schemes have been used to motivate the director. Upon premature termination or non-extension of the service contract and under the condition that the member of the Management Board shall not compete with the company, severance pay shall be paid to the member of the Management Board equalling twenty-four-month base remuneration of the member of the Management Board.

III Supervisory Board

The General Meeting of Shareholders shall elect the Supervisory Board. The Supervisory Board shall determine the company's operating strategy, endorse the transactions as authorised by the articles of association, elect the members of the Management Board and monitor the performance of the Management Board during the time the General Meetings are not held. The Supervisory Board of AS Järvevana has three members: Teet Roopalu, Jaan Mäe and Chairman of the Supervisory Board, Tõnu Toomik. The General Meeting of Shareholders shall approve the remuneration of the members of the Supervisory Board. The remuneration of the current Supervisory Board was approved by the General Meeting of Shareholders held at 3 June 2008. Upon premature termination or non-extension of the service contract, no termination benefits are paid to the members of the Supervisory Board.

IV Collaboration of the Management and Supervisory Boards

To ensure that the company's interests are met as best as possible, the Management and Supervisory Boards shall collaborate extensively. At least once a month, a joint regular meeting of the Management Board and the Supervisory Board shall take place, in which the Management Board shall inform the Supervisory Board of significant issues in the company's business operations and the risks impacting them.

V Disclosure of information

In disclosing information, AS Järvevana shall follow the rules and regulations of NASDAQ OMX Tallinn Stock Exchange and immediately disclose important information regarding the company's activities to the shareholders after obtaining reasonable assurance as to its correctness and that the disclosure of such information shall not harm the interests of the company and its business partners.

During the year, AS Järvevana shall not publish the dates for disclosing information, the so-called financial calendar, because the disclosure of reliable dates would incorporate an additional time factor into the dates and endanger the timeliness of disclosures. AS Järvevana shall generally disclose important information regarding the company after the end of the trading day.

AS Järvevana does not have ordinary business operations and the success of the company's activities will depend on the development of the proceedings regarding the charges filed against the company. Management estimates that an objective coverage of the court proceedings is complicated and may hinder successful

arrangement of the work of defence, as a result of which management does not consider it necessary to participate in the presentations and press conferences arranged by analysts and investors. All objective and relevant information related to the company's activities shall be made available through the stock exchange system and the shareholders are able to obtain additional information at the General Meeting of Shareholders.

VI Election of an auditor and auditing the financial statements

The company's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

In electing an auditor, the company shall consider the auditor's independence, competence, reliability and the price of the service offered. The company shall not publish the fees paid for the provision of auditing and consulting services, because such activities may significantly impair the company's ability to obtain the service for a competitive price in the future.

When proposing to elect a new auditor, the Supervisory Board shall also present at the General Meeting its rationale for the change. In extending the contract with the auditor who audited the company in the previous financial year, the Supervisory Board shall acknowledge with its choice that the auditor has fulfilled the expectations laid on him/her and the Supervisory Board is content with the quality of the service provided.

Audit committee

The responsibility of the audit committee is advising the Supervisory Board in supervision related issues. The Committee executes supervision in the areas of: a) accounting procedures, b) preparation and approval of the financial budget and reports, c) management of financial risks, d) performance of external audit, e) functioning of an internal control system and f) legality of the activities.

The Company's Supervisory Board has set up a 3-member audit committee and appointed Aire Ojandu and Alar Lagus as its members and Teet Roopalu as its Chairman. A member of the committee is elected for a term of three years, but at the decision of the Supervisory Board, a member of the committee may be removed before the expiration of his term of office.

The meetings of the audit committee are held not less frequently than once every three months.

MANAGEMENT BOARD'S CONFIRMATION

The member of the Management confirm that according to their best knowledge, the financial statements, prepared in accordance with the accounting standards in force, give a true and fair view of the assets, liabilities, financial position and profit or loss of AS Järvevana, and the management report gives a true and fair view of the development and results of the business activities and financial position of AS Järvevana and contains a description of the main risks and doubts.

Toomas Annus Member of the Management Board



16.04.2012

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

<i>in thousands of euros</i>	<i>Note</i>	2011	2010
General and administrative expenses	2	(220)	(228)
Operating loss		(220)	(228)
Finance income and costs		213	209
incl. interest income		213	209
Net loss for the period		<u>(7)</u>	<u>(19)</u>
Comprehensive loss for the period		<u>(7)</u>	<u>(19)</u>
Earnings per share (basic and diluted, in EUR)	3	(0.00)	(0.00)

The notes set out on pages 13-24 are an integral part of these financial statements.

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STATEMENT OF FINANCIAL POSITION

in thousands of euros

	Note	31.12.2011	31.12.2010
ASSETS			
Current assets			
Cash and cash equivalents	4	2,531	1,266
Short-term deposits	5	-	1,300
Trade and other receivables	6	13,403	13,402
Total current assets		<u>15,934</u>	<u>15,968</u>
Non-current assets			
Property, plant and equipment	8	35	1
Total non-current assets		<u>35</u>	<u>1</u>
TOTAL ASSETS		<u>15,969</u>	<u>15,969</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	29	22
Short-term provisions	10	1,118	1,118
Total current liabilities		<u>1,147</u>	<u>1,140</u>
TOTAL LIABILITIES		<u>1,147</u>	<u>1,140</u>
Equity			
Share capital	11	12,000	11,312
Statutory reserve capital		1,131	1,131
Retained earnings		1,691	2,386
Total equity		<u>14,822</u>	<u>14,829</u>
TOTAL LIABILITIES AND EQUITY		<u>15,969</u>	<u>15,969</u>

The notes set out on pages 13-24 are an integral part of these financial statements.

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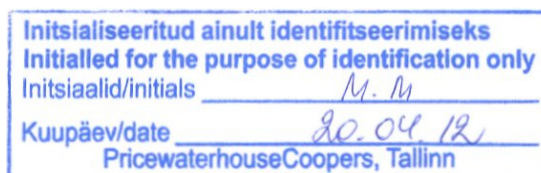
STATEMENT OF CHANGES IN EQUITY

in thousands of euros

	Equity attributable to equity holders of the parent			
	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 31.12.2009	11,312	1,131	2,405	14,848
Comprehensive loss for the period	-	-	(19)	(19)
Balance as at 31.12.2010	11,312	1,131	2,386	14,829
Bonus issue	688	-	(688)	-
Comprehensive loss for the period	-	-	(7)	(7)
Balance as at 31.12.2011	12,000	1,131	1,691	14,822

At the General Meeting of Shareholders held at 28 June 2011, it was decided to translate the share capital of AS Järvevana from EEK 177,000,000 to EUR 11,312,361.79 and increase the share capital of AS Järvevana by way of a bonus issue on account of retained earnings by EUR 687,638.21 by means of increasing the book value of the shares of AS Järvevana, so that the new size of share capital is EUR 12,000,000. It was also decided to take shares without nominal value into use. The share capital of AS Järvevana consists of 17,000,000 registered shares without nominal value.

The notes set out on pages 13-24 are an integral part of these financial statements.

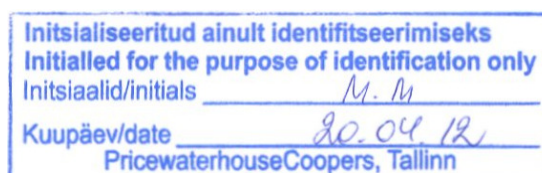


CASH FLOW STATEMENT

in thousands of euros

	Note	2011	2010
Cash flows used in operating activities			
Operating loss		(220)	(228)
Adjustments:			
depreciation	8	7	1
change in accrued holiday pay accrual		2	1
Change in trade and other receivables related to operating activities		3	12
Change in trade and other payables related to operating activities		5	(13)
Total cash flows used in operating activities		<u>(203)</u>	<u>(227)</u>
Cash flows from (used in) investing activities			
Purchase of short-term deposits	5	-	(2,578)
Proceeds from sale of short-term deposits	5	1,300	1,917
Purchase of property, plant and equipment	8	(41)	-
Interest received		209	210
Total cash flows from (used in) investing activities		<u>1,468</u>	<u>(451)</u>
Net increase/decrease in cash and cash equivalents		1,265	(678)
Cash and cash equivalents at beginning of the period		1,266	1,944
Cash and cash equivalents at end of the period	4	<u>2,531</u>	<u>1,266</u>

The notes set out on pages 13-24 are an integral part of these financial statements.



NOTES

Note 1 Summary of significant accounting policies

1.1. General information

The financial statements of AS Järvevana for the year ended 31 December 2011 were signed by the Management Board at 16 April 2012.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board shall be approved at the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and presented by the Management Board and require preparation of a new annual report.

AS Järvevana is a public limited company registered in the Republic of Estonia (Commercial Register no.: 10068022, address: Järvevana tee 9G, Tallinn) and from 1 August 2008, it operates in Estonia. Until 1 August 2008, the company operated in Estonia, Latvia and Lithuania and its main activities were construction and real estate development. After the demerger, the company does not have active operating activities.

The shares of AS Järvevana are included in the Secondary List of NASDAQ OMX Tallinn Stock Exchange. In the course of the demerger process of AS Merko Ehitus, the company's business name was changed to AS Järvevana and from 4 August 2008, the shares of AS Järvevana are traded under the symbol of JRV1T.

1.2. Bases of preparation

The financial statements of Järvevana have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared under the historical cost convention.

Several financial figures are based on management's estimates, including estimates of impairment losses of receivables and provisions. Management's estimates have been made to the best of its knowledge, but they may prove not to be accurate. The effect of changes in accounting estimates is reported in the financial statements in the period in which the change occurred.

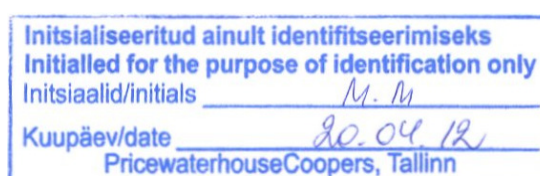
Assets and liabilities are classified as current and non-current in the statement of financial position. Current assets include assets that are expected to be used within the next financial year. Current liabilities include liabilities the due date of which is within 12 months after the balance sheet date. The remaining assets and liabilities are classified as non-current.

Expenses are classified according to their function in the income statement.

At 1 January 2011, the Republic of Estonia joined the euro area and adopted the euro as a national currency, replacing the Estonian kroon. Consequently, the functional currency of the AS Järvevana is the euro from 1 January 2011. The change in the functional currency has been accounted for prospectively. As at 1 January 2011, the company has translated the account balances into euros using the conversion rate of 15,6466 kroon/euro. The primary financial statements and notes are presented in thousands of euros. In the financial statements, the comparatives have been translated from the Estonian kroons into euros using the changeover exchange rate of 15,6466 kroon/euro. As this exchange rate was also the fixed exchange rate prevailing in previous periods, no currency translation differences arose.

1.3. New International Financial Reporting Standards, amendments to published standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

a. Adoption of New or Revised Standards and Interpretations



New or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 are not expected to have a material impact to the company.

b. New Accounting Pronouncements

New or amended standards or interpretations, which are not yet effective, are not expected to have a material impact on the company.

1.4. Management estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge, actual results ultimately may differ from those estimates. However it can be confirmed that seasonality and cyclicalities have no significant impact on the company's business activities in the course of a year. The areas involving a higher degree of management judgement or estimates, and where these have an impact on the financial statements of AS Järvevana, are disclosed below. Changes in management's estimates are reported in the income statement of the period of the change.

The key management estimates include:

Valuation of receivables

In valuation of receivables, each receivable is analysed separately. In determining the need for a complete or partial write-down of receivables, the debtor's financial position, the guarantees provided, the solutions offered to pay off the debt and the previous payment behaviour of the debtor are considered.

Formation of provisions

See section 1.14

1.5. Foreign currency

All currencies other than the functional currency euro are considered to be foreign currencies.

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank (until 31 December 2010, Bank of Estonia) prevailing at the transaction date. Monetary assets and liabilities (receivables and loans to be settled in cash) denominated in foreign currencies as at the balance sheet date are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank (until 31 December 2010, Bank of Estonia) prevailing at the balance sheet date.

Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period.

1.6. Financial assets

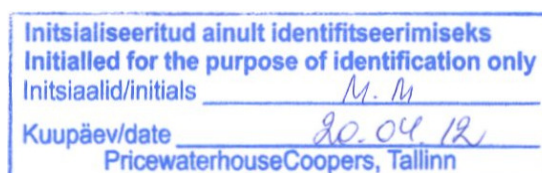
The purchases and sales of financial assets are recognised at the transaction date.

Depending on the purpose for which financial assets were acquired, financial assets are classified into the following categories at the group:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition.

The company does not have any held-to-maturity financial investments, financial assets at fair value through profit or loss and available-for-sale financial assets. The company does not have any derivative transactions either.



Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included within current assets except those with maturities longer than 12 months after the balance sheet date. Such assets are classified as non-current assets. Loans and receivables are initially recognised at fair value net of transaction costs. After initial recognition, the company carries loans and receivables at amortised cost (less any impairment losses), calculating interest income on the receivable in the following periods using the effective interest rate method.

Receivables are valued based on the collectible amounts. Each receivable is assessed separately considering all known information on the solvency of the party to the transaction. Receivables whose collection is improbable are written down during the reporting period.

1.7. Impairment of assets

Financial assets at amortised cost

The company assesses at each balance sheet date whether there is any indication that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (loss events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that is available to the company regarding the following events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it is probable that the debtor will enter bankruptcy;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a financial asset or a group of financial assets, although the decrease cannot yet be measured reliably.

If there is objective evidence that an impairment loss has incurred for loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have already been recognised), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

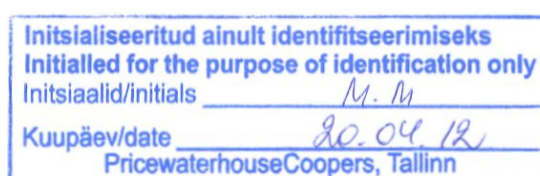
If in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment loss was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Non-financial assets

Assets that are subject to amortisation are reviewed for any indication impairment. If any such indication exists, the recoverable amount of the asset is assessed and compared with the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets that suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date and if necessary, the impairment loss is reversed.

1.8. Property, plant and equipment

An item of property, plant and equipment is an asset used for production, provision of services or administrative purposes over a period longer than one year. The cost consists of the purchase price of the asset and other expenditure incurred in bringing the asset to its operating condition and location.



An item of property, plant and equipment is carried in the statement of financial position at its cost less any accumulated depreciation. Subsequent expenditure incurred for items of property, plant and equipment is recognised as non-current assets when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses at the time they are incurred.

Depreciation is calculated on a straight-line basis over the following useful lives:

- machinery and equipment 2.5-4 years;
- other items of property, plant and equipment 2.5-5 years.

At each balance sheet date, the validity of applied depreciation rates, the depreciation method and the residual values applicable to assets is assessed.

If an item of property, plant and equipment consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and accordingly, separate depreciation rates are set for them depending on their useful lives.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

1.9. Finance and operating leases

Leases of property, plant and equipment which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases. All other leases are recognised as operating leases.

Operating lease payments are reported in the income statement as expenses on an accrual basis over the lease term.

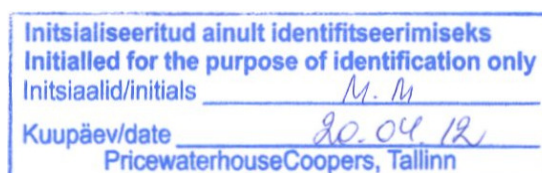
1.10. Financial liabilities

All financial liabilities (trade payables and short and long-term borrowings) are initially recorded at their fair value and are subsequently stated at amortised cost, using the effective interest rate method. The amortised cost of the current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the statement of financial position at their redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

Financial liabilities are classified as current when they are due to be settled within twelve months after the balance sheet date; or the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings that are due within 12 months after the balance sheet date, but that are refinanced after the balance sheet date as non-current, are recognised as current ones. Also, borrowings are classified as current if at the balance sheet date, the lender had the contractual right to demand immediate repayment of the borrowing due to the breach of conditions set forth in the agreement.

1.11. Corporate income tax

According to the Income Tax Act of the Republic of Estonia, legal entities are not subject to income tax on profits earned. Corporate income tax is paid on fringe benefits, gifts, donations, costs of entertaining guests, dividends and payments not related to business operations. Thus there are no differences between the tax bases and the carrying amounts of assets which would give rise to a deferred income tax asset or liability. In 2011, the tax rate on dividends payable is 21/79 (in 2010: 21/79) of the amount paid out as net dividends.



The corporate income tax arising from the payment of dividends is accounted for as a liability and an income tax expense in the period when dividends are announced.

1.12. Revenue

Revenue is recognised at the fair value of the consideration received or receivable.

Revenue arising from interest is recognised according to the effective interest method.

1.13. Cash and cash equivalents

In the statement of financial position and the cash flow statement, cash and cash equivalents comprise highly liquid funds with a low variation in value, such as cash on hand, cash in bank accounts and term deposits with maturities of three months or less.

The indirect method has been used for the preparation of the cash flow statement.

1.14. Provisions and contingent liabilities

Provisions are probable constructive or legal obligations which arise as a result of events occurring before the balance sheet date. Setting up of provisions or increasing existing provisions is recognised as an expense in the income statement of the reporting period.

Provisions are recognised in the statement of financial position based on the best estimate of the management board at the present value of the expenditure expected to be sufficient to settle the obligation. A pre-tax rate of discount is used, which reflects current market valuations of the time value of money and the risks associated with liabilities that are not already included in the best estimate of the related expenses.

Contingent liabilities are those liabilities the realisation of which is less probable than non-realisation and the amount of which cannot be determined reliably. Contingent liabilities are not recognised in the statement of financial position, but they are disclosed in the notes to the financial statements.

1.15. Statutory reserve capital

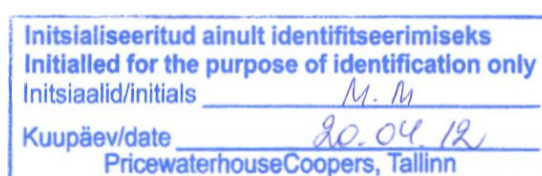
Reserve capital is formed to comply with the requirements of the Commercial Code. During each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

1.16. Events after the balance sheet date

The financial statements of the reporting period include material circumstances affecting the valuation of assets and liabilities which became evident between the balance sheet date and the date of preparing the financial statements but that are related to transactions in the reporting period or previous periods. Material events after the balance sheet date not related to transactions in the reporting period or previous periods are not reported in the statement of financial position but if applicable, they are disclosed in the notes to the financial statements.

1.17. Dividends

The distribution of dividends to the company's shareholders is recognised as a liability in the financial statements in the period in which the payment of dividends is approved by the company's shareholders. According to the profit allocation proposal, dividends will not be paid in 2012. No dividends were paid in 2011.



Note 2 General and administrative expenses

in thousands of euros

	2011	2010
Staff costs	66	56
Legal advisory	80	86
Office expenses, communication and information services	35	36
Depreciation	7	1
Transportation expenses	13	29
Other expenses	19	20
Total general and administrative expenses	220	228

Note 3 Earnings per share

Basic earnings per share for profit attributable to equity holders of the parent have been derived by dividing the net profit attributable to shareholders by the weighted average number of shares.

	2011	2010
Net loss) attributable to shareholders (<i>in thousands of euros</i>)	(7)	(19)
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17,700	17,700
Basic earnings (-loss) per share (<i>in EUR</i>)	(0.00)	(0.00)

In 2010 and 2011, the company did not have any potential ordinary shares to be issued; therefore the diluted earnings per share equal the basic earnings per share.

Note 4 Cash and cash equivalents

in thousands of euros

	31.12.2011	31.12.2010
Short-term bank deposits (with maturities of 1-3 months)	2,531	1,266
Total cash and cash equivalents	2,531	1,266

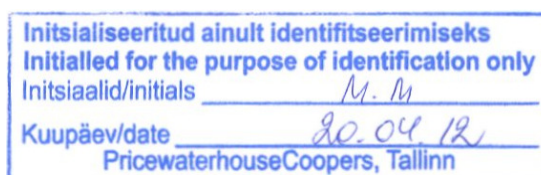
As at 31.12.2011, the average interest on overnight deposits was 0.23% (31.12.2010: 0.15%).

Note 5 Short-term deposits

in thousands of euros

	31.12.2011	31.12.2010
Short-term bank deposits (with maturities of 4-12 months)	-	1,300
Total cash and cash equivalents	-	1,300

As at 31.12.2010, the interest on 6-month bank deposits included within short-term bank deposits was 1.55% and the interest on 9-month bank deposits was 1.70%.



Note 6 Trade and other receivables

in thousands of euros

	31.12.2011	31.12.2010
Tax prepayments excluding corporate income tax value-added tax	2	5
Other short-term receivables		
short-term loans (Notes 7, 12) *	6,945	6,989
interest receivables	19	15
incl. from entities of parent's consolidation group (Note 12)	19	15
other short-term receivables (Note 12) **	6,391	6,391
	<u>13,355</u>	<u>13,395</u>
Prepayments for services		
prepaid insurance	2	2
prepaid legal advisory services	44	-
	<u>46</u>	<u>2</u>
Total trade and other receivables	<u>13,403</u>	<u>13,402</u>

The company has no ordinary business operations and its only income is finance income earned on the investment of the company's liquid funds.

* According to the demerger agreement between AS Järvevana and AS Merko Ehitus, the company granted a loan to AS Merko Ehitus in amount of EUR 7,989 thousand, the balance of which as at 31.12.2011 was EUR 6,945 thousand. The interest rate is 3.177% per annum from 1.08.2011.

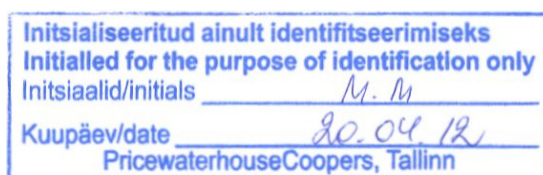
** In the demerger agreement AS Järvevana and AS Merko Ehitus agreed that AS Järvevana has the right to sell and AS Merko Ehitus the obligation to purchase 5 registered immovables with total transaction price of EUR 6,391 thousand. The respective right is recognised as a short-term receivable in the statement of financial position of AS Järvevana.

Note 7 Loans granted

in thousands of euros

	2011	2010
Loans granted to entities of parent's consolidation group		
Loan balance at the beginning of the year (Notes 6, 12)	6,989	6,989
Collected	(44)	-
Loan balance at the end of the year	6,945	6,989
incl. current portion (Notes 6, 12)	6,945	6,989

Average effective interest rate 2.80% (2010: 2.38%).



Note 8 Property, plant and equipment

in thousands of euros

Machinery and equipment

Carrying amount at 31.12.2009	<u>2</u>
Depreciation	(1)
Carrying amount at 31.12.2010	<u>1</u>
Acquisition	41
Depreciation	(7)
Carrying amount at 31.12.2011	<u>35</u>

Note 9 Trade and other payables

in thousands of euros

	31.12.2011	31.12.2010
Trade payables	18	14
Payables to employees	7	5
wages and salaries payable	4	4
holiday pay liability	3	1
Tax liabilities, except for corporate income tax	4	3
personal income tax	1	1
social security tax	3	2
Total trade and other payables	<u>29</u>	<u>22</u>

Note 10 Short-term provisions

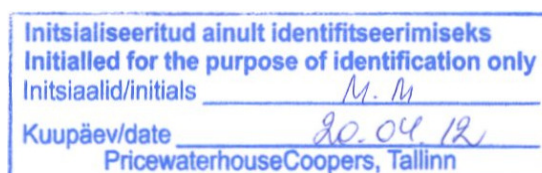
in thousands of euros

	2011	2010
Provision for costs associated with judicial proceedings		
Residual value at beginning of the year	1,118	1,118
Balance at end of the year (Note 12)	<u>1,118</u>	<u>1,118</u>
Total short-term provisions	<u>1,118</u>	<u>1,118</u>

Note 11 Share capital

At the General Meeting of Shareholders held at 28 June 2011, it was decided to translate the share capital of AS Järvevana from EEK 177,000,000 to EUR 11,312,361.79 and increase the share capital of AS Järvevana by way of a bonus issue on account of retained earnings by EUR 687,638.21 by means of increasing the book value of the shares of AS Järvevana, so that the new size of share capital is EUR 12,000,000. It was also decided to take shares without nominal value into use. The share capital of AS Järvevana consists of 17,000,000 registered shares without nominal value.

Additional information is disclosed in Note 14 under the section *Capital management*.



Note 12 Related party transactions

in thousands of euros

In the financial statements, the following entities have been considered as related parties:

- parent AS Riverito;
- shareholders of AS Riverito with significant influence over AS Järvevana through AS Riverito;
- other shareholders with significant influence;
- other subsidiaries of AS Riverito, entities of parent's consolidation group;
- associates and joint ventures;
- key members of management (supervisory and management board) and their close relatives;
- entities sharing key management personnel with AS Järvevana.

Significant influence is presumed to exist when a person has more than 20% of the voting power.

The parent of AS Järvevana is AS Riverito. As at 31.12.2011 and 31.12.2010, AS Riverito owned 72% of the shares of AS Järvevana. The ultimate controlling party of the group is Mr Toomas Annus.

Goods and services

in thousands of euros

	2011	2010
Purchased services		
Parent's consolidation group entities	14	14
Total purchased services	14	14

Interest income from loans granted

in thousands of euros

	2011	2010
Interest income		
Parent's consolidation group entities	193	169
Total interest income	193	169

Balances with the related parties

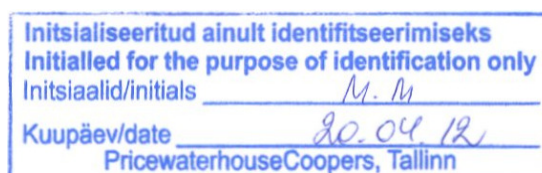
in thousands of euros

	31.12.2011	31.12.2010
Trade and other receivables		
Short-term loans		
Parent's consolidation group entities (Notes 6, 7)	6,945	6,989
Interest receivables		
Parent's consolidation group entities (Note 6)	19	15
Other short-term receivables		
Parent's consolidation group entities (Note 6)	6,391	6,391
Trade payables		
Parent's consolidation group entities	3	3

No allowances for impairment losses have been set up for receivables from related parties in 2011. Related party transactions have been concluded on an arm's length basis.

Remuneration of the members of the Supervisory and Management Boards

In 2011, the gross remuneration of the members of the Supervisory Board of AS Järvevana totalled EUR 8 thousand (2010: EUR 8 thousand) and the gross remuneration of the member of the Management Board totalled EUR 38 thousand (2010: EUR 31 thousand). No other compensation was paid to management in 2011.



Termination benefits of members of the Supervisory and Management Boards

Upon premature removal or termination of authority of the members of the Supervisory and Management Boards, if a new agreement is not concluded, the company has the obligation to pay compensation totalling EUR 77 thousand.

Note 13 Contingent liabilities

As at 31.12.2011, it is possible to pay out dividends to shareholders from retained earnings (taking into account the proposed decision to increase statutory reserve capital to the amount required by law) in the amount of EUR 1,281 thousand and the corresponding income tax would amount to EUR 341 thousand. As at 31.12.2010, it would have been possible to pay out dividends to shareholders from retained earnings in the amount of EUR 1,885 thousand and the corresponding income tax would have amounted to EUR 501 thousand.

For contingent liabilities related to the criminal proceedings, please refer to subsection on legal risks in Note 14.

Note 14 Risks

Credit risk

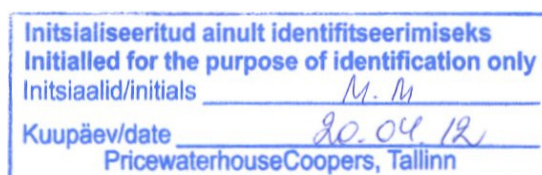
Credit risk relates to potential losses which would occur if the parties to the contract are unable to fulfil their contractual obligations. Cash is mostly held in overnight deposits at Swedbank. Swedbank AS does not have separate rating by Moody's. The parent company of Swedbank AS - Swedbank AB has rating A2 by Moody's. Management estimates that the company is not exposed to significant credit risk.

Financial assets <i>in thousands of euros</i>	Allocation by due date		Carrying amount
	1-12 months	2-5 years	
31.12.2011			
Cash and cash equivalents (Note 4)	2,531	-	2,531
Short-term deposits (Note 5)	-	-	-
Other short-term receivables (Note 6)	6,391	-	6,391
Loans granted (Note 7)	6,945	-	6,945
Interest receivables (Note 6)	19	-	19
Total	15,886	-	15,886
31.12.2010			
Cash and cash equivalents (Note 4)	1,266	-	1,266
Short-term deposits (Note 5)	1,300	-	1,300
Other short-term receivables (Note 6)	6,391	-	6,391
Loans granted (Note 7)	6,989	-	6,989
Interest receivables (Note 6)	15	-	15
Total	15,961	-	15,961

Of the loans granted, EUR 7 million (31.12.2010: EUR 7 million) and of the receivables, EUR 6.4 million (31.12.2010: EUR 6.4 million) are made up of loans to the parent's consolidation group entities, of whose economic activities the company has a good overview and therefore, no additional collateral has been required.

Interest risk

Due to the company's capital structure, the company does not have any interest bearing liabilities and interest risk for the company represents a possible decline in the return on assets. As at 31.12.2011, AS Järvevana had interest bearing assets in the amount of EUR 9.5 million, including short-term bank deposits with maturities of three months or less in the amount of EUR 2.5 million and a loan in the amount of EUR 7 million to AS Merko



Ehitus. As the company does not have any direct operating activities, the amount and regularity of interest income is relevant for it. One of the priorities of the company in 2012 is attainment of a better return on assets.

Foreign exchange risk

Until 31.12.2010, the company's functional currency was the Estonian kroon, which was pegged to the euro. From 1 January 2011, Estonia adopted the euro as the national currency. The company's financial assets and financial liabilities are denominated in euros. Therefore, the company does not have significant foreign exchange risk.

Liquidity risk

The company's liquidity or solvency represents its ability to settle its liabilities to creditors on time. As at 31.12.2011, the company's current ratio was 13.9 (31.12.2010: 14.0) and the quick ratio 13.9 (31.12. 2010: 14.0), because the company holds no inventory.

Financial liabilities

in thousands of euros

	Allocation by due date		Total	Carrying amount
	1-3 months	4-12 months		
31.12.2011				
Liabilities				
Trade payables (Note 9)	18	-	18	18
Payables to employees (Note 9)	7	-	7	7
Total	25	-	25	25
31.12.2010				
Liabilities				
Trade payables (Note 9)	14	-	14	14
Payables to employees (Note 9)	5	-	5	5
Total	19	-	19	19

Capital management

The Commercial Code of the Republic of Estonia specifies the following requirements for share capital of the entities registered in Estonia:

- the minimum share capital of a public limited company shall be at least EUR 25 thousand;
- the net assets of a public limited company shall be at least one half of the company's share capital but not less than EUR 25 thousand.

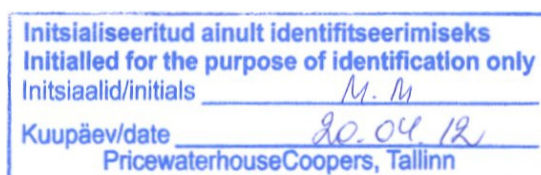
The size of share capital or its minimum and maximum amounts are set out in the articles of association of a public limited company whereas the minimum share capital shall equal at least ¼ of maximum share capital.

According to the current articles of association of AS Järvevana, the company's share capital consists of 17,700 thousand registered shares without nominal value and without amending the articles of association of the public limited company, changes can be made to the company's share capital within the range of EUR 6,000 – 24,000 thousand. As at 31.12.2011, the share capital of AS Järvevana was EUR 12,000 thousand (31.12.2010: 11,312 thousand) and the net assets were EUR 14,822 thousand (31.12.2010: 14,829 thousand) and therefore, the company's share capital and equity were in compliance with the requirements established in the Republic of Estonia.

Legal risk

At 3 April 2009, the Prosecutor's Office submitted a statement of charges (dated 31.03.2009) against AS Järvevana and Toomas Annus in criminal case no. 05913000055 related to land swap.

At 12 November 2009, the judicial proceedings concerning the land swap case commenced at Harju County Court. The summary of proceedings: In the statement of charges, AS Järvevana has been incriminated with five episodes of giving a bribe and the matter has been referred for judicial proceedings to Harju County Court. The subject of proof concerning the bribery charges has three elements, the absence of even one of which precludes the necessary elements of the criminal offence: (i) promising or giving of a material reward to an official; (ii) illegal act by an official in favour of a person giving a bribe; (iii) equivalence relation between the first and second elements, i.e. giving of a reward to an official for a favourable act. Evidence also



needs to be produced against AS Järvevana in the matter that (i) the act was committed by a senior executive of a legal person, and (ii) the act was committed in the interests of the legal person. AS Järvevana has not concluded any land swap transactions described in the statement of charges. These transactions were concluded and hypothetical benefits could have been reaped by independent subsidiaries as legal persons who have not been charged. Even according to the statement of charges, AS Järvevana has never swapped land. It is also evident that the acts could not have been illegal because they had been permitted under § 19 of the Nature Conservation Act which rules out the qualification of a bribe. It has been proven that more than 180 legal transactions have been performed on the same bases and by the same procedure by different persons.

The court has completed the judicial investigation relating to the so-called "land swap case". During the judicial investigation, more than a hundred witnesses were questioned, none of whom mentioned promising or giving a bribe which is element of the subject of proof. All documentary evidence has been disclosed which according to the company's view lacks any kind of information referring to bribe.

The prosecutor has requested AS Järvevana to be punished by a pecuniary punishment of EUR 1.598 million. The requested pecuniary punishment is unusually large and a pecuniary punishment of such magnitude has not hitherto been applied in Estonian court practice. In case of an acquittal, no such financial liabilities arise; on the contrary, the state would have to compensate all reasonable legal fees.

The defence counsel of AS Järvevana has submitted a defence speech on 350 pages for the court and has asked the court to acquit the accused because no criminal offence has been committed. The accused have also presented their closing arguments.

The court of first instance will render its judgment on 22 June or in September 2012. Both counterparties have the right to appeal. Considering the extraordinary volume and complexity of the case, also the court system consisting of three instances, the final judgment is probably not achieved in 2012 but rather in the second half of 2013 or even later.

In case of the judgment of conviction, its entry into force and judicial record, the legal risks consist of pecuniary punishment, which according to the Income Tax Act is also subject to taxation with income tax, and hindrances to participation in public procurement.

The company considers the charges brought against it to be groundless. The Supervisory Board and Management Board of AS Järvevana are convinced that the activities of the company and its governing bodies have been conducted properly and in conformity with the laws of the Republic of Estonia, and that relevant proof can be supplied in the court.

As at 31.12.2011, a provision has been set up for possible costs arising from different legal disputes in the amount of EUR 1,118 thousand (31.12.2010: EUR 1,118 thousand), (Note 10).

Fair value

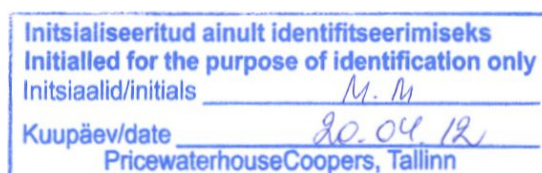
The carrying amounts of financial assets and financial liabilities do not significantly differ from their fair values.

Note 15 Number of shares owned by the members of the Supervisory and Management Board and their close relatives

As at 31.12.2011, neither the members of the Supervisory Board and Management Board of AS Järvevana nor their close relatives owned any shares of AS Järvevana, except for Toomas Annus and Tõnu Toomik through AS Riverito.

Note 16 Shareholders with more than 5% ownership

	Shares	Ownership %
AS Riverito	12,742,686	71.99
ING Luxembourg S.A. customers	963,376	5.44



SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE 2011 ANNUAL REPORT

The Management Board of AS Järvevana has prepared the management report, financial statements and the profit allocation proposal for 2011.

Toomas Annus Member of the Management Board



16.04.2012

The Supervisory Board has reviewed the Annual Report which consists of the management report and the financial statements prepared by the Management Board, and which also includes the auditor's report and the profit allocation proposal, and approved it for presentation at the General Meeting of Shareholders.

Tõnu Toomik Member of the Supervisory Board



26.04.2012

Teet Roopalu Member of the Supervisory Board



26.04.2012

Jaan Mäe Member of the Supervisory Board



26.04.2012



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Järvevana

We have audited the accompanying financial statements of AS Järvevana (the Company), which comprise the statement of financial position as of 31 December 2011 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation, and true and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Tiit Raimla', written in a cursive style.

Tiit Raimla
Auditor's Certificate No.287

A handwritten signature in blue ink, appearing to read 'Märten Padu', enclosed within a large, hand-drawn oval shape.

Märten Padu
Auditor's Certificate No.513

20 April 2012

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

PROFIT ALLOCATION PROPOSAL

in euros

Total retained earnings as at 31.12.2011 **1,691,012**

The Management Board proposes to allocate retained earnings as follows:

Transfer into statutory reserve capital 68,764

Balance of retained earnings after profit allocation: **1,622,248**

Toomas Annus Member of the Management Board



16.04.2012